

CEMEX UK OPERATIONS LIMITED

DIRECTORS' REPORTS AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

CEMEX House
Coldharbour Lane
Thorpe, Egham
Surrey TW20 8TD

Telephone: 01932 568833
Facsimile: 01932 568933

www.cemex.co.uk



A10

A3HGP4G9

29/09/2014

#106

COMPANIES HOUSE

number 658390

CEMEX UK OPERATIONS LIMITED

Strategic report

The directors present the strategic report of the company for the year ended 31 December 2013.

Principal activity

Throughout 2013, 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 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. The business has 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 2013 continued to be extraction, processing and distribution of building materials across a national supply network of over 305 operating sites.

As of 31 December 2013, CEMEX UK Operations Limited operated 2 cement plants and a clinker blending and grinding facility in the United Kingdom. As of that date, it also owned 4 cement import terminals, 197 readymix concrete plants and 56 aggregate quarries, in addition to asphalt, mortar, concrete blocks, concrete block paving, railway sleepers, flooring and other precast operating units. CEMEX UK Operations Limited also operates a paving solutions contracting business.

During 2013 we continued to sell cement in both bulk and packed forms. The bulk cement was primarily sold for use in readymix concrete, and to concrete block and precast product customers, while our packed cements were primarily sold to builders merchants.

In 2013, 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. Approximately half of our UK aggregates production was consumed by our own readymix concrete, asphalt, paving solutions, concrete block and precast operations, with the rest sold to major contractors for use in the built environment and infrastructure projects.

Our readymix concrete is mainly sold to contractors for use in construction projects including housing, infrastructure and commercial building developments. In 2013, our readymix concrete division sourced most of its cement and aggregates requirements from our cement and aggregates operations.

CEMEX UK OPERATIONS LIMITED

Strategic report *continued*

Market conditions	<p>The construction market continued to be constrained during much of 2013 with total output of the construction sector estimated to have risen by 1.3% during the year. Whilst this is 3.9% greater than at lowest level seen during the recession in 2009, 2013's output remained 12.2% below pre-recession levels of 2007. In 2013 private sector spending on construction increased 3.4% year on year whilst public sector spending fell by 4.0%, with new housing construction being the key driver accounting for nearly all the growth in construction output.</p>
Performance and focus	<p>CEMEX UK Operations Limited continued its focus on value creation through improving pricing performance based on value before volume, growing our product markets by displacing other construction materials and obtaining the full operating leverage of the company's assets.</p> <p>CEMEX UK Operations Limited continued its asset rationalisation strategy, divesting non-core or under-utilised assets to provide a leaner, more flexible asset base better suited to match future market evolution. As part of a CEMEX global programme CEMEX UK Operations Limited completed the outsourcing of back-office functions to IBM.</p>
Aggregates	<p>The Aggregates business successfully focused on margin improvement based on a value before volume approach to pricing and continuing to minimise production costs. Prices and margins improved compared to 2012 although volumes fell slightly. The business also successfully completed the sale of a number of under-utilised quarry assets.</p>
Cement	<p>In 2013 the UK cement market was characterised by challenging trading conditions. The Competition Commission completed its investigation into the UK cement market but required no actions to be taken in relation to CEMEX's cement business. CEMEX UK Operations Limited's cement operations continued to be the UK cement industry's leading consumer of alternative fuels. CEMEX's South Ferriby cement plant suffered serious flooding in December 2013. Costs resulting from this event have been substantially covered by insurance claims. The plant is anticipated to re-open later this year.</p>
Readymixed concrete	<p>During 2013 the CEMEX UK Operations Limited's readymix concrete business achieved improved selling prices and volumes as the business continued to focus in price lead margin growth including introducing new pricing practices into the sector. The readymix concrete business also introduced a number of new product solutions including roller compacted concrete for highway construction.</p>
Building Products	<p>The Building Products business focused on managing its cost base, improving its capacity in the South East of England key market and the continued success of its rail products division including the development of new rail sleeper solutions.</p>
Sustainable development	<p>The Company continued its partnership with the Royal Society for the Protection of Birds (RSPB) under the 5 year Memorandum of Understanding, signed in 2012. The RSPB provided guidance and advice on implementation of its Biodiversity Strategy to Give Nature a Home. With this support, the Company continues to make good progress on the industry leading targets covering its operations in the UK, including the creation and maintenance of 1,000 hectares of priority biodiversity habitats by 2020.</p>

CEMEX UK OPERATIONS LIMITED

Strategic report *continued*

Sustainable development (continued)

The Company increased its use of the Carbon Footprint Calculator, by promoting the system to customers, and raising awareness of the options to optimise the CO₂ impacts of the products and solutions we supply. We continued to lead the industry by increasing our carbon labelling portfolio to all our bulk and packed cements to a recognised standard, PAS2050.

