AGGREGATES, CEMENT AND READY-MIX CONCRETE MARKET INVESTIGATION

Analysis of cost structures and profit margins

PART III: Assessment covering the medium-tier independents' relevant GB operations

Introduction

1. As outlined in our methodology paper (see Part I), one of the objectives of our assessment of cost structures and margins was to determine whether they might cast light on the extent to which smaller players might act as competitive constraints on the Majors in the reference markets. In this context, this paper focuses on the cost structures and margins of the medium-tier independents. Terms used in this paper are defined in a separate Glossary.

2. As such, this paper sets out our assessment of:

   (a) the stand-alone cement importers Southern Cement and Dragon Alfa (both part of CPV's UK operations[1]), and Titan, as well as the vertically integrated firm Thomas Armstrong, which imports cement primarily for its own downstream use in the manufacture of its precast concrete; and

   (b) the Aggregates and RMX Divisions of Breedon Aggregates and Brett Group. We assessed the Aggregates Division for Marshalls and Thomas Armstrong, rather than looking at the Aggregates and RMX Divisions in these cases, given that:

      (i) Marshalls produces RMX out of a single plant, which predominantly produces mortar and screed, such that RMX forms only an ancillary product to its core ready-mix mortar offering. Since the P&L data for Marshalls' RMX

[1] On 26 February 2013, CPV agreed on an asset swap arrangement with CRH Group, effective immediately, which would result in CPV's Southern Cement business being acquired by CRH Group. CRH Group currently imports cement into GB through its Premier Cement Limited subsidiary. For the purposes of our analysis, since Southern Cement's P&L data relates to a period during which it was only under CPV's ownership, we have not taken into account the impact of Southern Cement's change of ownership on our assessment. Therefore, when presenting Southern Cement in this paper, we have assumed that it is still under CPV's ownership.

Division did not carve out its core mortar and screed operations, we excluded Marshalls' RMX Division from our analysis; and

(ii) as mentioned above, Thomas Armstrong does not produce RMX, but is vertically integrated into its downstream precast concrete operations, which fall outside the scope of our definition of the Relevant GB Operations.

3. We compared the results of our analysis for the medium-tier independents with those for the Majors. The methodology applied in this paper has been set out in a separate working paper entitled 'Part I: Purpose, approach and methodology' (see Part I).

4. The financial years for all of the medium-tier independents covered in this paper end on 31 December, with the exception of Thomas Armstrong, whose financial year ends around the end of September. However, we considered that there was sufficient overlap in Thomas Armstrong's financial year with the other medium-tier independents' financial years not to warrant a re-calendarization of Thomas Armstrong's P&L data to a December financial year end.

5. We set out a summary of this paper below, followed by full details of our assessment.

Summary

Cost structures of the cement importers

The significance of variable costs

6. The cost of imported cement, or the landed price, accounts for nearly all of a cement importer's variable costs, where variable costs can account for up to around 90 per cent of its total costs. Most other costs are relatively insignificant, including site fixed costs and depreciation and amortization.

Assessment of cement importers' costs against GB cement prices

7. We assessed whether the cement importers had any cost disadvantage when competing against the Majors' Cement Divisions. We did this by first comparing each cement importer's average landed price of imported cement (as measured by variable cost per tonne sold, or unit variable cost) against the average ex-works market price of cement produced in GB (as measured by unit net revenues from external sales of the Majors' Cement Divisions). We found that over the relevant period average landed prices for [✂], [✂] and [✂] were lower than the average market prices of the Majors, but that this advantage had steadily decreased over the period, narrowing the gap between average landed prices and average market prices. In relation to [✂], whilst its average landed price was consistently higher than the average market prices of the Majors (excluding [✂]) over the relevant period, this disadvantage had steadily increased over the period.

8. We then compared the Cement Import Divisions' unit total costs (but adjusted to exclude distribution costs[2]) with the Majors' average market prices (ie unit net revenues). We found that when a Cement Import Division's fixed costs were taken into account, but before taking into account its requirements in relation to margins or returns, we found that the Cement Import Divisions faced a cost disadvantage such that their adjusted unit total costs were close to, or above, the Majors' average market prices. We also found that over the relevant period, this cost disadvantage has gradually increased over time. We note that this cost disadvantage would increase when their required margin and returns are also taken into account.

