

CEMEX UK OPERATIONS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2012

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Company Number 658390

CEMEX UK OPERATIONS LIMITED

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 December 2012.

Principal activity

Throughout 2012, CEMEX UK Operations Limited continued to provide construction customers across the UK with high quality building materials, in its own name, and through a number of group companies acting as its agents (See page 35 for details)

Business review

CEMEX, S A B de C V is a global building materials company with a presence in more than 50 countries. It started out as a local cement producer in Mexico in 1906. We have since grown to become one of the largest building materials providers in the world. We produce, distribute and market cement, readymixed concrete, aggregates and related products to customers in more than 50 countries, and employ approximately 44,000 people worldwide.

CEMEX UK Operations Limited is the principal CEMEX trading company in the United Kingdom. Its principal operation in 2012 continued to be extraction, processing and distribution of building materials across a national supply network of over 360 operating sites.

As of 31 December 2012, the Company operated 2 cement plants and a clinker blending and grinding facility in the United Kingdom. As of that date, the Company also owned, either directly or through its agents, 4 cement import terminals, 209 readymixed concrete plants and 57 aggregate operational sites, in addition to asphalt, concrete blocks, concrete block paving, railway sleepers, flooring and other precast operating units. The Company also operates a paving solutions contracting business.

During 2012 we continued to sell cement in both bulk and bags. The bulk cement was primarily sold for use in readymixed concrete, and to concrete block and precast product customers, while our bagged cements were primarily sold to builders merchants.

In 2012, our UK aggregates sales included sand and gravel, limestone and hard stone. A proportion of our aggregates were obtained from marine sources along the UK coast. In 2012, part of our UK aggregates production was consumed by our own readymixed concrete operations as well as by our asphalt, paving solutions, concrete block and precast operations. We also sell aggregates to major contractors for use in the built environment and infrastructure projects.

Our readymixed concrete is mainly sold to contractors for use in schools, hospitals, housing, infrastructure and commercial buildings projects. In 2012, our readymixed concrete division purchased most of its cement and aggregates requirements from our cement and aggregates operations respectively.

In addition to aggregates, cement and readymixed concrete, the Company also produces mortar, asphalt and concrete products, including blocks, paving, flooring and railway sleepers.

CEMEX UK OPERATIONS LIMITED

Directors' report *continued*

Business review *continued*

Market conditions

In 2012 the construction market suffered a sharp downturn resulting in reduced volumes in all of our key business areas of between 7% and 12%

The public sector, which accounts for one-third of total construction, continued to decline due to the impact of the Government's austerity measures. After two years of decline The Construction Products Association is forecasting a further fall of 7% in 2013. Private sector construction is more varied, although most market segments continued to decline as economic uncertainty undermined investment decisions. Private housing was the one area to buck the trend with some small growth in 2012. However, overall construction is not expected to make any recovery until 2014, driven primarily by private sector growth and some public infrastructure and social housing investment.

Performance and focus

In 2012 the Company maintained its market position, despite a challenging environment, in particular with regards to pricing, volumes and rising energy and other input costs.

The Company made some further small adjustments to the structure of its business to reflect the new market reality, including some further redundancies. As part of a CEMEX global programme the Company announced that it would be outsourcing some of its back-office functions to IBM commencing in 2013. The Company continued its asset rationalisation, including the sale of the majority of its interest in CEMEX Angling.

Aggregates

The Aggregates business continued to focus on minimising production costs and aligning its operational footprint with the changing requirements of the Cement and Readymix divisions. The business continued its disposal of non-strategic aggregates assets in 2012 and anticipates further divestments in 2013.

Cement

The Company's cement operations enhanced its position as the UK cement industry's leading consumer of alternative fuels, achieving record levels of ClimaFuel usage as well as securing a long term ClimaFuel supply agreement.

Readymixed concrete

In 2012 the Readymix business invested significantly in its sales force with launch of the UK Commercial Academy and the Helping to Build a Greater Britain customer initiative. The business' priorities during 2012 included effective cost control and ensuring its plant network is focused on sustainable markets locations, including taking full control of a joint venture in east and south east of England.

Building Products

Following the sale of the Company's roof tile manufacturing operations in late 2011 the Building Products business focused on managing its cost base, introducing new block products and the continued success of its rail products.

CEMEX UK OPERATIONS LIMITED

Directors' report *continued*

Business review *continued*

Sustainable development

The Company continued its partnership with the Royal Society for the Protection of Birds (RSPB), who provided guidance and advice on implementation of its Biodiversity Strategy to enrich nature. With the support of the RSPB, the Company has committed to challenging targets covering its operations in the UK, including the creation and maintenance of 1,000 hectares of priority biodiversity habitats by 2020. Good progress is being made towards reaching this commitment with over 100 hectares restored in 2012.

The Company continued to promote its Carbon Footprint Calculator, applicable across all of our products, encouraging customers to better understand and specify their requirements to optimise the CO₂ impacts of the products and solutions we supply. We continue to lead the industry by carbon labelling our packed cements to a recognised standard, PAS2050.

In 2012 the Company also replaced 59% of the traditional fossil fuels used to heat its cement kilns with alternative fuels up from 56% in 2011. This is considerably more than the UK sector average (2011 was just under 40%). Based on the renewable organic materials content in the alternative fuels referred to as biomass, the Company saved around 220,000 tonnes of CO₂ over a 12 month period across its cement plants. Since 2005 we have used over 1 million tonnes of alternative fuels and in doing so saved over 850,000 tonnes of primary fossil fuels. The Company is a net user of waste. All products continue to be 'responsibly sourced' to BES6001 at the 'Very Good' level.

Employees

At the end of 2012, our voluntary employee turnover rate was 4%. We aim to increase diversity and at the end of the year, about 21 nationalities were represented in our workforce and 13% were women.

Under our Diversity and Equality policy, our employees have the right to be treated equally, and with dignity and respect by their colleagues.

Applications for employment by disabled persons are considered fully, bearing in mind the aptitudes of the applicant concerned and any reasonable adjustments that might need to be made. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues either by making any reasonable adjustments, or redeployment which would include appropriate re-training. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

A well trained workforce is key to our success. During 2012 on average, we provided 22 hours of training per employee. We continued to develop skills using a variety of channels, including on-the-job-training and on-line learning, including 27 sponsored further education courses, 40 National Vocational Qualifications and 169 individual on-line learning opportunities.