In 2013 the Company also replaced 62% of the traditional fossil fuels used to heat its cement kilns with alternative fuels up from 59% in 2012. This is considerably more than the UK sector average of around 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, using around 60 times more waste and by products than we send to landfill. All products continue to be 'responsibly sourced' to BES6001 at the 'Very Good' level.

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 competitive and challenging market environment in 2014. 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 recognise and firmly embrace the sustainability challenges faced by our sector. We innovate well beyond regulatory requirements both in terms of our own operational performance, but also solutions for customers, for example promoting lower carbon, or more sustainable solutions. We will continue to build on the leading progress made on increasing alternative fuels use in our cement manufacturing, while continuing efforts to improve resource efficiency relating to energy, water and waste. We continue with our commitments to protect and enhance biodiversity through our partnership with the RSPB, and actively encourage participation in our employee volunteering scheme, Lendahand, to support local communities.

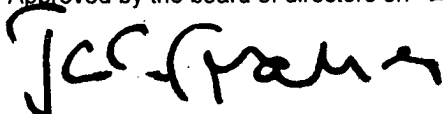
The Company plans to invest, not only to make sure we grow by aligning our assets with market opportunities, but also by securing the long term viability of our business. Similarly, we will continue to review our asset portfolio and footprint to make sure we maximise our returns in line with market growth.

CEMEX UK OPERATIONS LIMITED

Strategic report *continued*

Key performance indicators	<p>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. ROCE for 2013 was 0.13%, compared with 7% for 2012. 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 2013 there were 4 lost time injuries.</p>
Risks and uncertainties	<p>The Company's activities are exposed to various financial risks including foreign currency risk, credit risk, liquidity risk and interest rate risk. Risks are managed in accordance with policies approved by the directors and the CEMEX Group.</p> <p>The Company is part of an international group, and is exposed to exchange rate risk on foreign currency transactions. This is associated mainly with loans, foreign currency bank accounts, and transactions with Group companies. Foreign currency balances are monitored closely to keep exposure to a minimum.</p> <p>Credit risk is managed through regular customer credit checks and with exposure spread over a large number of customers. The Company, along with the CEMEX Group, monitors liquidity closely to ensure the availability of sufficient cash and credit facilities. A cash-pooling system is in place to maximise cash availability.</p> <p>Interest rate risk arises on borrowings (loans and credit facilities) from banks, CEMEX Group companies and other lenders.</p>
Awards presented in 2013	<p>CEMEX UK Operations Limited received 8 CEMEX Global Health and Safety Awards in recognition of our performance in 2013, more than any other country within the Group and including the Country 'Best Performance' Award (500+ employees). The business also excelled in the RoSPA Occupational Health and Safety Awards, with our Logistics operations receiving the Management of Occupational Road Risk Technology Trophy and our Readymix business winning the Mines and Quarries Sector Award for the third consecutive year; our Aggregate operations were Highly Commended in the same sector. In addition we were also presented with 2 RoSPA President's Awards, recognising 10 or more years of health and safety success, 3 Gold Medals and 6 other Awards.</p> <p>In the Annual Mineral Products Association (MPA) Awards we were extremely pleased to win the John Crabbe Memorial Trophy for 'Outstanding Excellence in Health and Safety', the top industry award. In total, entries from 8 areas of the business were recognised in these prestigious industry Awards in 2013.</p>

Approved by the board of directors on 24 September 2014 and signed on its behalf by



J.A. Smalley
Director

CEMEX House, Coldharbour Lane, Thorpe, Egham, Surrey TW20 8TD

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 2013.

Results and dividend

The loss for the year attributable to shareholders was £10,553,000 (2012: £75,159,000 profit) which was transferred from reserves.

The directors do not recommend payment of a final dividend to ordinary shareholders (2012: £nil).

