

CEMEX UK OPERATIONS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2009



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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 2009

Principal activity

Throughout 2009, CEMEX 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 37 for details)

Business review

CEMEX is a global building materials company with a presence in more than 50 countries. The company CEMEX 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 57,000 people worldwide.

CEMEX UK Operations Limited is the principal CEMEX trading company in the United Kingdom. Its principal operation continued to be extraction, processing and distribution of building materials across a national supply network of over 430 operating sites.

As of December 31, 2009, CEMEX UK Operations Limited operated two cement plants and a clinker blending and grinding facility in the United Kingdom. As of that date, we also owned six cement import terminals, 232 readymixed concrete plants and 59 aggregate quarries, in addition to asphalt, concrete blocks, concrete block paving, roof tiles, railway sleepers, flooring and other precast operating units.

During 2009 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 2009, our UK aggregates sales included sand and gravel, limestone and hard stone. In 2009, a proportion of our aggregates were obtained from marine sources along the UK coast. In 2009, part of our UK aggregates production was consumed by our own readymixed concrete operations as well as by our asphalt, 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 and commercial buildings projects. In 2009, 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, CEMEX UK Operations also produces screeds, mortar, asphalt and concrete products, including blocks, paving, roof tiles, and railway sleepers.

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Directors' report *continued*

Market conditions

Britain's economy finally clawed its way out of its deepest recession since the 1930s in the fourth quarter of 2009. This brought to an end six consecutive quarters of contraction, which saw the economy shrink by around 6%.

Despite the improved end to the year for the economy as a whole, construction output continued to fall. In 2009, it fell by more than 12%, the largest fall in a single year since records began in 1955. Construction has been one of the sectors worst hit by the economic downturn, and output in office, retail and other commercial projects were hardest hit, while new private house building has started to recover with starts in 2010 expected to be 15% higher than in 2009.

The Construction Products Association predicts a further decline of 3% in output for 2010, with the first tentative signs of recovery not expected until 2011. In 2010, CEMEX therefore expects a fall in capital spending for construction, and so further volume declines are likely. We do not foresee a recovery until 2011, and so plan to maintain our focus on improving our service to customers while controlling cost and expenses.

Performance and focus

Despite challenging market conditions, CEMEX UK Operations Limited maintained its market position, although there was a significant decline in the demand for building products generally. At CEMEX, this resulted in sales declining 19%. Despite the decline, and prices being under intense pressure, CEMEX improved its profitability through a close focus on pricing discipline, cost and expenses control and operational efficiency. Distribution costs remain at 16% of revenues despite the reduction of volumes and total administrative expenses were reduced as a proportion of sales to 12.7% in 2009 compared to 15.2% in 2008.

We continued our restructuring of the business to reflect the new market reality. This resulted in redundancies and further asset rationalisation. During 2009 we reduced capacity through all our businesses including cement, aggregates and readymixed concrete.

Aggregates

As part of its efforts to secure its licence to operate long term, CEMEX gained permission for a further 24 million tonnes of aggregates reserves for future quarrying.

Among the key investments in upgrading our aggregates production efficiency, a new tunnel and processing plant was opened at CEMEX's Taffs Well Quarry near Cardiff. The tunnel and plant represent an important investment in our Welsh quarrying operations and will prolong the life of the quarry by 20 years.

Blended cements

Despite the downturn, the company also continued to lead the way in the manufacturing of blended cements, which include by-products from other industries for more sustainable solutions, by commissioning the blending and grinding plant at Tilbury in Essex in 2009. It is the only cement plant in the South East of England. This halted the decline in cement manufacturing in the region, which consumes nearly 30% of the country's cement supply.

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Directors' report *continued*

When commissioned, the £49 million plant was the largest investment in the UK cement industry for five years, and showed a strong commitment by CEMEX to sustainable construction

The basis for the products made at Tilbury is cement clinker, which is ground to a powder and blended with by-products from other industries to make cements for use in buildings and infrastructure projects

The plant boasts the first vertical cement mill in the country, which uses between 20 and 40% less energy than traditional horizontal mills. The mill combined with the blended cement capabilities, shipping, barge and rail loading facilities mean that the plant's carbon footprint per tonne of finished product is further reduced.

The Tilbury facility marks a step-change in the industry by producing blended cements in purpose-built, factory-controlled conditions. This will ensure quality control and product consistency, as well as safety. Additional benefits are likely to include increased productivity and reduction in energy use and materials wastage.

Climate change

Carbon dioxide (CO₂) is the most significant greenhouse gas for our company, based on the emissions that arise from cement production and transportation to construction sites. Key to reducing emissions has been the 10% increased use of alternative fuels to part-replace the fossil fuels in the manufacturing process since 2008. During April 2009, South Ferraby Cement Plant in North Lincolnshire, replaced over 74% of the fuel used to heat its cement kiln with fuels made from wastes. This is a new record for the plant, and could also be a new record in the UK, where the cement industry average is 19.4%.

During 2009, we increased the use of Climafuel 22% from 2008. This fuel is produced from waste that would otherwise have gone to landfill. The use of alternative fuels saved over 160,000 tonnes of CO₂, the same emissions as around 60,000 cars produce in a year.

During 2009 CEMEX obtained permission to develop its own Climafuel Manufacturing Plant adjacent to its cement plant in Rugby. The Climafuel Manufacturing Plant will receive non-recyclable, residual household and commercial waste, and transform it into a sustainable 'green' fuel. The new plant will be able to produce up to 250,000 tonnes of Climafuel per annum, by turning it into a valuable fuel to heat the cement kiln at Rugby plant.