Employees are kept informed via weekly newsletters, quarterly printed newsletters which are posted to all employees, quarterly audio webcasts to promote more frequent two way dialogue between top management and employees and annual road shows across the country by the UK President.

The defined benefit pension scheme was closed to future accrual for all members with effect from 1 March 2012.

CEMEX UK OPERATIONS LIMITED

Directors' report *continued*

Business review *continued*

Awards presented in 2012

CEMEX UK Operations Limited received 7 CEMEX Global Health and Safety Awards in recognition of our performance in 2012, more than any other country within the Group. The business also excelled in the RoSPA Occupational Health and Safety Awards, with our Readymix business winning the Mines and Quarries Sector Award for the second consecutive year. Our Aggregate operations were commended in the same sector, whilst our Marine operations were commended in the Transport, Storage and Distribution Sector. In addition we were also presented with 2 RoSPA President's Awards, recognising 10 or more years of health and safety success, 2 Gold Medals and 5 other Awards.

In the Annual Mineral Products Association (MPA) Awards we were particularly pleased to win the Contractors Safety Trophy in partnership with one of our suppliers, contractor safety being a priority focus area not only for the Company but also for the wider industry. In total entries from 7 areas of the business were recognised in these prestigious industry Awards in 2012.

Company goals and strategy

Building products are essential for the development of sustainable communities, and the Company plays a key role in creating and maintaining Britain's built environment, including homes, hospitals, offices, schools and infrastructure.

The Company will continue to face a challenging market environment in 2013. We are confident that we will deliver improved returns on the capital employed through a new approach to the pricing of our materials, customer service innovation, and asset rationalisation together with a continuous improvement in the efficiency of our operations.

Servicing our customers is at the centre of our strategy and we will endeavour to be the best constructions solutions provider.

The Company will continue to deliver the highest standards in Health and Safety by providing the right working environment for our employees and contractors while promoting that each and every one continue to be proactive guardians of their own and their colleagues' safety.

The Company continues to embrace the sustainability challenges faced by our sector. We work beyond regulatory requirements through proactive innovation both in terms of our own operational performance but also solutions for customers, for example promoting lower carbon materials. We will build on the leading progress made on increasing alternative fuels use in our cement manufacturing, while optimising resource efficiency relating to energy, water and waste. In addition, we continue with our commitments to protect and enhance the biodiversity of our sites through our partnership with the RSPB.

The Company plans to invest, not only to make sure we grow by aligning our assets with market opportunities, but also by securing the long term viability of our business. Similarly, we will continue to review our asset portfolio and footprint to make sure we maximise our returns in line with market growth.

CEMEX UK OPERATIONS LIMITED

Directors' report *continued*

Business review *continued*

The high level key financial indicators used by management to measure the performance of the business are CVA (Cash Value Added) and ROCE (Return On Capital Employed), supplemented by sales volumes, turnover, margin, profit and net cash flow. The Company also uses non-financial key performance indicators to monitor employee engagement, environmental compliance and health and safety performance, including tracking the number of lost time injuries and HSE reportable incidents. In 2012 there were 15 lost time injuries.

Results and dividend

The profit for the year attributable to shareholders was £75,159,000 (2011 £4,626,000 loss) which was transferred to reserves.

The directors do not recommend payment of a final dividend to ordinary shareholders (2011 £nil).

During the year, 150,000,000 £1 ordinary shares were issued at par.

Interests in land

In the opinion of the directors, the current open market value of the Company's land interests significantly exceeds the amount at which the assets are included in the balance sheet at 31 December 2012, however it is not practicable to value these assets on an annual basis.

Directors

The directors who served during and since the end of the year are as shown below:

C A Leese
I Madrdejos
J Gonzalez
D M J O'Donnell
L H Russell
J A Smalley (appointed 8 October 2012)
C Uruchurtu
L Zea

Financial Instruments

The Company uses financial instruments, comprising borrowings, cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's business. The company has not entered into any derivative transactions.

The main risks affecting the Company arising from the group's financial instruments are credit risk on trade debts, interest rate risk on its borrowings and exchange gains or losses on monetary assets and liabilities in foreign currencies.

CEMEX UK OPERATIONS LIMITED

Directors' report *continued*

Payment policy	The Company has a policy to settle the terms of payment with its suppliers when agreeing the terms of each transaction, ensures that those suppliers are made aware of the terms of payment, and abides by the terms of payment. Settlement of amounts payable to these suppliers is made through the Company's agents as set out in note 30.
Donations	The Company made charitable donations of £52,686 (2011 £82,343) and no political donations during the year (2011 £nil).
Disclosure of information to auditors	The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the board of directors on *16 September* 2013 and signed on its behalf by



J A Smalley
Director
CEMEX House, Coldharbour Lane, Thorpe, Egham, Surrey TW20 8TD

CEMEX UK OPERATIONS LIMITED

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

CEMEX UK OPERATIONS LIMITED

Independent auditor's report to the members of CEMEX UK Operations Limited

We have audited the financial statements of CEMEX UK Operations Limited for the year ended 31 December 2012 set out on pages 10 to 35. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on, financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and,
- have been prepared in accordance with the requirements of the Companies Act 2006.

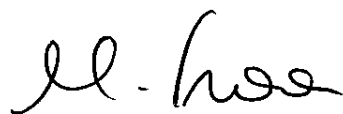
Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in terms of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Michael Froom (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

18 SEPTEMBER

2013

CEMEX UK OPERATIONS LIMITED

Profit and loss account for the year ended 31 December 2012

		2012	2011
	Notes	£000	£000
Turnover	3	714,207	774,450
Cost of sales		(526,080)	(564,564)
Exceptional cost of sales	4	-	(2,350)
Total cost of sales		(526,080)	(566,914)
Gross profit		188,127	207,536
Distribution costs		(136,985)	(149,232)
Exceptional distribution costs	4	-	(851)
Total distribution costs		(136,985)	(150,083)
Administrative expenses		(83,237)	(94,483)
Exceptional administrative expenses	4	-	(2,414)
Total administrative expenses		(83,237)	(96,897)
Other operating income	6	2,996	13,024
Exceptional other operating income	7	85,500	32,339
Total other operating income		88,496	45,363
Operating profit		56,401	5,919
Non-operating exceptional items			
Profit on disposal of fixed assets		14,678	7,968
Profit on sale of business		-	2,386
Amounts written off investments		(7,155)	-
Income from shares in group undertakings and participating interests		22,776	585
Interest receivable and similar income	8	12,744	5,204
Interest payable and similar charges	9	(24,285)	(17,436)
Profit on ordinary activities before taxation	10	75,159	4,626
Tax on profit on ordinary activities	11	-	-
Retained profit for the financial year	25	75,159	4,626