During the year, 800,000,000 £1 ordinary shares were issued at par.

Directors

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

C A Leese
I Madridejos
J Gonzalez
D M J O'Donnell
L H Russell
J A Smalley
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.

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 2013, however it is not practicable to value these assets on an annual basis.

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 28.

CEMEX UK OPERATIONS LIMITED

Directors' report *continued*

Employees

At the end of 2013 our voluntary employee turnover rate was 4.9%, compared with 4% at the end of 2012. We aim to increase diversity and at the end of the year, about 22 nationalities were represented in our workforce and 12% 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 2013 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 on-line learning, including 27 sponsored further education courses, 88 National Vocational Qualifications and 462 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.

Donations

The Company made charitable donations of £58,642 (2012: £52,686) and no political donations during the year (2012: £nil).

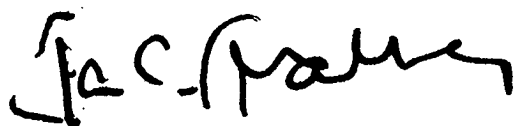
Disclosure of information to auditors

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.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the board of directors on 24 September 2014 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 strategic report and the directors' report and the financial statements

The directors are responsible for preparing the strategic report and 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 2013 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, 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 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 website 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 2013 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.

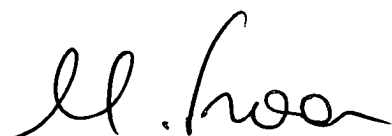
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared are 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

26 SEPT

2014

CEMEX UK OPERATIONS LIMITED

Profit and loss account *for the year ended 31 December 2013*

		2013		2012	
	Notes	£000	£000	£000	£000
Turnover	3		733,126		714,207
Cost of sales			<u>(538,234)</u>		<u>(526,080)</u>
Gross profit			194,892		188,127
Distribution costs			(135,545)		(136,985)
Administrative expenses			(75,546)		(83,237)
Other operating income	5	8,011		2,996	
Exceptional other operating income	6	-		<u>85,500</u>	
Total other operating income			<u>8,011</u>		<u>88,496</u>
Operating (loss) / profit			(8,188)		56,401
Non-operating exceptional items					
Profit on disposal of fixed assets			11,315		14,678
Amounts written off investments			(62,322)		(7,155)
Income from shares in group undertakings and participating interests			61,694		22,776
Interest receivable and similar income	7		13,121		12,744
Interest payable and similar charges	8		<u>(26,173)</u>		<u>(24,285)</u>
(Loss) / profit on ordinary activities before taxation	9		(10,553)		75,159
Tax on (loss) / profit on ordinary activities	10		<u>-</u>		<u>-</u>
Retained (loss) / profit for the financial year	23		<u>(10,553)</u>		<u>75,159</u>

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 2013

		2013		2012	
	Notes	£000	£000	£000	£000
Fixed assets					
Intangible assets	11	120		140	
Tangible assets	12	587,615		612,281	
Investments in group undertakings	13	52,687		115,009	
Investments in participating interests	14	102		102	
			640,524		727,532
Current assets					
Stocks	15	47,542		45,897	
Debtors: amounts falling due within one year	16	163,914		163,075	
Debtors: amounts falling due after more than one year	16	1,364,463		549,649	
Total debtors		1,528,377		712,724	
Cash at bank and in hand		11,563		22,019	
			1,587,482		780,640
Creditors:					
amounts falling due within one year	17	(244,765)		(276,410)	
Net current assets			1,342,717		504,230
Total assets less current liabilities			1,983,241		1,231,762
Creditors:					
amounts falling due after more than one year	18		(380,365)		(406,724)
Provisions for liabilities					
Deferred tax	19	-		-	
Other provisions	20	(131,641)		(141,404)	
			(131,641)		(141,404)
Net assets before net pension liability			1,471,235		683,634
Net pension liability	21		(207,100)		(133,800)
Net assets			1,264,135		549,834
Capital and reserves					
Called up share capital	22		1,713,081		913,081
Profit and loss account	23		(448,946)		(363,247)
Equity shareholders' funds			1,264,135		549,834

The financial statements on pages 10 to 35 were approved by the Board of Directors on 24 September 2014 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 2013*