New services

As part of its new service initiatives, in 2009 CEMEX had 20% of its cement pallets returned under a retrieval scheme which was the first of its kind in the industry, and which aims to recover as many as possible of the CEMEX pallets distributed annually to about 600 different builders merchant outlets. The alternative is for the pallets to be thrown away or shredded.

Another key initiative implemented in 2009 to improve customer service while improving efficiency was the introduction of a new service for customers who require small loads of readymixed concrete, Readymix2go. This initiative not only provides for a more local approach to servicing a key segment of customers but also helps in the optimisation of distribution costs.

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Directors' report *continued*

During 2009, CEMEX also trialled an innovative transport solution, Isoveyors, to transport pulverised-fuel-ash. These provide a logistical and flexible alternative to traditional silos providing storage and allowing transportation by any combination of road, rail or ship. This transport solution will save around 600,000 road miles and 720 tonnes of CO₂ per annum.

In 2009, CEMEX was the first company in the industry to introduce an Epod (electronic proof of delivery) as a sole proof of delivery for cement customers. The handheld computer device has replaced the traditional paper-based system and helps to ensure that customers receive the right product.

Products

Some of our product lines thrived despite the challenging market conditions. As an example, CEMEX Floors, had record sales during August. Compared to the same period last year, sales of T-beam flooring increased by 73% with sales outstripping production.

In terms of new products, 2009 saw the launch of a new concrete roof tile, Derwent II, from Russell Roof Tiles, which has the advantage of being lighter than the original Derwent tile. The lighter quality also makes it easier for the builder to fit onto dry-fix systems, where no mortar is required. The environmental benefits include less raw materials in production and mortar, and greater efficiency in transportation as more tiles can be transported per pallet load.

Add to that Readyflow™, a new concrete block permeable paver launched in 2009, which has a unique interlocking shape and can be used as an integral part of a Sustainable Urban Drainage System (SUDS). Use of Readyflow™ with SUDS allows water to be retained and then discharged in a controlled manner leading to reduced rainfall into sewers, cleaner rivers and streams, less pollution, improved ground water levels and water and air to the plant and tree roots. The environmental credentials of this new block extend beyond their usage as it is made from blended cements, which reduces its carbon footprint by up to 40%.

Company goals and strategy

Building products are essential for the development of sustainable communities, and CEMEX 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. We are confident that, as we did in 2009, we will deliver improved profitability through innovation and continuous improvement.

Servicing our customers is at the centre of our strategy. We will endeavour to be perceived as an active partner that provides the right solution and adds value on a continued basis.

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

The company will meet the sustainability challenges faced by our industry by staying ahead of requirement through the implementation of the right initiative for the right business and through proactive innovation.

We will build on the progress made around reduced energy consumption and alternative fuels use, while reducing noise, dust and emissions, and by protecting and enhancing the biodiversity of our sites.

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Directors' report *continued*

CEMEX 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 profitability in line with market growth.

The high level key financial indicators used by management to measure the performance of the business are 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.

Corporate social responsibility, health and safety and employees

Delivering our products and services in a responsible manner comes down to the behaviour of our people, and so the engagement of employees is therefore crucial in building a sustainable business.

Attracting and retaining the right talent for our businesses is a key element of our strategy. In 2009, the company launched CEMEX Rewards, a cash back and discounts scheme for employees with savings on CEMEX products and more than 1500 retailers.

A well trained workforce is key to our success. During 2009 on average, we provided 21 hours of training per employee. We continued to develop skills using a variety of channels, including on-the-job-training and online learning, including 15 degree courses, 115 National Vocational Qualifications and 2,094 completed online learning courses.

Ensuring that our workplace is safe and healthy is an absolute priority. This includes employees, contractors and site neighbours. In 2009 we re-launched our Safety Essentials, the Safety Essentials being 12 fundamental principles that are intended to help eliminate the most serious and common workplace injuries. All employees were asked to sign up and commit to the Safety Essentials as part of our continuing effort to achieve the highest possible safety standards.

Throughout the year, CEMEX also ran a Health Essentials campaign to promote healthy living. The campaign was complemented by free health checks and influenza vaccinations for all employees.

One of the measurements for employee engagement is improved understanding and involvement. According to the latest Engagement Survey findings, CEMEX employees are now a more engaged and committed UK team than ever. Overall engagement level was 75% in 2009. This is an increase of 11% since 2007 (no survey was carried out in 2008).

Being a good neighbour

Building products are essential for the development and maintenance of sustainable communities. CEMEX aims to be a good neighbour and develop strong relationships with communities, organisations and local authorities surrounding existing and future operations. We do this through local engagement and by minimising the impacts, such as emissions, dust, noise and traffic, from our local operations on local people and their communities. Good stewardship and the restoration and returning of land to good use once operations have been completed are also responsibilities we take seriously.

CEMEX UK OPERATIONS LIMITED

Directors' report *continued*

All major CEMEX projects are subject to an Environmental Impact Assessment process as part of the application for planning permission, and in 2009 CEMEX carried out such assessments for eight projects. For cement and aggregates applications, these assessments also usually include social impact assessment. On developments, such as new plants, quarries, extensions and upgrades, CEMEX consults with relevant organisations and local people with the aim of striking a balance between the need for building materials and the effects on local communities. In 2009, CEMEX carried out public consultations on four project applications.