These results are derived wholly from continuing operations

The notes on pages 14 to 35 form part of these financial statements

CEMEX UK OPERATIONS LIMITED

Balance sheet as at 31 December 2012

			2012	2011
	Notes	£000	£000	£000
Fixed assets				
Intangible assets	12	140		394
Tangible assets	13	612,281		651,353
Investments in group undertakings	14	115,009		80,800
Investments in participating interests	15	102		116
			727,532	732,663
Current assets				
Stocks	16	45,897		44,559
Debtors amounts falling due within one year	17	163,075		157,188
Debtors amounts falling due after more than one year	17	549,649		243,392
Total debtors		712,724		400,580
Cash at bank and in hand		22,019		25,060
		780,640		470,199
Creditors				
amounts falling due within one year	18	(276,410)		(235,711)
Net current assets			504,230	234,488
Total assets less current liabilities			1,231,762	967,151
Creditors				
amounts falling due after more than one year	19		(406,724)	(273,710)
Provisions for liabilities				
Deferred tax	21	-		-
Other provisions	22	(141,404)		(141,202)
			(141,404)	(141,202)
Net assets before net pension liability			683,634	552,239
Net pension liability	23		(133,800)	(244,400)
Net assets			549,834	307,839
Capital and reserves				
Called up share capital	24		913,081	763,081
Profit and loss account	25		(363,247)	(455,242)
Equity shareholders' funds			549,834	307,839

The financial statements on pages 10 to 35 were approved by the Board of Directors on 16 September 2013 and signed on its behalf by


L Zea
Director

COMPANY NUMBER 658390

CEMEX UK OPERATIONS LIMITED

Statement of total recognised gains & losses *for the year ended 31 December 2012*

	2012 £000	2011 £000
Profit for the financial year	75,159	4,626
Actuarial gain / (loss) on pension scheme	<u>16,000</u>	<u>(10,900)</u>
Total gains and losses	<u>91,159</u>	<u>(6,274)</u>

CEMEX UK OPERATIONS LIMITED

Reconciliation of shareholders' funds *for the year ended 31 December 2012*

	£000
At 1 January 2011	246,232
Retained profit for the financial year	4,626
Actuarial loss on pension scheme	(10,900)
Share based payments	(100)
Issue of share capital	67,981
	<hr/>
At 31 December 2011	307,839
Retained profit for the financial year	75,159
Actuarial gain on pension scheme	16,000
Share based payments	836
Issue of share capital	150,000
	<hr/>
At 31 December 2012	549,834

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements

1. Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company is principally funded by parent company loans, and a fellow group undertaking has agreed to provide commercial and financial support to the Company for the period extending until at least 31 October 2014. Therefore they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Turnover

Turnover comprises sales of materials for use in the construction industry at invoiced values excluding value added tax but inclusive of aggregate levy where applicable. Turnover is recognised at the point that goods are despatched and invoiced

Consolidated financial statements

As the Company is a wholly owned subsidiary of CEMEX España S.A. and is included in its consolidated financial statements, which are publicly available, the Company has taken advantage of section 400 of the Companies Act 2006 and consolidated financial statements have not been prepared. The financial statements include information about the Company as an individual undertaking and not its group

Depreciation

Depreciation is calculated to write off the cost or valuation of tangible fixed assets over their expected useful lives using the straight-line basis. The expected useful lives of the assets of the business are reassessed periodically in the light of experience. The straight-line annual rates of depreciation most widely used are

Land & buildings	Buildings & infrastructure 2% to 20%
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Land is not depreciated. The cost of mineral deposits is depreciated in proportion to the volume of mineral reserves consumed in the period

Plant, machinery & equipment	Plant & machinery 2.8% to 10%
	Computers & communication equipment 10% to 33.3%
	Office equipment 10% to 14%

Motor vehicles are depreciated at rates from 10% to 20%

Assets under construction are not depreciated

Disposals of land and buildings

Disposals of properties are included when contracts have been exchanged and completed before the end of the financial year

Share based payments

Share based incentive arrangements are provided to certain employees under group savings related schemes. Share options granted to employees and other share based arrangements put in place since 7 November 2002 are valued at the date of grant or award using an appropriate pricing model and are charged in the profit and loss account over the vesting period of the scheme. The annual charge is modified to take account of shares forfeited by employees who leave during the vesting period

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

1. Principal accounting policies *continued*

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised in the balance sheet and amortised on the straight-line basis through the profit and loss account over 20 years or the estimated useful life of the businesses acquired if lower

Investments

Investments are held at cost less provisions required to reduce their carrying values to their recoverable amounts

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term

Finance leases

Assets held under finance leases are included in fixed assets and the capital elements of the commitments are shown as obligations under finance leases. Payments under such leases are treated as consisting of capital and interest elements. The interest element is charged to the profit and loss account over the lease term in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over their useful lives or the lease term if shorter

Provisions

The Company creates two types of reinstatement provision, a provision for the terminal restoration costs expected in order to dismantle and remove the plant and roadways at their facilities, where required, and also an ongoing quarry restoration provision, which is reviewed with the business at least annually

The costs of terminal restoration are capitalised as a directly attributable cost of the site and a provision created at that stage. The costs are then charged to the profit and loss account in line with the volume of materials extracted

Provision is also made for the post-closure costs in respect of leachate and gas monitoring at landfill sites. Provision is made on a site by site basis upon initiation of the landfill activities, is calculated over a period of between 1 and 60 years and is discounted to a present value using a rate that reflects current market assessments of the time value of money and the risks specific to the liability

Other provisions are reviewed annually based on best estimates available at the time

Taxation

The charge for taxation is based on the loss/profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Deferred tax assets are recognised to the extent that they are considered recoverable

Grants received

Grants received from government and similar agencies, where they relate to expenditure on fixed assets or are to finance the activities of the Company over a number of years, are recognised in the profit and loss account over the expected useful economic lives of the related assets or over the number of years of the activity. The amount still to be recognised is treated as deferred income

Income from shares in group undertakings

Income from shares in group undertakings comprises dividends received and receivable. Dividends are recognised where approved by shareholders or received in cash

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

1. Principal accounting policies *continued*

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and appropriate production overheads. Net realisable value comprises the estimated selling price, less further production costs to completion, and appropriate selling and distribution costs. Provision is made for obsolete, slow moving and defective stocks.