	2013 £000	2012 £000
(Loss) / profit for the financial year	(10,553)	75,159
Actuarial loss on pension scheme	<u>(76,600)</u>	<u>16,000</u>
Total gains and losses	<u>(87,153)</u>	<u>91,159</u>

CEMEX UK OPERATIONS LIMITED

Reconciliation of shareholders' funds *for the year ended 31 December 2013*

	£000
At 1 January 2012	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	<u>150,000</u>
At 31 December 2012	<u>549,834</u>
Retained loss for the financial year	(10,553)
Actuarial loss on pension scheme	(76,600)
Share based payments	1,454
Issue of share capital	<u>800,000</u>
At 31 December 2013	<u>1,264,135</u>

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 2015. 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%
------------------	--------------------------------------

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 Tejada1, Madrid 28027, Spain.

3. Turnover

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

4. 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	2013 £000	2012 £000
Wages and salaries	92,759	101,922
Social security costs	9,360	9,550
Pension costs	17,275	17,200
Pensions past service credit (see note 21)	-	(63,500)
Pensions curtailment credit	-	(22,000)
Share based payments	920	765
	<u>120,314</u>	<u>43,937</u>

Wages and salaries include redundancy costs of £947,703 (2012: £2,804,501).

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

4. Employees and directors *continued*

Average number of persons employed by the Company during the year	2013 Number	2012 Number
Sales and distribution	458	471
Production	2,022	2,135
General and administration	393	460
	<u>2,873</u>	<u>3,066</u>
Directors	2013 £000	2012 £000
Aggregate emoluments	3,093	2,484
Company pension contributions to money purchase schemes	110	65
Company pension contributions to defined benefit schemes	-	15
	<u>3,203</u>	<u>2,564</u>
	2013 Number	2012 Number
The number of directors to whom retirement benefits were accruing under defined benefit schemes during the year	-	4
The number of directors to whom retirement benefits were accruing under money purchase schemes during the year	5	5
The number of directors receiving shares under long term incentive plans during the year	6	6
The number of directors exercising share options during the year	<u>-</u>	<u>-</u>
Highest paid director	2013 £000	2012 £000
Aggregate emoluments	<u>1,321</u>	<u>1,094</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*

4. 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.

	2013 Number	2013 £000	2012 Number	2012 £000
Total stocks awarded in year to be released to employees over the following 4 years	1,578,740	1,172	1,526,991	671

The share based payment charge for this scheme in 2013 was £920,000 (2012: £765,000).

5. Other operating income

	2013 £000	2012 £000
Net rent from land and property management	1,938	4,777
Other	6,073	(1,781)
	<u>8,011</u>	<u>2,996</u>

Other includes income from Climafuel transactions amounting to £6,561,282.

6. Exceptional other operating income

	2013 £000	2012 £000
Pensions past service credit and curtailment gain	<u>-</u>	<u>85,500</u>

7. Interest receivable and similar income

	2013 £000	2012 £000
Interest receivable from group undertakings	12,781	12,129
Exchange gains	240	615
Other finance income (see note 21)	<u>100</u>	<u>-</u>
	<u>13,121</u>	<u>12,744</u>

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

8. Interest payable and similar charges

	2013 £000	2012 £000
Loans from group undertakings	2,017	9,674
Finance leases	18,396	3,071
Unwinding of discounts (see note 20)	5,257	5,250
Other finance costs	503	6,290
	<u>26,173</u>	<u>24,285</u>

9. (Loss) / profit on ordinary activities before taxation

	2013 £000	2012 £000
The (loss) / profit on ordinary activities before taxation is stated after charging / (crediting)		
Depreciation and depletion of tangible fixed assets		
Depreciation – owned assets	19,530	21,927
Depreciation – assets held under finance leases	8,053	8,059
Depletion of mineral reserves	5,264	4,438
	<u>32,847</u>	<u>34,424</u>
Impairment of tangible fixed assets	2,605	(895)
Amortisation of goodwill	20	323
Hire of plant and machinery under operating leases	4,992	6,457
Other operating lease rentals	4,251	4,182
Auditor's remuneration - for audit of these financial statements	551	481
- for other services	77	203
- for other services pursuant to legislation	189	402
Government grants	<u>(180)</u>	<u>(676)</u>