CEMEX has an open door policy, and during 2009 the company received more than 500 visitors to its plants and quarries. As part of the Europe-wide Heritage Open Days initiative to celebrate Coventry and Warwickshire's rich history and culture, local visitors enjoyed a tour of Rugby cement plant, where they were given a birds eye view of the town from the plant's 400 foot tower, the highest point in Rugby. A proactive outreach programme also meant that CEMEX representatives visited many schools and community groups in a professional capacity.

Stewardship

Amongst key restoration schemes completed in 2009 were two CEMEX Angling sites, including Chertsey Lake in Surrey, which is a former sand and gravel quarry that has been restored to create a lake of 12 acres, and Little Moulsham Lake in Hampshire. This holds the current record for British Crucian Carp. CEMEX Angling, which dates back to a 1960s scheme to restore sand and gravel pits, today has 60,000 members and offers over 70 mature, fish-filled lakes and 20 stretches of river, with purpose-built disabled access and swims at the company's day ticket fisheries.

The delivery of restoration schemes is one of the key contributions to the communities on which we have an impact. During 2009 Bush Farm in Essex and Attenborough Nature Reserve in Nottinghamshire were short listed for the Restoration Awards as part of the 40th anniversary of the Mineral Products Association. Our Swanton Morley Quarry in Norfolk was also recognised as an outstanding site due to its important environmental, social and economic contributions.

At Swanton, which was previously worked for sand and gravel, the river Wensum, which flows through the middle of the area, is a Special Area of Conservation (SAC) due to the presence of white-clawed crayfish. CEMEX therefore carried out the restoration sensitively to complement the river habitat and not to endanger the crayfish population.

Not for profit investment

Through its corporate giving channel, the CEMEX UK Foundation, CEMEX invested in not-for-profit projects during 2009. Projects supported included schemes which improve local air, land and water quality, help educate people about CEMEX and matched funding.

In 2009 CEMEX partnered with the Royal Society for the Protection of Birds (RSPB) to accelerate the development of CEMEX biodiversity strategy.

The new partnership saw the appointment of a dedicated RSPB advisor to develop CEMEX's UK biodiversity strategy.

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Directors' report *continued*

CEMEX also supported a range of not for profit organisations through projects and corporate memberships to move forward its corporate social responsibility agenda. In 2009, these organisations included

- Business In The Community
- Canning House
- Environmental Protection UK
- Groundworks
- Parliamentary Corporate Responsibility Group
- Proskills' Digt/BuildIt
- Royal Society for the Protection of Birds
- The Green Organisation
- Wildlife Trusts

Results and dividend

The loss for the year attributable to shareholders was £69,583,000 (2008 £65,554,000 loss) which will be transferred from reserves

The directors do not recommend payment of a final dividend to ordinary shareholders (2008 £nil)

During the year 350,000,000 £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 2009, 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

G Galindo
C A Leese
I Madrdejos
G N G Russell
L H Russell
C Uruchurtu (appointed 26 March 2009)
L Zea (appointed 26 March 2009)

Disabled persons

Employment opportunities are available to disabled persons in accordance with their abilities and aptitudes, on equal terms with other employees. Should employees become disabled during the course of their employment, every effort is made to enable them to continue employment, with re-training for alternative work where necessary. The same opportunities for training, personal development and career advancement are available to disabled persons as for other employees

Employee involvement

The company's policy is to provide equal opportunities to all existing employees. The company has an established system of communication with employees through line management. Employees regularly receive information about the financial progress and position of the CEMEX Group by means of a house journal and reports to the employees on the Group's financial results and on pension funds

CEMEX UK OPERATIONS LIMITED

Directors' report *continued*

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 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.

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.

Donations

The company made charitable donations of £72,309 (2008: £130,614) and no political donations during the year (2008: £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 26 March 2010 and signed on its behalf by



M. Collins
Secretary

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 auditors' 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 2009 set out on pages 12 to 37. 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 auditors' 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 10, 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 the 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 (APB'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 APB's web-site at www.frc.org.uk/apb/scope/UKNP.

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 2009 and of its loss 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.



M Froom (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Snowhill
Snowhill Queensway
Birmingham
B4 6GH

26 MARCH 2010

CEMEX UK OPERATIONS LIMITED

Profit and loss account *for the year ended 31 December 2009*

		2009	2008
	Notes	£000	£000
Turnover	3	747,815	919,700
Cost of sales		(576,681)	(710,289)
Exceptional cost of sales	4	(1,658)	(5,898)
Total cost of sales		(578,339)	(716,187)
Gross profit		169,476	203,513
Distribution costs		(121,299)	(146,969)
Exceptional distribution costs	4	(192)	(1,093)
Total distribution costs		(121,491)	(148,062)
Administrative expenses		(93,350)	(128,669)
Exceptional administrative expenses	4	(1,680)	(10,721)
Total administrative expenses		(95,030)	(139,390)
Other operating income	6	3,166	3,088
Exceptional other operating income	7	-	27,701
Total other operating income		3,166	30,789
Operating loss		(43,879)	(53,150)
Non-operating exceptional items			
Profit on disposal of fixed assets		7,734	18,952
Income from shares in group undertakings and participating interests		1,250	17,550
Interest receivable and similar income	8	4,585	1,983
Interest payable and similar charges	9	(45,373)	(43,581)
Loss on ordinary activities before taxation	10	(75,683)	(58,246)
Tax credit / (charge) on loss on ordinary activities	11	6,100	(7,308)
Retained loss for the financial year	25	(69,583)	(65,554)