Debtors

All known bad debts in respect of trade debtors are written off or fully provided for.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All differences are taken to the profit and loss account.

Pensions

The Company operates pension schemes providing benefits based on final pensionable pay. These defined benefit schemes were closed to future accrual for all members with effect from 1 March 2012. The assets of the schemes are held separately from those of the Company. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme deficits are recognised in full. The movement in the schemes' combined deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

The Company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Participating interests

Participating interests are interests in which the Company owns at least 20% of the equity and, in the opinion of the directors, the Company exercises a significant influence on management. Income from these investments is included in the profit and loss account where dividends are approved by shareholders or received in cash.

Financial instruments

Following the adoption of the disclosure requirements of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

1. Principal accounting policies *continued*

Long term contracts

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover. Amounts recoverable on contracts are included in trade debtors and represent turnover recognised in excess of payments on account.

2. Cash flow statement

As the Company is a wholly owned subsidiary undertaking of CEMEX España, S A, for which consolidated financial statements are produced including this company, it is exempted by FRS 1 (revised 1996) from preparing a cash flow statement. The consolidated accounts of CEMEX España, S A are available from Hernandez de Tejada 1, Madrid 28027, Spain.

3. Turnover

All turnover arises in the United Kingdom and from one class of business.

4. Exceptional operating costs

	2012 £000	2011 £000
Exceptional cost of sales	-	2,350
Exceptional distribution costs	-	851
Exceptional administrative expenses	-	2,414
Total exceptional operating costs	-	5,615

5. Employees and directors

Staff are employed by the Company and by the group undertakings that act as agents for the Company. Their costs, which are included within operating profit and are all borne by this company, are shown below along with the average number of employees.

Staff costs	2012 £000	2011 £000
Wages and salaries	101,922	111,633
Social security costs	9,550	10,111
Pension costs	17,200	17,275
Pensions past service credit (Note 23)	(63,500)	(25,500)
Pensions curtailment credit	(22,000)	-
Share based payments	765	757
	43,937	114,276

Wages and salaries include redundancy costs of £2,804,501 (2011 redundancy costs £5,615,000, reported as exceptional).

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

5. Employees and directors *continued*

Average number of persons employed by the Company during the year	2012 Number	2011 Number
Sales and distribution	471	518
Production	2,135	2,244
General and administration	460	526
	<u>3,066</u>	<u>3,288</u>
Directors	2012 £000	2011 £000
Aggregate emoluments	2,484	2,801
Company pension contributions to money purchase schemes	65	-
Company pension contributions to defined benefit schemes	15	103
	<u>2,564</u>	<u>2,904</u>
	2012 Number	2011 Number
The number of directors to whom retirement benefits were accruing under defined benefit schemes during the year	4	4
The number of directors to whom retirement benefits were accruing under money purchase schemes during the year	5	-
The number of directors receiving shares under long term incentive plans during the year	6	7
The number of directors exercising share options during the year	<u>-</u>	<u>-</u>
Highest paid director	2012 £000	2011 £000
Aggregate emoluments	<u>1,094</u>	<u>795</u>

The highest paid director received shares under long term incentive plans during the year, but did not exercise any share options during the year

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

5. Employees and directors *continued*

Share based payments *continued*

Senior executives of the Company participate in a loyalty scheme whereby they are made an allocation of stocks in the ultimate parent company, CEMEX S A B de C V. These allocations are released to the employees in 4 equal tranches on the first 4 anniversaries of the allocations being granted. These have been accounted for as equity settled share based payments under FRS 20. Dividends are paid over the vesting period in the form of additional stocks.

	2012 Number	2012 £000	2011 Number	2011 £000
Total stocks awarded in year to be released to employees over the following 4 years	1,526,991	671	1,581,450	570

The share based payment charge for this scheme in 2012 was £765,000 (2011 £757,000)

6. Other operating income

	2012 £000	2011 £000
Net rent from land and property management	4,777	2,640
Other	(1,781)	10,384
	<u>2,996</u>	<u>13,024</u>

7. Exceptional other operating income

	2012 £000	2011 £000
Pensions	85,500	25,500
Sale of EU emissions credits to other group companies	-	6,839
	<u>85,500</u>	<u>32,339</u>

The pensions income arises partly from the changes in fund benefits arising from legislative changes to base pension increases on the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) being extended to retirees during 2012. In addition, the closure of the defined benefit scheme to future accrual for all members with effect from 1 March 2012, and the related modification of certain terms and benefits, has resulted in further income.

8. Interest receivable and similar income

	2012 £000	2011 £000
Interest receivable from group undertakings	12,129	5,204
Exchange gains	615	-
	<u>12,744</u>	<u>5,204</u>

Notes to the financial statements *continued*

	2012 £000	2011 £000
Loans from group undertakings	9,674	5,242
Finance leases	3,071	36
Losses on foreign currency conversion	-	1,295
Unwinding of discounts (see note 22)	5,250	5,207
Other finance costs (includes note 23 finance costs)	6,290	5,656
	<u>24,285</u>	<u>17,436</u>

	2012 £000	2011 £000
The profit on ordinary activities before taxation is stated after charging / (crediting)		
Depreciation and depletion of tangible fixed assets		
Depreciation – owned assets	21,927	37,791
Depreciation – assets held under finance leases	8,059	1,367
Depletion of mineral reserves	4,438	4,249
	<hr/>	<hr/>
	34,424	43,407
Impairment of tangible fixed assets	(895)	775
Amortisation of goodwill	323	20
Hire of plant and machinery under operating leases	6,457	6,755
Other operating lease rentals	4,182	5,294
Auditor's remuneration - for audit of these financial statements	481	480
- for other services	203	33
- for other services pursuant to legislation	402	411
Government grants	(676)	(208)