[2] For the purposes of this analysis, we excluded distribution costs from a Cement Import Division's total costs in order to make comparisons with a Major's net revenues.

Margin assessment for the cement importers

Sales volume, average price and unit variable cost performance

9. Over the relevant period, the sales volumes of the cement importers moved directionally in line with the market, but each at different rates of change and magnitude. Whilst the cement importers' average prices were generally on an increasing trend over the relevant period, these changes were offset by increases in their unit variable costs, which resulted in margin erosion over the period.

Comparison of the cement importers' margins with those of the Majors'

10. We found that over the relevant period, the variable profit margins of the cement importers exhibited much greater variation in levels, as well as a large degree of volatility when compared against the margins of the Majors' Cement Divisions, which moved within a relatively tight range and exhibited greater stability. At an EBITDA margin level, the Majors consistently generated significantly higher margins than the cement importers over the relevant period, albeit this may be reasonably expected given their different capital intensities.

Cement importers' ability to impose a competitive constraint

11. We considered that given the cost disadvantage faced by the Cement Imports Divisions when compared with the Majors' Cement Divisions, together with the volatility in their margins over the relevant period, the Cement Import Divisions would face disadvantages that would significantly weaken their ability to act as a strong competitive constraint on the Majors' Cement Divisions.

Cost structures of the medium-tier independents' RMX Divisions

12. Variable costs account for the largest proportion of total costs at around [✂] per cent ([✂]), the largest components of which are the costs of purchasing aggregates and cement, which together account for almost all of an RMX Division's variable costs.

Comparison of aggregates and cement costs for the independents and Majors'

13. In order to determine whether the costs of purchasing aggregates or cement for the medium-tier independents were significantly different from those incurred by the Majors, we compared the cost per cubic metre of RMX sold for aggregates and cement for the medium-tier independents and the Majors.

14. We found that [✂] generally had one of the lowest costs of purchasing aggregates when compared with [✂], whilst [✂] cost of purchasing aggregates was [✂]. In relation to cement purchases, we found that the cost of cement per cubic metre of RMX was very similar for all of the Majors, with their ratios all falling within a relatively tight spread of up to £[✂] per cubic metre. There were mixed results for [✂] and [✂], where [✂].

Margin assessment of the medium-tier independents' RMX Divisions

15. Our assessment of average prices and unit variable costs for Breedon Aggregates and Brett Group showed that there was [✂] variation in the trends of the two, which resulted in [✂]. [✂].

Cost structures of the medium-tier independents' Aggregates Divisions

16. Our cost structure assessment of the medium-tier independents' Aggregates Division did not indicate any cost structure symmetry or transparency.

Margin assessment of the medium-tier independents' Aggregates Divisions

17. For all of the medium-tier independents, given some of the limitations in the data we received from them in relation to their split of external and internal sales volumes, we conducted our margin assessment on their total combined sales, and not separately on their external and internal sales. We did, however, conduct a separate analysis on

external and internal margins for a selection of [✂] sites and for [✂], for whom sufficient transactions data was provided. This is considered in more detail later.

18. The sales volumes of the medium-tier independents' Aggregates Divisions broadly performed in line with the market, ie declining between FY07 and FY09, before seeing a slight recovery in FY10 and FY11. Over the relevant period, growth in unit variable cost generally outpaced any growth in average prices, with the exception of [✂], whose average prices broadly changed in line with changes in unit variable cost. For the other medium-tier independents, the net effect of these changes resulted in margin erosion on their total net revenues over the relevant period, where the impact of margin erosion varied between the different medium-tier independents. In overall terms, by the end of FY11, variable profit margins had fallen below FY07 levels for all of the medium-tier independents, with the exception of [✂], which had maintained margin stability over the relevant period. In relation to their EBITDA margins, we found that EBITDA margin performance was relatively more volatile. The only exception was again [✂], which appeared to maintain a degree of stability in its EBITDA margins over the relevant period.