These results are derived wholly from continuing operations

CEMEX UK OPERATIONS LIMITED

Balance sheet as at 31 December 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Intangible assets	12	200	220
Tangible assets	13	692,167	695,924
Investments in group undertakings	14	80,800	80,800
Investments in participating interests	15	166	166
		773,333	777,110
Current assets			
Stocks	16	62,329	70,292
Debtors amounts falling due within one year	17	178,015	238,229
Debtors amounts falling due after more than one year	17	50,751	5,938
Total debtors		228,766	244,167
Cash at bank and in hand		80,427	26,144
		371,522	340,603
Creditors amounts falling due within one year	18	(175,190)	(390,820)
Net current assets / (liabilities)		196,332	(50,217)
Total assets less current liabilities		969,665	726,893
Creditors amounts falling due after more than one year	19	(269,979)	(298,478)
Provisions for liabilities			
Deferred tax	21	(32,007)	(38,107)
Other provisions	22	(139,240)	(140,255)
		(171,247)	(178,362)
Net assets before net pension liability		528,439	250,053
Net pension liability	23	(221,993)	(101,808)
Net assets		306,446	148,245
Capital and reserves			
Called up share capital	24	695,100	345,100
Profit and loss account	25	(388,654)	(196,855)
Equity shareholders' funds		306,446	148,245

The financial statements on pages 12 to 37 were approved by the Board of Directors on 26 March 2010 and signed on its behalf by



G Galindo
Director

COMPANY NUMBER 658390

CEMEX UK OPERATIONS LIMITED

Statement of total recognised gains & losses *for the year ended 31 December 2009*

	2009 £000	2008 £000
Loss for the financial year	(69,583)	(65,554)
Actuarial loss on pension scheme	(114,300)	(66,300)
Deferred tax on actuarial loss	<u>(7,585)</u>	<u>18,564</u>
Total gains and losses	<u>(191,468)</u>	<u>(113,290)</u>

CEMEX UK OPERATIONS LIMITED

Reconciliation of shareholders' funds *for the year ended 31 December 2009*

	£000
At 1 January 2008	261,351
Retained loss for the financial year	(65,554)
Actuarial loss on pension scheme	(66,300)
Deferred tax on actuarial loss	18,564
Share based payments	184
At 31 December 2008	148,245
Retained loss for the financial year	(69,583)
Actuarial loss on pension scheme	(114,300)
Deferred tax on actuarial loss	(7,585)
Share based payments	(331)
Issue of share capital	350,000
At 31 December 2009	306,446

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. 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

Freehold buildings	2%
Leasehold land & buildings	2% or over the life of the lease if shorter
Plant, machinery, equipment & ships	3.3% to 20%
Information systems	10% to 33.3%
Motor cars and vans	20%
Commercial vehicles	12.5%

Freehold land is not depreciated. The cost of mineral deposits is depleted in the proportion in which the production for the year compares to the latest estimates of mineral reserves

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 restoration provision, which is reviewed with the business 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. 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*

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 Tejada1, Madrid 28027, Spain

3. Turnover

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

4. Exceptional operating costs

	2009 £000	2008 £000
Exceptional cost of sales	1,658	5,898
Exceptional distribution costs	192	1,093
Exceptional administrative expenses	1,680	10,721
Total exceptional operating costs	3,530	17,712

Operating exceptional costs relate to redundancy costs incurred as a result of restructuring and responding to changes in the market resulting from the recent economic downturn

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 all borne by this company, and the average number of employees are shown below

Staff costs	2009 £000	2008 £000
Wages and salaries	121,305	190,070
Social security costs	10,373	17,551
Pension costs	11,305	11,074
Share based payments	1,089	1,428
	144,072	220,123

Wages and salaries include redundancy costs of £3,530,000 (2008 £17,712,000)

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	2009 Number	2008 Number
Sales and distribution	567	1,004
Production	2,589	3,090
General and administration	620	814
	3,776	4,908
Directors	2009 £000	2008 £000
Aggregate emoluments	2,789	1,657
Company pension contributions to money purchase schemes	10	5
Company pension contributions to defined benefit schemes	49	43
Compensation for loss of office	-	66
	2,848	1,771
	2009 Number	2008 Number
The number of directors to whom retirement benefits were accruing under defined benefit schemes during the year	2	3
The number of directors to whom retirement benefits were accruing under money purchase schemes during the year	1	1
The number of directors receiving shares under long term incentive plans during the year	7	5
The number of directors exercising share options during the year	-	-
Highest paid director	2009 £000	2008 £000
Aggregate emoluments	919	586
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

The immediate parent company, CEMEX Investments Limited has granted options over shares to employees under share option schemes. Where grants were made after 7 November 2002 they have been accounted for as required by FRS 20 "Share based payments". As permitted by the transitional arrangements of that standard, awards made before that date have not been so accounted. All options have been valued at the date of grant using the Black Scholes option pricing model.

Details of Savings Related Share Options granted since 7 November 2002

Grant date	10 Oct 2003	8 Oct 2004	8 Oct 2004
Share price at grant date	£6.66	£8.50	£8.50
Exercise price	£4.97	£5.06	£5.06
Shares under option at grant date	290,752	373,636	389,923
Vesting period	5 yrs	3 yrs	5 yrs
Expected volatility	50%	33%	33%
Option life	5.5 yrs	3.5 yrs	5.5 yrs
Risk free rate	3.75%	4.75%	4.75%
Expected dividend yield	4.68%	3.67%	3.67%
Fair value per option	£2.60	£3.50	£3.50

The movements on these options over the year are as follows

	2009 Number	2009 Weighted average exercise price	2008 Number	2008 Weighted average exercise price
At 1 January	372,003	£5.01	648,603	£5.03
Lapsed	-	-	(15,973)	£5.05
Exercised	(210,789)	£4.98	(260,627)	£5.06
At 31 December	<u>161,214</u>	<u>£5.06</u>	<u>372,003</u>	<u>£5.01</u>
Exercisable at 31 December	<u>161,214</u>	<u>£5.06</u>	<u>187,367</u>	<u>£4.97</u>

The share based payment charge for Savings Related Share Options in 2009 was £98,000 (2008 £218,000)

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.