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

11. Taxation

	2012 £000	2011 £000
Analysis of tax credit on profit on ordinary activities		
Current tax	-	-
Deferred tax	-	-
Tax credit on profit on ordinary activities	-	-
Reconciliation of current tax credit		
The current tax credit for the year is greater (2011 greater) than the rate of 24.5% (2011 26.5%)		
The reasons for the difference are explained below		
Profit on ordinary activities before tax	75,159	4,626
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 24.5% (2011 26.5%)	18,414	1,226
Adjustments for the effects of		
Disallowable expenditure / income	3,500	(4,046)
Non-taxable income and gains	(24,445)	-
IBA allowances treated as permanent differences	-	(34)
Difference between book profits on fixed assets sold and chargeable gains	4,590	289
Difference between capital allowances and depreciation for the year	(10,148)	(9,398)
Movements on provisions	50	(159)
Pension fund contributions	(21,821)	-
Depreciation of assets not qualifying for capital allowances	1,638	-
Losses carried forward	35,121	12,122
Losses brought forward and utilised	(6,899)	-
Current tax for the year	-	-

Future tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

It has not yet been possible to quantify the full anticipated effect of the announced further reductions, although this will further reduce the Company's future current tax charge and reduce any deferred tax asset (whether provided or unprovided) or any deferred tax liability accordingly.

Deferred and current tax rates applied in the accounts

Deferred tax as at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date (2011 25%).

The current corporation tax rate for the calendar year 2012 is 24.5% (2011 26.5%).

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

12. Intangible assets

	Goodwill £000
Cost	
At 1 January 2012	7,373
Additions	69
At 31 December 2012	7,442
Amortisation	
At 1 January 2012	6,979
Charge for the year	323
At 31 December 2012	7,302
Net book value	
At 31 December 2012	140
At 31 December 2011	394

13. Tangible fixed assets

	Land & buildings £000	Plant, machinery & equipment £000	Motor vehicles £000	Assets under construction £000	Total £000
Cost					
At 1 January 2012	276,156	822,501	67,766	27,194	1,193,617
Reclassifications	1,318	38,713	(4,654)	(35,377)	-
Additions	277	3,462	135	21,819	25,693
Disposals	(23,340)	(89,463)	(20,300)	-	(133,103)
Transfers (to) / from group companies	(1,454)	2,771	206	58	1,581
At 31 December 2012	252,957	777,984	43,153	13,694	1,087,788
Depreciation and depletion					
At 1 January 2012	108,971	375,827	57,466	-	542,264
Reclassifications	1	3,169	(3,170)	-	-
Charge for the year	6,685	25,921	1,818	-	34,424
Impairment	-	(80)	(815)	-	(895)
Disposals	(14,485)	(68,621)	(19,217)	-	(102,323)
Transfers (to) / from group companies	106	1,738	193	-	2,037
At 31 December 2012	101,278	337,954	36,275	-	475,507
Net book value					
At 31 December 2012	151,679	440,030	6,878	13,694	612,281
At 31 December 2011	167,185	446,674	10,300	27,194	651,353

Plant, machinery and equipment includes fixtures, fittings and tools

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

13. Tangible fixed assets *continued*

Land and buildings net book value	2012 £000	2011 £000
Freehold	119,187	132,408
Long leasehold	20,164	21,341
Short leasehold	12,328	13,436
	<u>151,679</u>	<u>167,185</u>

Capital commitments	2012 £000	2011 £000
Contracts placed for future capital expenditure not provided for in the financial statements	<u>936</u>	<u>3,437</u>

Assets held under finance leases	2012 £000	2011 £000
Assets held under finance leases, capitalised and included in freehold land and buildings, plant, machinery and equipment		
Cost	297,579	45,238
Cumulative depreciation	<u>(106,727)</u>	<u>(40,490)</u>
Net book value	<u>190,852</u>	<u>4,748</u>

Depreciation of £8,059,000 (2011 £1,367,000) was charged in the year on assets held under finance leases

14. Investments in group undertakings

	£000
Cost	
At 1 January 2012	134,063
Additions	<u>40,701</u>
At 31 December 2012	174,764
Provisions	
At 1 January 2012	53,263
Charge / (credit) to profit and loss account	<u>6,492</u>
At 31 December 2012	59,755
Net book value	
At 31 December 2012	<u>115,009</u>
At 31 December 2011	<u>80,800</u>

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

14. Investments in group undertakings *continued*

Names of group undertakings	Country of registration & operation	Business activity	Percentage of equity held	
			2012 %	2011 %
C C P Limited	Great Britain	Non-trading	100	100
RMC Dormant No 2 Limited	Great Britain	Non-trading	100	100
Reservoir Aggregates Limited	Great Britain	Non-trading	49	49
CEMEX Seament Limited	Great Britain	Non-trading	100	100
Seament Limited	Great Britain	Non-trading	100	100
RMC Russell Limited	Great Britain	Non-trading	100	100
CEMEX Scottish Investments Limited	Great Britain	Holding Company	100	-
CEMEX Scottish Limited Partnership	Great Britain	Leasing	50	-

All investments are in the respective companies' ordinary share capital

An additional 7 per cent of the ordinary share capital of Reservoir Aggregates Limited is held by CEMEX Investments Limited

An additional 50 per cent of the equity in CEMEX Scottish Limited Partnership is held by CEMEX Scottish Investments Limited

15. Investments in participating interests

Cost	Shares £000	Total £000
At 1 January 2012 and 31 December 2012	116	116
Provisions		
At 1 January 2012	-	-
Charge / (credit) to profit and loss account	14	14
At 31 December 2012	14	14
Net book value		
At 31 December 2012	102	102
At 31 December 2011	116	116

Names of participating interests	Called up ordinary share capital	Percentage of equity held	
		2012 %	2011 %
Blackwater Aggregates Limited	£2	50	50
Brett Hall Aggregates Limited	£1,000	50	50
Buxton Rail Limited	£100	50	50
Humber Sand & Gravel Limited	£100	50	50
Island Barn Aggregates Limited	£200,000	50	50
Isle of Wight Aggregates Limited	£100	50	50
Processing Ash LLP (sold 28 March 2013)	£300	50	50
Purfleet Aggregates Limited	£100	50	50
West London Aggregates Limited	£100	50	50