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

10. Taxation

	2013 £000	2012 £000
Analysis of tax on profit on ordinary activities		
Current tax	-	-
Deferred tax	-	-
Tax on (loss) / profit on ordinary activities	-	-
Reconciliation of current tax credit		
The current tax credit for the year is greater (2012: greater) than the rate of 23.25% (2012: 24.5%).		
The reasons for the difference are explained below:		
(Loss) / profit on ordinary activities before tax	(10,553)	75,159
(Loss) / profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 23.25% (2012: 24.5%)	(2,454)	18,414
Adjustments for the effects of:		
Disallowable expenditure / income	15,108	3,500
Non-taxable income and gains	(14,244)	(24,445)
Difference between book profits on fixed assets sold and chargeable gains	513	4,590
Difference between capital allowances and depreciation for the year	(5,552)	(10,148)
Movements on provisions	(2,270)	50
Pension fund contributions	(18,424)	(21,821)
Depreciation of assets not qualifying for capital allowances	499	1,638
Losses carried forward	26,824	35,121
Losses brought forward and utilised	-	(6,899)
Current tax for the year	-	-

The 2013 Budget on 20 March 2013 announced that the UK corporation tax rate will reduce to 21% by 2014, and will reduce further to 20% by 2015.

A reduction in the rate from 24% to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012.

Further reductions to 21% (effective from 1 April 2014) and to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

Deferred tax is therefore measured at 20% being the corporation tax rate substantively enacted at the balance sheet date, and the rate expected to apply when deferred tax assets and liabilities reverse.

The current corporation tax rate for the calendar year 2013 is 23.25% (2012: 24.5%).

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

11. Intangible assets

	Goodwill £000
Cost	
At 1 January and 31 December 2013	<u>7,442</u>
Amortisation	
At 1 January 2013	7,302
Charge for the year	<u>20</u>
At 31 December 2013	<u>7,322</u>
Net book value	
At 31 December 2013	<u>120</u>
At 31 December 2012	<u>140</u>

12. Tangible fixed assets

	Land & buildings £000	Plant, machinery & equipment £000	Motor vehicles £000	Assets under construction £000	Total £000
Cost					
At 1 January 2013	252,957	777,984	43,153	13,694	1,087,788
Reclassifications	8,711	11,837	1,499	(22,047)	-
Additions	7,061	643	-	23,167	30,871
Disposals	(14,924)	(39,232)	(12,026)	-	(66,182)
Transfers (to) / from group companies	(5,623)	(7,618)	(154)	-	(13,395)
At 31 December 2013	<u>248,182</u>	<u>743,614</u>	<u>32,472</u>	<u>14,814</u>	<u>1,039,082</u>
Depreciation and depletion					
At 1 January 2013	101,278	337,954	36,275	-	475,507
Reclassifications	3,750	(3,750)	-	-	-
Charge for the year	7,410	24,241	1,196	-	32,847
Impairment	2,605	-	-	-	2,605
Disposals	(5,446)	(30,401)	(11,909)	-	(47,756)
Transfers (to) / from group companies	(3,967)	(7,615)	(154)	-	(11,736)
At 31 December 2013	<u>105,630</u>	<u>320,429</u>	<u>25,408</u>	<u>-</u>	<u>451,467</u>
Net book value					
At 31 December 2013	<u>142,552</u>	<u>423,185</u>	<u>7,064</u>	<u>14,814</u>	<u>587,615</u>
At 31 December 2012	<u>151,679</u>	<u>440,030</u>	<u>6,878</u>	<u>13,694</u>	<u>612,281</u>

Plant, machinery and equipment includes fixtures, fittings and tools.

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

12. Tangible fixed assets *continued*

Land and buildings net book value	2013 £000	2012 £000
Freehold	113,391	119,187
Long leasehold	18,267	20,164
Short leasehold	10,894	12,328
	<u>142,552</u>	<u>151,679</u>
Capital commitments	2013 £000	2012 £000
Contracts placed for future capital expenditure not provided for in the financial statements	<u>865</u>	<u>936</u>
Assets held under finance leases	2013 £000	2012 £000
Assets held under finance leases, capitalised and included in freehold land and buildings, plant, machinery and equipment		
Cost	291,170	297,579
Cumulative depreciation	<u>(109,436)</u>	<u>(106,727)</u>
Net book value	<u>181,734</u>	<u>190,852</u>

Depreciation of £8,053,000 (2012: £8,059,000) was charged in the year on assets held under finance leases.