	2009 Number	2009 £000	2008 Number	2008 £000
Total stocks awarded in year to be released to employees over the following 4 years	<u>414,754</u>	<u>788</u>	<u>569,186</u>	<u>1,267</u>

The share based payment charge for this scheme in 2009 was £991,000 (2008 £1,210,000)

6. Other operating income

	2009 £000	2008 £000
Net rent from land and property management	2,525	3,062
Other	<u>641</u>	<u>26</u>
	<u>3,166</u>	<u>3,088</u>

7. Exceptional other operating income

	2009 £000	2008 £000
Income from sale of EU emissions credits to other group companies	<u>-</u>	<u>27,701</u>

In 2008, the company sold surplus European Union carbon dioxide emissions credits to other group companies for a total income of £27,700,696

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

8. Interest receivable and similar income

	2009 £000	2008 £000
Other interest receivable	29	1,366
Gains on foreign currency conversion	4,492	-
Interest receivable from group undertakings	64	-
Other finance income	-	617
	<u>4,585</u>	<u>1,983</u>

9. Interest payable and similar charges

	2009 £000	2008 £000
Bank overdrafts and bank loans	-	23
Loans from group undertakings	35,713	22,722
Finance leases	539	1,002
Losses on foreign currency conversion	-	14,647
Unwinding of discounts (see note 22)	5,013	4,877
Preference shares	8	10
Other finance costs (see note 23)	4,100	300
	<u>45,373</u>	<u>43,581</u>

10. Loss on ordinary activities before taxation

	2009 £000	2008 £000
The loss on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation and depletion of tangible fixed assets		
Depreciation – owned assets	33,614	30,868
Depreciation – assets held under finance leases	6,602	8,233
Depletion of mineral reserves	4,411	-
	<u>44,627</u>	<u>39,101</u>
Loss on disposal of tangible fixed assets (excluding land and buildings)	7	33
Amortisation of goodwill	20	21
Hire of plant and machinery under operating leases	9,390	16,391
Other operating lease rentals	4,346	4,745
Auditors' remuneration - for audit of these financial statements	511	616
- for other services	100	-
- for other services pursuant to legislation	474	-
Government grants	<u>(479)</u>	<u>(335)</u>

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

11. Taxation

	2009 £000	2008 £000
Analysis of tax charge on ordinary activities		
Current tax		
United Kingdom Corporation tax at the rate of 28% (2008 28.5%) on the loss on ordinary activities for the year	-	-
Prior year adjustments	-	-
	<u>-</u>	<u>-</u>
Deferred tax		
Deferred tax on timing differences for the current year	-	3,625
Prior year adjustments	(6,100)	2,619
Deferred tax on defined benefit pension schemes	-	1,064
	<u>(6,100)</u>	<u>7,308</u>
Tax (credit) / charge on loss on ordinary activities	<u>(6,100)</u>	<u>7,308</u>
Reconciliation of current tax charge		
The current tax (credit) / charge for the year is greater (2008 greater) than the rate of 28% (2008 28.5%) The reasons for the difference are explained below		
Loss on ordinary activities before tax	<u>(75,683)</u>	<u>(58,246)</u>
Loss on ordinary activities multiplied by standard rate of Corporation tax in the UK of 28% (2008 28.5%)	(21,191)	(16,600)
Adjustments for the effects of		
Disallowable expenditure	1,076	942
Non-taxable dividend income	(129)	(5,014)
IBA allowances treated as permanent differences	(413)	(692)
Difference between book profits on fixed assets sold and chargeable gains	425	(1,266)
Difference between capital allowances and depreciation for the year	8,512	7,271
Movements on provisions	(760)	(1,923)
Depreciation of assets not qualifying for capital allowances	1,634	1,763
Other timing differences	762	2,786
Losses carried forward	<u>10,084</u>	<u>12,733</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

12. Intangible assets

	Goodwill £000
Cost	
At 1 January 2009 and at 31 December 2009	<u>7,139</u>
Amortisation	
At 1 January 2009	6,919
Charge for the year	<u>20</u>
At 31 December 2009	<u>6,939</u>
Net book value	
At 31 December 2009	<u>200</u>
At 31 December 2008	<u>220</u>