All of the above undertakings are registered in England and Wales and are involved in the production and sale of building materials

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

16. Stocks

	2012 £000	2011 £000
Raw materials and consumables	21,853	21,432
Work in progress	6,900	616
Finished goods and goods for resale	17,144	22,511
	<u>45,897</u>	<u>44,559</u>

17. Debtors

	2012 £000	2011 £000
Amounts falling due within one year		
Trade debtors	95,822	111,130
Amounts owed by group undertakings	37,601	20,964
Amounts owed by participating interests (Note 28)	2,768	1,320
Other debtors	4,121	4,133
Other taxation and social security	453	103
Prepayments and accrued income	22,310	19,538
	<u>163,075</u>	<u>157,188</u>
Amounts falling due after more than one year		
Trade debtors	416	662
Loans to group undertakings	241,117	231,751
Amounts owed by group undertakings	20	-
Amounts owed by participating interests (Note 28)	-	20
Other debtors	4,582	6,681
Prepayments and accrued income	303,514	4,278
	<u>549,649</u>	<u>243,392</u>
	<u>712,724</u>	<u>400,580</u>

Prepayments include £299.3 million relating to the asset backed pension funding arrangements described in note 23

Loans to group undertakings falling due after more than one year are repayable in November 2017 and bear interest at a rate based on Libor

Amounts owed by group undertakings and participating interests are unsecured

18. Creditors – amounts falling due within one year

	2012 £000	2011 £000
Bank overdrafts	17,922	-
Bank loans	65,150	68,500
Other loans	5,351	5,596
Obligations under finance leases	15,187	58
Amounts owed to group undertakings	158,747	142,907
Amounts owed to participating interests (Note 28)	638	125
Other creditors	1,001	1,277
Other taxation and social security	4,575	4,680
Accruals and deferred income	7,839	12,568
	<u>276,410</u>	<u>235,711</u>

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

18. Creditors – amounts falling due within one year *continued*

Third party liabilities incurred by the Company's agents are accounted for by the agents and reimbursed by the Company through amounts owed to group undertakings

Other loans are interest free and are repayable by instalments

Finance leases include £15,125,000 payable to group undertakings

Amounts owed to group undertakings are free of interest

19. Creditors – amounts falling due after more than one year

	2012 £000	2011 £000
Other loans	5,351	11,201
Loans from group undertakings	<u>75,703</u>	<u>262,213</u>
	81,054	273,414
Finance leases	325,436	62
Preference shares	<u>234</u>	<u>234</u>
	<u>406,724</u>	<u>273,710</u>

Other loans are interest free and are repayable by instalments with a final repayment date of January 2015
Loans from group undertakings are repayable in December 2016 and bear interest at a rate based on Libor

Finance leases are payable to group undertakings

Finance leases	2012 £000	2011 £000
The minimum lease payments under finance leases fall due as follows		
Within 1 year	15,190	65
Within 2-5 years	68,450	65
After more than 5 years	<u>629,831</u>	<u>-</u>
	713,471	130
Less future finance charges	<u>(372,848)</u>	<u>(10)</u>
	<u>340,623</u>	<u>120</u>

Obligations under finance leases are secured on the assets to which they relate

20. Financial instruments

The Company uses financial instruments, comprising borrowings, cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's business.

There is no material difference between the book values and fair values of the financial assets and financial liabilities.

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

20. Financial instruments *continued*

The maturity profile of the Company's financial liabilities

	2012		
	Finance leases £000	Other £000	Total £000
Less than 1 year	15,187	70,501	85,688
In more than 1 year but not more than 2 years	15,881	5,351	21,232
In more than 2 years but not more than 5 years	52,569	75,937	128,506
In more than 5 years	256,986	-	256,986
	340,623	151,789	492,412

	2011		
	Finance leases £000	Other £000	Total £000
Less than 1 year	58	74,096	74,154
In more than 1 year but not more than 2 years	62	5,596	5,658
In more than 2 years but not more than 5 years	-	268,052	268,052
In more than 5 years	-	-	-
	120	347,744	347,864

All the above are floating rate financial liabilities, except finance leases and other loans, which are at a fixed rate

21. Deferred tax

	2012 £000	2011 £000
Deferred tax has been calculated at the rate of 23% (2011 25%) on the following timing differences		
Accelerated capital allowances	45,105	35,418
Tax losses	(45,105)	(35,418)
	-	-

No provision has been made for deferred tax on gains recognised on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the properties were sold without it being possible to claim rollover relief.

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

21. Deferred tax *continued*

The total amount of unprovided deferred tax is as follows

	2012 £000	2011 £000
Rolled over gains	37,835	24,609
Tax losses carried forward	(40,840)	(27,846)
Timing difference on pension deficit	(14,130)	(61,100)
Accelerated capital allowances and expense provisions	(32,551)	(34,608)
Deferred tax asset	(49,686)	(98,945)

At present it is not envisaged that any tax will become payable in the foreseeable future. Unrecognised deferred tax assets may reduce the effective tax rate in future years.

22. Other provisions

	Land reinstatement £000	Landfill monitoring £000	Onerous contracts £000	Legal claims £000	Total £000
At 1 January 2012	5,173	131,255	2,625	2,149	141,202
Provided / (released) in the year	(73)	(5,083)	844	118	(4,194)
Utilised in the year	(307)	-	-	(547)	(854)
Unwinding of discount	-	5,250	-	-	5,250
At 31 December 2012	4,793	131,422	3,469	1,720	141,404

The land reinstatement and monitoring provisions are estimated and reviewed annually. The timing of utilisation will differ for each site between 1 and 60 years.

Onerous contracts include obligations under leases. The timing of utilisation is different for each lease and ranges from 1 to 36 years.

The legal claims provision relates to a land and buildings disposal made in previous years. The provision is expected to be utilised within the next 12 months.

23. Pensions

Description of scheme

The Company is the main participant in the CEMEX UK Pension Fund ('Main Fund') and CEMEX UK Executives Pension Fund ('Executives Fund'), which are defined benefit pension schemes that were operated by CEMEX Investments Limited for the employees of its UK subsidiaries until 29th February 2012. These schemes have been closed to new members since 1st January 2004, and were closed to future accrual for all members with effect from 1st March 2012.