13. Investments in group undertakings

	£000
Cost	
At 1 January and 31 December 2013	<u>174,764</u>
Provisions	
At 1 January 2013	59,755
Charge to profit and loss account	<u>62,322</u>
At 31 December 2013	<u>122,077</u>
Net book value	
At 31 December 2013	<u>52,687</u>
At 31 December 2012	<u>115,009</u>

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

13. Investments in group undertakings *continued*

Names of group undertakings	Country of registration & operation	Business activity	Percentage of equity held	
			2013 %	2012 %
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	100
CEMEX Scottish Limited Partnership	Great Britain	Leasing	50	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.

14. Investments in participating interests

Cost	Shares £000	Total £000
At 1 January 2013 and 31 December 2013	116	116
Provisions		
At 1 January 2013 and 31 December	14	14
Net book value		
At 31 December 2013	102	102
At 31 December 2012	102	102

Names of participating interests	Called up ordinary share capital	Percentage of equity held	
		2013 %	2012 %
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*

15. Stocks

	2013 £000	2012 £000
Raw materials and consumables	21,030	21,853
Work in progress	8,511	6,900
Finished goods and goods for resale	18,001	17,144
	<u>47,542</u>	<u>45,897</u>

16. Debtors

	2013 £000	2012 £000
Amounts falling due within one year		
Trade debtors	101,363	95,822
Amounts owed by group undertakings	38,276	37,601
Amounts owed by participating interests (Note 26)	2,688	2,768
Other debtors	2,866	4,121
Other taxation and social security	-	453
Prepayments and accrued income	18,721	22,310
	<u>163,914</u>	<u>163,075</u>
Amounts falling due after more than one year		
Trade debtors	369	416
Loans to group undertakings	1,058,190	241,117
Amounts owed by group undertakings	20	20
Other debtors	4,741	4,582
Prepayments and accrued income	301,143	303,514
	<u>1,364,463</u>	<u>549,649</u>
	<u>1,528,377</u>	<u>712,724</u>

Prepayments include £299.3 million relating to the asset backed pension funding arrangements described in note 21.

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.

17. Creditors – amounts falling due within one year

	2013 £000	2012 £000
Bank overdrafts	13,303	17,922
Bank loans	7,654	65,150
Other loans	5,250	5,351
Obligations under finance leases	15,881	15,187
Amounts owed to group undertakings	180,763	158,747
Amounts owed to participating interests (Note 26)	81	638
Other creditors	2,487	1,001
Other taxation and social security	2,909	4,575
Accruals and deferred income	16,437	7,839
	<u>244,765</u>	<u>276,410</u>

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

17. 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 £15,881,000 payable to group undertakings.

Amounts owed to group undertakings are free of interest.

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

	2013 £000	2012 £000
Other loans	-	5,351
Loans from group undertakings	52,173	75,703
	52,173	81,054
Finance leases	327,949	325,436
Preference shares	243	234
	380,365	406,724

Loans from group undertakings are repayable at dates between March 2015 and December 2016. Two of the loans are interest free. The other loans bear interest rates based on Libor.

Finance leases are payable to group undertakings.

Finance leases	2013 £000	2012 £000
The minimum lease payments under finance leases fall due as follows		
Within 1 year	15,881	15,190
Within 2-5 years	71,873	68,450
After more than 5 years	610,528	629,831
	698,282	713,471
Less future finance charges	(354,454)	(372,848)
	343,828	340,623

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

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

19. Deferred tax

	2013 £000	2012 £000
Deferred tax has been calculated at the rate of 20% (2012: 23%) on the following timing differences:		
Accelerated capital allowances	41,042	45,105
Tax losses	(41,042)	(45,105)
	<u>-</u>	<u>-</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 total amount of unprovided deferred tax is as follows:	2013 £000	2012 £000
Rolled over gains	32,900	37,835
Tax losses carried forward	(57,234)	(40,840)
Timing difference on pension deficit	(11,818)	(14,130)
Accelerated capital allowances and expense provisions	(26,328)	(32,551)
Deferred tax asset	<u>(62,480)</u>	<u>(49,686)</u>

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.