13. Tangible fixed assets

	Land & buildings			Plant machinery & equipment	Motor vehicles	Total
	Freehold £000	Long leasehold £000	Short leasehold £000	£000	£000	£000
Cost						
At 1 January 2009	242,792	41,128	38,179	860,155	89,312	1,271,566
Reclassifications	(8,905)	-	(1)	13,849	(4,943)	-
Additions	8,462	-	-	33,945	-	42,407
Disposals	(25,770)	(1,864)	(18)	(16,331)	(16,281)	(60,264)
Transfers from other group undertakings	-	1,429	-	4,796	51	6,276
At 31 December 2009	<u>216,579</u>	<u>40,693</u>	<u>38,160</u>	<u>896,414</u>	<u>68,139</u>	<u>1,259,985</u>
Depreciation and depletion						
At 1 January 2009	88,687	15,970	22,001	386,660	62,324	575,642
Reclassifications	99	(28)	(1)	(66)	(4)	-
Charge for the year	3,704	1,567	565	31,215	7,576	44,627
Disposals	(24,279)	(1,842)	(14)	(16,128)	(15,866)	(58,129)
Transfers from other group undertakings	-	1,202	-	4,476	-	5,678
At 31 December 2009	<u>68,211</u>	<u>16,869</u>	<u>22,551</u>	<u>406,157</u>	<u>54,030</u>	<u>567,818</u>
Net book value						
At 31 December 2009	<u>148,368</u>	<u>23,824</u>	<u>15,609</u>	<u>490,257</u>	<u>14,109</u>	<u>692,167</u>
At 31 December 2008	<u>154,105</u>	<u>25,158</u>	<u>16,178</u>	<u>473,495</u>	<u>26,988</u>	<u>695,924</u>

Following a review of fixed asset categorisation in the year, significant reclassifications were made from freehold land and motor vehicles to plant, machinery and equipment

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

13. Tangible fixed assets *continued*

Buildings situated on land owned by other group undertakings have been classified according to the tenure from the group point of view. Tangible fixed assets have been transferred during the year to and from fellow group undertakings at the original cost or valuation to the group together with the accumulated depreciation to the date of transfer. Plant, machinery and equipment includes fixtures, fittings and tools.

	2009 £000	2008 £000
Capital commitments		
Contracts placed for future capital expenditure not provided for in the financial statements	<u>1,889</u>	<u>14,489</u>
Assets held under finance leases		
Assets held under finance leases, capitalised and included in freehold land and buildings, plant, machinery and equipment		
Cost	56,903	72,838
Cumulative depreciation	<u>(46,822)</u>	<u>(55,751)</u>
Net book value	<u>10,081</u>	<u>17,087</u>

Depreciation of £6,602,000 (2008 £8,233,000) was charged in the year on assets held under finance leases.

14. Investments in group undertakings

	£000
Cost	
At 1 January 2009 and 31 December 2009	<u>134,063</u>
Provisions	
At 1 January 2009 and 31 December 2009	<u>53,263</u>
Net book value	
At 31 December 2008 and 31 December 2009	<u>80,800</u>

Names of group undertakings	Country of registration & operation	Business activity	Percentage of equity held	
			2009 %	2008 %
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	Aggregates	49	49
CEMEX Seament Limited	Great Britain	Cement agent	100	100
Seament Limited	Great Britain	Cement	100	100
RMC Russell Limited	Great Britain	Non-trading	100	100

All investments are in the respective companies' ordinary share capital.

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

15. Investments in participating interests

	Shares £000	Loans £000	Total £000
Cost			
At 1 January 2009 and 31 December 2009	<u>116</u>	<u>50</u>	<u>166</u>
Provisions			
At 1 January 2009 and 31 December 2009	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
At 31 December 2008 and 31 December 2009	<u>116</u>	<u>50</u>	<u>166</u>

Names of participating interests	Called up ordinary share capital	Percentage of equity held	
		2009 %	2008 %
Blackwater Aggregates Limited	£2	50	50
Brett Hall Aggregates Limited	£1,000	50	50
Buxton Rail Limited	£100	50	50
Eton Aggregates Limited	£384	25	25
Havering Aggregates Limited	£100	50	50
Humber Sand & Gravel Limited	£100	50	50
Island Barn Aggregates Limited	£200,000	50	50
Isle of Wight Aggregates Limited	£2	50	50
Processing Ash LLP	£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 aggregates

16. Stocks

	2009 £000	2008 £000
Raw materials and consumables	36,825	53,651
Work in progress	2,032	1,087
Finished goods and goods for resale	<u>23,472</u>	<u>15,554</u>
	<u>62,329</u>	<u>70,292</u>

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

17. Debtors

	2009 £000	2008 £000
Amounts falling due within one year		
Trade debtors	103,216	122,155
Loans to group undertakings	-	15,000
Amounts owed by group undertakings	46,726	70,841
Amounts owed by participating interests	1,469	2,501
Other debtors	9,274	7,380
Prepayments and accrued income	17,330	20,352
	178,015	238,229
Amounts falling due after more than one year		
Trade debtors	571	4,959
Loans to group undertakings	45,028	-
Other debtors	657	115
Prepayments and accrued income	4,495	864
	50,751	5,938
	228,766	244,167

Loans to group undertakings are unsecured and bear interest at a rate based on CITI

Amounts owed by group undertakings are unsecured

18. Creditors – amounts falling due within one year

	2009 £000	2008 £000
Bank overdrafts	-	15,949
Other loans	5,384	-
Obligations under finance leases	3,769	6,863
Trade creditors	-	-
Loans from group undertakings	-	176,931
Amounts owed to group undertakings	135,718	181,544
Amounts owed to participating interests	319	819
Other creditors	10,041	19
Other taxation and social security	3,843	303
Accruals and deferred income	16,116	8,392
	175,190	390,820

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

Amounts owed to group undertakings are free of interest

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

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

	2009 £000	2008 £000
Other loans	22,880	-
Loan from parent company	55,257	118,074
Loan note from parent company	190,259	174,925
	268,396	292,999
Finance leases	1,358	5,257
Preference shares	225	222
	269,979	298,478

Other loans are interest free and are repayable by instalments with a final repayment date of January 2015

The loan from parent company is unsecured, is repayable in April 2012 and bears interest at a rate based on Libor

At the option of the company, the Loan Note may be repaid between 2006 and 2011 or may be converted into Preference shares Interest is payable on the principal amount at the Retail Price Index + 2.94%

Finance leases	2009 £000	2008 £000
The minimum lease payments under finance leases fall due as follows		
Within 1 year	3,927	7,182
Within 2-5 years	1,447	5,691
After 5 years	-	64
	5,374	12,937
Less future finance charges	(247)	(817)
	5,127	12,120

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.