In November 2012, in order to better manage the Company's obligations under its defined benefit pensions schemes and future cash funding requirements thereof, the Company implemented an asset backed funding arrangement by means of which CEMEX group companies transferred certain fixed assets to a non-transferable limited partnership, controlled by the Company and entered into lease agreements for the use of such assets with the limited partnership, in which the pension schemes hold a limited interest. On an ongoing basis, the Company will make annual rental payments to the limited partnership of approximately £15,000,000, increasing at an annual rate of 5%, that are then distributed to the pension schemes.

In addition to providing the pension schemes with secured assets producing an annual return over a period of 25 years, this new structure improves the security for the trustees of the pension schemes, and reduces the level of cash funding that the Company will have to make in future periods. In 2037, on expiry of the lease arrangements, the limited partnership will be terminated, and under the terms of the agreement, the remaining assets will be distributed to the Company. Any future profit distributions from the limited partnership to the pension funds will be considered as employer contributions to plan assets in the period in which they occur.

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

23. Pensions *continued*

Description of scheme (continued)

The latest full actuarial valuation was carried out at 31 March 2012

Actuarial assumptions

The major assumptions used for the actuarial valuation were

	2012	2011	2010	2009	2008
Price inflation					
RPI	3.10%	3.15%	3.4%	3.6%	3.0%
CPI	2.35%	2.15%	N/A	N/A	N/A
Rate of increase in salaries	3.10%	3.15%	3.4%	3.6%	3.0%
Rate of increase in pension payments					
RPI inflation capped at 5%	2.90%	3.05%	N/A	N/A	N/A
RPI inflation capped at 3%	2.20%	2.45%	N/A	N/A	N/A
RPI inflation capped at 2.5%	1.90%	2.15%	N/A	N/A	N/A
CPI inflation capped at 5%	2.35%	N/A	N/A	N/A	N/A
CPI inflation capped at 3%	1.95%	N/A	N/A	N/A	N/A
CPI inflation capped at 2.5%	1.75%	N/A	N/A	N/A	N/A
pre 1 December 2011 (1 January 2008) service	N/A	3.05%	3.25%	3.5%	3.0%
post 30 November 2011 (31 December 2007) service	N/A	2.15%	2.2%	2.5%	2.5%
Rate of increase in deferred pensions	2.35%	2.15%	3.4%	3.6%	3.0%
Discount rate					
Main Fund	4.60%	4.95%	5.3%	5.7%	6.0%
Executives Fund	4.60%	4.95%	5.3%	5.7%	6.1%

Mortality

For the Main Fund, mortality is based on the SAPS Normal Pensioner tables. Future improvements are assumed to be in line with Medium Cohort subject to a minimum improvement of 1.0% per annum.

For the Executives Fund, mortality is based on the SAPS Light Normal Pensioner tables. Future improvements are assumed to be in line with Medium Cohort subject to a minimum improvement of 1.0% per annum.

Expected lifetime

For the Main Fund, the expected lifetime of a participant who is age 65 and the expected lifetime (from age 65) of a participant who will be age 65 in 15 years are shown in years below, based on the above mortality tables.

For the Executives Fund, the expected lifetime of a participant who is age 62 and the expected lifetime (from age 62) of a participant who will be age 62 in 15 years are shown in years below, based on the above mortality tables.

Age	Main Fund		Age	Executives Fund	
	Males	Females		Males	Females
65	21.5	24.2	62	26.0	27.5
65 in 15 years	22.9	25.6	62 in 15 years	27.4	28.9

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

23. Pensions *continued*

Plan asset information

The major categories of plan assets as a percentage of total plan assets are as follows

	2012 Allocation %	Main Fund 2011 Allocation %	Executives Fund 2012 Allocation %	2011 Allocation %
Equity securities	34.6	33.6	30.4	29.6
Debt securities	38.8	41.1	41.8	44.2
Real estate / property	9.6	10.2	11.1	11.2
Other	17.0	15.1	16.7	15.0
Total	100	100	100	100
	2012 £000	2011 £000	2012 £000	2011 £000
Fair value of plan assets	672,600	653,800	132,400	132,300
Actual return on plan assets	35,000	53,300	5,600	12,300

Reconciliation to balance sheet	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Fair value of fund assets	805,000	786,100	746,900	700,900	647,200
Actuarial value of fund liabilities	(938,800)	(1,030,500)	(1,001,900)	(954,900)	(788,600)
Gross deficit in the funds	(133,800)	(244,400)	(255,000)	(254,000)	(141,400)
Deferred tax asset	-	-	-	32,007	39,592
Net liability	(133,800)	(244,400)	(255,000)	(221,993)	(101,808)

Change in plan liabilities	2012 £000	2011 £000
At 1 January	(1,030,500)	(1,001,900)
Current service cost	(1,900)	(11,100)
Interest cost	(48,400)	(52,700)
Plan participants' contributions	(500)	(2,700)
Actuarial gain / (loss)	18,100	(28,900)
Benefits paid from plan assets	38,900	41,300
Plan change / past service credit	63,500	25,500
Curtailment credit	22,000	-
At 31 December	(938,800)	(1,030,500)

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

23. Pensions *continued*

	2012 £000	2011 £000
Change in plan assets		
At 1 January	786,100	746,900
Expected return on assets	42,700	47,600
Actuarial (loss) / gain on assets	(2,100)	18,000
Employer contributions	16,700	12,200
Plan participants' contributions	500	2,700
Benefits paid	(38,900)	(41,300)
At 31 December	805,000	786,100
Analysis of the amount charged / (credited) to operating profit		
	2012 £000	2011 £000
Current service cost	1,900	11,100
Plan change / past service cost	(63,500)	(25,500)
Curtailment credit	(22,000)	-
	(83,600)	(14,400)
Analysis of the amount charged / (credited) to other finance costs / (income)		
	2012 £000	2011 £000
Expected return on pension scheme assets	(42,700)	(47,600)
Interest on pension scheme liabilities	48,400	52,700
	5,700	5,100

The Company expects to contribute approximately £1,100,000 to its defined benefit plans in the next financial year, plus £15,125,000 payable to the Trustees following the establishment of the limited partnership

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

23. Pensions *continued*

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
History of experience gains and losses					
Difference between the expected and actual return on scheme assets					
Amount	(2,100)	18,000	24,200	35,000	(133,400)
Percentage of scheme assets	(0.3%)	2.3%	3.2%	5.0%	(20.6%)
Experience gain / (loss) on scheme liabilities					
Amount	63,000	4,500	30,600	(26,900)	7,800
Percentage of the present value of scheme liabilities	6.7%	0.2%	3.1%	(2.8%)	1.0%
Total actuarial gain / (loss) recognised in the statement of total recognised gains and losses					
Amount	16,000	(10,900)	4,000	(114,300)	(66,300)
Percentage of the present value of scheme liabilities	1.7%	(1.1%)	0.4%	(12.0%)	(8.4%)

Defined contribution scheme

The defined benefit pension schemes shown above were closed to future accrual for all members with effect from 1 March 2012. All employees are eligible to join the defined contribution section of the scheme. The contributions payable by the Company to the defined contribution scheme amounted to £4,982,421 (2011 £1,075,000). The company contributions unpaid at the balance sheet date were £463,909 (2011 £91,157).