20. Other provisions

	Land reinstatement £000	Landfill monitoring £000	Onerous contracts £000	Legal claims £000	Total £000
At 1 January 2013	4,793	131,422	3,469	1,720	141,404
Provided / (released) in the year	(1)	-	(1,512)	(1,269)	(2,782)
Reclassified to accruals	-	(6,400)	-	-	(6,400)
Utilised in the year	(721)	(5,117)	-	-	(5,838)
Unwinding of discount	-	5,257	-	-	5,257
At 31 December 2013	<u>4,071</u>	<u>125,162</u>	<u>1,957</u>	<u>451</u>	<u>131,641</u>

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.

21. Pensions

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

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.

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

Actuarial assumptions

The major assumptions used for the actuarial valuation were:

	2013	2012	2011	2010	2009
Price inflation					
RPI	3.40%	3.10%	3.15%	3.4%	3.6%
CPI	2.40%	2.35%	2.15%	N/A	N/A
Rate of increase in salaries	3.40%	3.10%	3.15%	3.4%	3.6%
Rate of increase in pension payments:					
RPI inflation capped at 5%	3.10%	2.90%	3.05%	N/A	N/A
RPI inflation capped at 3%	2.30%	2.20%	2.45%	N/A	N/A
RPI inflation capped at 2.5%	2.00%	1.90%	2.15%	N/A	N/A
CPI inflation capped at 5%	2.40%	2.35%	N/A	N/A	N/A
CPI inflation capped at 3%	2.00%	1.95%	N/A	N/A	N/A
CPI inflation capped at 2.5%	1.75%	1.75%	N/A	N/A	N/A
pre 1 December 2011 (1 January 2008) service	N/A	N/A	3.05%	3.25%	3.5%
post 30 November 2011 (31 December 2007) service	N/A	N/A	2.15%	2.2%	2.5%
Rate of increase in deferred pensions	2.40%	2.35%	2.15%	3.4%	3.6%
Discount rate					
Main Fund	4.40%	4.60%	4.95%	5.3%	5.7%
Executives Fund	4.40%	4.60%	4.95%	5.3%	5.7%

Mortality

For the Main Fund, mortality is based on the SAPS 'Normal Health Pensioner' tables. Future improvements are assumed to be in line with the CMI 2011 Core Projections Model with a long term trend of 1.25% per annum.

For the Executives Fund, mortality is based on the SAPS 'Normal Health Pensioner Light' tables. Future improvements are assumed to be in line with the CMI 2011 Core Projections Model with a long term trend of 1.25% per annum.

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

21. Pensions *continued*

Expected lifetime

The expected lifetime of a participant who is age 65 at 31 December 2013 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.

Age	Main Fund		Age	Executives Fund	
	Males	Females		Males	Females
65	21.8	24.2	65	24.1	24.4
65 in 15 years	23.0	25.6	65 in 15 years	24.3	25.8

Plan asset information

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

	Main Fund		Executives Fund	
	2013 Allocation %	2012 Allocation %	2013 Allocation %	2012 Allocation %
Equity securities	13.4	34.6	6.6	30.4
Debt securities	37.1	38.8	40.4	41.8
Real estate / property	4.4	9.6	5.4	11.1
Other	45.1	17.0	47.6	16.7
Total	100	100	100	100
		2012 £000		2012 £000
Fair value of plan assets	661,000	672,600	126,800	132,400
Actual return on plan assets	17,200	35,000	2,300	5,600

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

21. Pensions *continued*

Reconciliation to balance sheet	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Fair value of fund assets	787,800	805,000	786,100	746,900	700,900
Actuarial value of fund liabilities	(994,900)	(938,800)	(1,030,500)	(1,001,900)	(954,900)
Gross deficit in the funds	(207,100)	(133,800)	(244,400)	(255,000)	(254,000)
Deferred tax asset	-	-	-	-	32,007
Net liability	(207,100)	(133,800)	(244,400)	(255,000)	(221,993)

Change in plan liabilities	2013 £000	2012 £000
At 1 January	(938,800)	(1,030,500)
Current service cost	(400)	(1,900)
Interest cost	(42,300)	(48,400)
Plan participants' contributions	-	(500)
Actuarial gain / (loss)	(53,600)	18,100
Benefits paid from plan assets	40,200	38,900
Plan change / past service credit	-	63,500
Curtailment credit	-	22,000
At 31 December	(994,900)	(938,800)