The company has not entered into any derivative transactions.

The main risks arising from the company'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.

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

				2009
	Overdrafts £000	Finance leases £000	Other £000	Total £000
Less than 1 year	-	3,769	5,384	9,153
In more than 1 year but not more than 2 years	-	1,176	60,641	61,817
In more than 2 years but not more than 5 years	-	182	206,409	206,591
In more than 5 years	-	-	1,571	1,571
	-	5,127	274,005	279,132

				2008
	Overdrafts £000	Finance leases £000	Other £000	Total £000
Less than 1 year	15,949	6,863	176,931	199,743
In more than 1 year but not more than 2 years	-	3,903	-	3,903
In more than 2 years but not more than 5 years	-	1,291	292,999	294,290
In more than 5 years	-	63	222	285
	15,949	12,120	470,152	498,221

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

21. Deferred tax

	2009 £000	2008 £000
Deferred tax has been calculated at the rate of 28% (2008 28%) on the following timing differences		
Chargeable gains held over	(6,100)	38,107
	<u>(6,100)</u>	<u>38,107</u>
Movement in the year	£000	
At 1 January 2009	38,107	
Credit to profit and loss account	<u>(6,100)</u>	
At 31 December 2009	<u>32,007</u>	

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.

The tax credit noted above of £6,100,000 (2008 £6,244,000 charge) is the same as the tax credit in the profit and loss account of £6,100,000 (2008 £7,308,000 charge). The difference last year of £1,064,000 credit relates to the charge for movements on the pension provision as separately disclosed in note 11 in the analysis of the tax charge.

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

21. Deferred tax *continued*

The total amount of unprovided deferred tax is as follows

	2009 £000	2008 £000
Rolled over gains	28,324	31,906
Tax losses carried forward	(25,426)	(15,249)
Timing difference on pension deficit	(39,113)	-
Accelerated capital allowances and expense provisions	(18,627)	(11,838)
Deferred tax (asset) / liability	(54,842)	4,819

The total amount unprovided relating to rolled over gains is £28,324,000 (2008 £31,906,000). At present it is not envisaged that any tax will become payable in the foreseeable future. No deferred tax asset has been provided in respect of unutilised non-trading losses. 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	Total £000
At 1 January 2009	6,963	125,335	7,957	140,255
Released in the year	-	-	(2,248)	(2,248)
Utilised in the year	(395)	(1,837)	(1,548)	(3,780)
Unwinding of discount	-	5,013	-	5,013
At 31 December 2009	6,568	128,511	4,161	139,240

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. These provisions will be utilised over the next 6 years.

23. Pensions

Description of scheme

The company is the main participant in the CEMEX UK Pension Fund and CEMEX UK Executives Pension Fund, which are defined benefit pension schemes operated by CEMEX Investments Limited for the employees of its UK subsidiaries. These schemes are now closed to new members.

Actuarial assumptions

The major assumptions used for the actuarial valuation were

	2009	2008	2007	2006
Price inflation	3.6%	3.0%	3.1%	2.9%
Rate of increase in salaries	3.6%	3.0%	3.1%	3.9%
Rate of increase in pension payments				
pre 1 January 2008 service	3.5%	3.0%	3.1%	2.9%
post 31 December 2007 service	3.5%	2.5%	2.5%	2.9%
Rate of increase in deferred pensioners	3.6%	3.0%	3.1%	2.9%
Discount rate				
Main Fund	5.7%	6.0%	5.7%	5.2%
Executives Fund	5.7%	6.1%	5.7%	5.2%

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

23. Pensions *continued*

Mortality

For the Main Fund, the mortality table is PMA92c2003 for males and PFA92c2003 for females, both rated down 1 year. In addition a reduction of 0.25% pa in the discount rate to allow for future improvements in life expectancy.

For the Executives Fund, the mortality table is PMA92 year of use 2006 for males and PFA92 year of use 2006 for females, with medium cohort improvements for future life expectancy.

Expected lifetime

For the Main Fund, the expected lifetime of a participant who is age 65 and the expected lifetime 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 of a participant who will be age 62 in 10 years are shown in years below, based on the above mortality tables.