24. Called up share capital

	2012 £000	2011 £000
Share capital allotted, called up and fully paid		
913,081,302 (2011 763,081,302) £1 Ordinary shares	913,081	763,081
200,000 £1 Preference shares	200	200
Shares classified as shareholders' funds	913,081	763,081
Shares classified as liabilities	200	200

During the year, 150,000,000 (2011 67,981,302) £1 ordinary shares were issued at par to increase the equity of the Company.

The Preference shares are redeemable in 2016 at £1.28 each, uplifted by the increase in RPI since 2001, and carry a variable cumulative preference dividend of 2.65% above the prospective real redemption rate of 2016 UK gilts. The preference shareholders are entitled to return of capital in priority to other shareholders in the event of a winding-up, and may only vote at a general meeting of the Company on resolutions affecting the rights of preference shareholders.

Unpaid cumulative preference dividends at 31 December 2012 amounted to £70,673 (2011 £68,482).

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

25. Reserves

	Profit and loss account £000
At 1 January 2011	(448,868)
Retained profit for the financial year	4,626
Actuarial loss on pension scheme	(10,900)
Share based payments	(100)
At 31 December 2011	(455,242)
Retained profit for the financial year	75,159
Actuarial gain on pension scheme	16,000
Share based payments	836
At 31 December 2012	(363,247)

Goodwill eliminated directly against reserves relating to acquisitions made prior to 1998 amounts to £7,111,000 (2011 £7,111,000)

26. Obligations and commitments under leases

	2012		2011	
	Land & buildings £000	Other £000	Land & buildings £000	Other £000
At 31 December the Company had annual commitments under non-cancellable operating leases expiring				
Within 1 year	510	926	177	304
Within 2-5 years	3,120	6,896	2,407	7,786
After 5 years	2,335	1,183	3,105	1,488
	<u>5,965</u>	<u>9,005</u>	<u>5,689</u>	<u>9,578</u>

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

27. Contingent liabilities

The Company has entered into a joint and several guarantee with certain group companies, in respect of a group overdraft facility up to a maximum of £25,000,000

The Company is registered with H M Revenue & Customs as a member of the CEMEX Investments Limited group for value added tax purposes and is therefore jointly and severally liable on a continuing basis for amounts owing by other members of the group in respect of their value added tax liabilities

The Company is subject to an ongoing European investigation into alleged anti-competitive practices by the European Commission. The Company continues to co-operate fully and supply information to the European Commission and at the present time, no claims or fines have been made against the Company. Additionally, the UK Competition Commission is conducting an industry wide market investigation review into the cement, aggregates and readymix sectors. The final outcome of the review is not expected until the first quarter of 2014. The Company is participating with the review and has made representations that the industry is highly competitive.

28. Related parties

As the Company is a wholly owned subsidiary undertaking of CEMEX España, S A, for which consolidated financial statements are produced including this Company, it is exempted by FRS 8 from disclosing transactions with entities that are 100% owned by that Group or investees of that Group qualifying as related parties.

Transactions with others whom the Company considers to be related parties are summarised as follows

Transactions with pension funds

The Company makes pension contributions to the CEMEX pension funds managed by fellow subsidiary undertakings acting as trustees for those funds. The Company is not directly concerned in the administration of the funds.

The details of the fund are set out in Note 23.

Transactions with participating interests

The Company trades with participating interests in the normal course of business. The aggregate of these transactions is shown below.

	2012 £000	2011 £000
Sales to participating interests	888	3,981
Purchases from participating interests	6,820	4,854
Management charges to participating interests	373	542
Amounts owed by participating interests (Note 17)	2,768	1,340
Amounts owed to participating interests (Note 18)	638	125

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

29. Ultimate parent company and parent undertaking of larger group of which the Company is a member

The Company's immediate parent undertaking and controlling party is CEMEX Investments Limited, which is incorporated in Great Britain

The largest group in which the results of the Company are consolidated is that headed by CEMEX, S A B de C V , the ultimate parent company and controlling party, which is incorporated in Mexico. Its address is Av Ricardo Margain Zozaya 325, CP 66265, San Pedro Garza Garcia, N L Mexico

The smallest group in which the results of the Company are consolidated is that headed by CEMEX España, S A , incorporated in Spain. Its address is Hernandez de Tejada 1, Madrid 28027, Spain

The consolidated financial statements of these groups are available to the public and may be obtained from the above addresses

30. Agent companies

The following companies act as agents of this company

Name	Activity
CEMEX UK Cement Limited	Cement
CEMEX UK Manne Limited	Aggregates
CEMEX UK Materials Limited	Aggregates, building products, ready mixed concrete, mortar and screed
CEMEX Paving Solutions Limited (formerly CEMEX Surfacing Limited)	Surfacing
Rombus Leasing Limited	Leasing
CEMEX Seament Limited	Non-trading
CEMEX UK Logistics Limited	Non-trading
CEMEX UK Trading Limited	Non-trading
RMC Environmental Services Limited	Non-trading
RMC (HW) No 1 Limited	Non-trading
RMC Logistics Eastern Limited	Non-trading
RMC Logistics North East Limited	Non-trading
RMC Logistics Northern Limited	Non-trading
RMC Logistics Scotland Limited	Non-trading
RMC Logistics South East Limited	Non-trading
RMC Logistics Western Limited	Non-trading

The Company indemnifies its agent companies against all losses and liabilities they may incur in pursuing their activities as agents