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

21. Pensions *continued*

	2013 £000	2012 £000
Change in plan assets		
At 1 January	805,000	786,100
Expected return on assets	42,400	42,700
Actuarial loss on assets	(22,900)	(2,100)
Employer contributions	3,600	16,700
Plan participants' contributions	-	500
Benefits paid	(40,200)	(38,900)
Administrative expenses paid	(100)	-
At 31 December	<u>787,800</u>	<u>805,000</u>

	2013 £000	2012 £000
Analysis of the amount charged / (credited) to operating profit		
Current service cost	400	1,900
Plan change / past service cost	-	(63,500)
Curtailment credit	-	(22,000)
	<u>400</u>	<u>(83,600)</u>

	2013 £000	2012 £000
Analysis of the amount charged / (credited) to other finance costs / (income)		
Expected return on pension scheme assets	(42,400)	(42,700)
Interest on pension scheme liabilities	<u>42,300</u>	<u>48,400</u>
	<u>(100)</u>	<u>5,700</u>

The Company expects to contribute approximately £1,100,000 to its defined benefit plans in the next financial year, plus £15,881,000 payable to the Trustees in connection with the asset backed funding arrangement.

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

21. Pensions *continued*

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
History of experience gains and losses					
Difference between the expected and actual return on scheme assets					
Amount	(22,900)	(2,100)	18,000	24,200	35,000
Percentage of scheme assets	(2.9%)	(0.3%)	2.3%	3.2%	5.0%
Experience gain / (loss) on scheme liabilities					
Amount	-	63,000	4,500	30,600	(26,900)
Percentage of the present value of scheme liabilities	0%	6.7%	0.2%	3.1%	(2.8%)
Total actuarial gain / (loss) recognised in the statement of total recognised gains and losses					
Amount	(76,600)	16,000	(10,900)	4,000	(114,300)
Percentage of the present value of scheme liabilities	(7.7%)	1.7%	(1.1%)	0.4%	(12.0%)

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 £5,975,689 (2012: £4,982,421). The company contributions unpaid at the balance sheet date were £455,549 (2012: £463,909).

22. Called up share capital

	2013 £000	2012 £000
Share capital allotted, called up and fully paid		
1,713,081,302 (2012 : 913,081,302) £1 Ordinary shares	<u>1,713,081</u>	<u>913,081</u>
200,000 £1 Preference shares	<u>200</u>	<u>200</u>
Shares classified as shareholders' funds	<u>1,713,081</u>	<u>913,081</u>
Shares classified as liabilities	<u>200</u>	<u>200</u>

During the year, 800,000,000 (2012: 150,000,000) £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 2013 amounted to £73,352 (2012: £70,673).

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

23. Reserves

	Profit and loss account £000
At 1 January 2012	(455,242)
Retained profit for the financial year	75,159
Actuarial gain on pension scheme	16,000
Share based payments	836
	<u>(363,247)</u>
At 31 December 2012	(363,247)
Retained loss for the financial year	(10,553)
Actuarial loss on pension scheme	(76,600)
Share based payments	1,454
	<u>(448,946)</u>
At 31 December 2013	(448,946)

Goodwill eliminated directly against reserves relating to acquisitions made prior to 1998 amounts to £7,111,000 (2012: £7,111,000).

24. Obligations and commitments under leases

	2013		2012	
	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	381	1,545	510	926
Within 2-5 years	2,854	5,527	3,120	6,896
After 5 years	3,867	209	2,335	1,183
	<u>7,102</u>	<u>7,281</u>	<u>5,965</u>	<u>9,005</u>

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

25. 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.

26. 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 21.

Transactions with participating interests

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

	2013 £000	2012 £000
Sales to participating interests	529	888
Purchases from participating interests	6,739	6,820
Management charges to participating interests	320	373
Amounts owed by participating interests (Note 16)	2,688	2,768
Amounts owed to participating interests (Note 17)	81	638

CEMEX UK OPERATIONS LIMITED

Notes to the financial statements *continued*

27. 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.

28. Agent companies

The following companies act as agents of this company.

Name	Activity
CEMEX UK Cement Limited	Cement
CEMEX UK Marine 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.