Age	Main Fund		Age	Executives Fund	
	Males	Females		Males	Females
65	19.4	22.3	62	24.7	27.6
65 in 15 years	20.0	22.9	62 in 10 years	25.3	28.2

Plan asset information

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

	Main Fund		Executives Fund	
	2009 Allocation %	2008 Allocation %	2009 Allocation %	2008 Allocation %
Equity securities	36.2	32.7	32.3	28.7
Debt securities	36.1	41.4	38.1	44.5
Real estate / property	9.2	12.9	9.6	13.2
Other	18.5	13.0	20.0	13.6
Total	100	100	100	100
Fair value of plan assets	£577.5M	£531.5M	£123.4M	£115.7M
Actual return on plan assets	£62.2M	£70.6M	£15M	£15.4M

Reconciliation to balance sheet	2009 £000	2008 £000	Restated 2007 £000	2006 £000
Fair value of fund assets	700,900	647,200	751,100	769,100
Actuarial value of fund liabilities	(954,900)	(788,600)	(830,000)	(882,100)
Gross deficit in the fund	(254,000)	(141,400)	(78,900)	(113,000)
Deferred tax asset	32,007	39,592	22,092	33,900
Net liability	(221,993)	(101,808)	(56,808)	(79,100)

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

23. Pensions *continued*

	2009 £000	2008 £000
Change in plan liabilities		
At 1 January	(788,600)	(830,000)
Current service cost	(6,200)	(10,600)
Interest cost	(46,300)	(47,700)
Plan participants' contributions	(3,300)	(3,800)
Actuarial (loss) / gain	(149,300)	67,100
Benefits paid from plan assets	38,800	38,000
Loss on curtailments	-	(1,600)
At 31 December	<u>(954,900)</u>	<u>(788,600)</u>
Change in plan assets	2009 £000	2008 £000
At 1 January	647,200	751,100
Expected return on assets	42,200	47,400
Actuarial gain / (loss) on assets	35,000	(133,400)
Employer contributions	12,000	16,300
Plan participants' contributions	3,300	3,800
Benefits paid	<u>(38,800)</u>	<u>(38,000)</u>
At 31 December	<u>700,900</u>	<u>647,200</u>
Analysis of the amount charged to operating profit	2009 £000	2008 £000
Current service cost	<u>6,200</u>	<u>10,600</u>
Analysis of the amount charged / (credited) to other finance costs / (income)	2009 £000	2008 £000
Expected return on pension scheme assets	(42,200)	(47,400)
Interest on pension scheme liabilities	<u>46,300</u>	<u>47,700</u>
	<u>4,100</u>	<u>300</u>

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

23. Pensions *continued*

	2009 £000	2008 £000	2007 £000	2006 £000
History of experience gains and losses				
Difference between the expected and actual return on scheme assets				
Amount	35,000	(133,400)	(52,400)	31,400
Percentage of scheme assets	5.0%	20.6%	7.0%	4.1%
Experience (loss) / gain on scheme liabilities				
Amount	(26,900)	7,800	-	-
Percentage of the present value of scheme liabilities	2.8%	1.0%	-	-
Total actuarial (loss) / gain recognised in the statement of total recognised gains and losses				
Amount	(114,300)	(66,300)	34,900	(44,600)
Percentage of the present value of scheme liabilities	12.0%	8.4%	4.2%	5.1%

Defined contribution scheme

The defined benefit pension schemes shown above are no longer admitting new members. New members may join a defined contribution scheme. The contributions payable by the company to that scheme amounted to £1,005,000 (2008: £1,390,000). The company contributions unpaid at the balance sheet date were £84,221 (2008: £174,955).

24. Called up share capital

	2009 £000	2008 £000
Authorised share capital		
695,100,000 (2008: 345,100,000) £1 Ordinary shares, 127,700,000 £1 Preference shares and 527,200,000 unclassified £1 shares	<u>1,350,000</u>	<u>1,000,000</u>
Share capital allotted, called up and fully paid		
695,100,000 (2008: 345,100,000) £1 Ordinary shares	<u>695,100</u>	<u>345,100</u>
200,000 £1 Preference shares	<u>200</u>	<u>200</u>
Shares classified as shareholders' funds	<u>695,100</u>	<u>345,100</u>
Shares classified as liabilities	<u>200</u>	<u>200</u>

During the year, 350,000,000 £1 ordinary shares were issued at par.

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.

The classification of the unclassified shares is determined at the point of allotment.

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

25. Reserves

	Profit and loss account £000
At 1 January 2008	(83,749)
Retained loss for the financial year	(65,554)
Actuarial loss on pension scheme	(66,300)
Deferred tax on actuarial loss	18,564
Share based payments	<u>184</u>
At 31 December 2008	<u>(196,855)</u>
Retained loss for the financial year	(69,583)
Actuarial loss on pension scheme	(114,300)
Deferred tax on actuarial loss	(7,585)
Share based payments	<u>(331)</u>
At 31 December 2009	<u>(388,654)</u>
Goodwill eliminated directly against reserves relating to acquisitions made prior to 1998 amounts to £7,111,000 (2008 £7,111,000)	

26. Obligations and commitments under leases

	2009		2008	
	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	117	427	118	483
Within 2-5 years	750	4,760	712	3,903
After 5 years	<u>4,768</u>	<u>2,026</u>	<u>5,150</u>	<u>3,694</u>
	<u>5,635</u>	<u>7,213</u>	<u>5,980</u>	<u>8,080</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, guaranteeing a group bank overdraft facility of £100,000,000 for the CEMEX Investments Limited group

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

There are no claims outstanding at 31 December 2009 (2008 £733,000) in connection with the supply of goods for which no provision has been made in the accounts, as in the opinion of the directors, no loss will arise

The outstanding claim concerning a potential pension liability was found in the company's favour. The claimant has not confirmed that the liability is not payable due to uncertainty concerning the legal implication of the judgement. The directors remain of the opinion that payment is not probable and as such, no liability has been recognised in the accounts

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

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 pension funds of 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

	2009 £000	2008 £000
Sales to participating interests	5,212	4,612
Purchases from participating interests	6,192	5,281
Management charges to participating interests	391	363
Loans advanced to participating interests	50	50
Amounts owed by participating interests	1,469	2,501
Amounts owed to participating interests	319	819

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

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