19. As mentioned above, we conducted a separate analysis of margins on the external and internal sales for a significant selection of [✂] sites (ie where transactions data was provided) and [✂]. Based on this analysis, we found that for both [✂] and [✂], variable profit margins were higher on their internal sales than on their external sales. The higher margin on internal sales for [✂] and [✂] was consistent with what we found for the Majors' Aggregates Divisions.

20. However, as we stated in Part II, if competition were otherwise effective in the supply of RMX, we did not think that the transfer pricing policy adopted by vertically integrated firms that resulted in internal prices of aggregates being sometimes higher

than external prices were likely, on their own, to have a material effect on competition in RMX.

Detailed assessment

21. The remainder of this paper sets out the full details of our assessment of the medium-tier independents' cost structures and margins.

22. For reference, the P&L data we used for our assessment for each medium-tier independent's divisions are set out in Appendix A.

Assessment of the Cement Import Divisions

Brief overview of the cement importers

23. Our assessment covered the stand-alone cement importers Southern Cement, Dragon Alfa and Titan, as well as Thomas Armstrong, a vertically integrated operator which also produces aggregates and precast concrete. Whilst Southern Cement and Dragon Alfa both form part of CPV's UK operations,[3] for the purposes of our assessment, we examined each as a separate stand-alone division. Since each of the cement importers listed above operates one cement import terminal, the term Cement Import Division effectively means a cement import terminal or a single site.

24. Thomas Armstrong was the only vertically integrated cement importer, which primarily imported cement for its own downstream operations, the proportion of total gross revenues accounted for by internal sales was [✂] per cent in FY08, [✂] per cent in FY09 and FY10, and [✂] per cent in FY11.

[3] On 26 February 2013, CPV agreed on an asset swap arrangement with CRH Group, effective immediately, which would result in CPV's Southern Cement business being acquired by CRH Group. CRH Group currently imports cement into GB through its Premier Cement Limited subsidiary. For the purposes of our analysis, since Southern Cement's P&L data relates to a period during which it was only under CPV's ownership, we have not taken into account the impact of Southern Cement's change of ownership on our assessment. Therefore, when presenting Southern Cement in this paper, we have assumed that it is still under CPV's ownership.

Cost structure assessment for the Cement Import Divisions

25. We first examined the cost structures of the Cement Import Divisions. Figure 1 below sets out the FY11 cost structures of the Cement Import Divisions on both a unit cost and percentage of total costs basis.

FIGURE 1

Cement Import Division: FY11 cost structures

Cost per unit sold (£/t)

[✂]

% of total costs

[✂]

Source: CC analysis of medium-tier independents' P&L data.
Note: 'Other fixed costs' include site fixed costs, divisional fixed costs and central costs.

26. Figure 1 shows that variable costs accounted for the largest proportion of total costs, ranging from [✂] ([✂]) to [✂] ([✂]) per cent of total costs in FY11. In unit cost terms, variable costs ranged from £[✂] ([✂]) to £[✂] ([✂]) per tonne.

27. Within variable costs, the single largest component was the cost of purchasing imported cement, with all other variable cost items being largely negligible, such as the cost of fuel and testing cement. Therefore, differences in variable costs between the Cement Import Divisions predominantly reflect differences in the prices they pay for imported cement, which we refer to as the 'landed price'.

28. After variable costs, distribution costs and fixed costs accounted for the next largest cost components within total costs, where unit distribution costs ranged from £[✂] ([✂]) to £[✂] ([✂]) per tonne; and fixed costs (but excluding Depreciation and Amortization) ranged from £[✂] ([✂]) to £[✂] per tonne ([✂]). Site fixed costs accounted for the vast majority of fixed costs, and included cost items such as repairs and maintenance, rent and rates, staff costs and administrative costs.

Comparison of the Cement Import Division's costs with the Majors' prices

29. Based on our cost structure assessment above, we examined whether the Cement Import Divisions faced any cost disadvantage when competing against the Majors' Cement Divisions.

30. Given that a Cement Import Division's variable costs largely represent its cost of imported cement, its unit variable cost (ie variable cost per unit sold) can be used as a proxy measure for the average landed price. Based on this calculation, we compared average landed prices with the market price (on an ex-works basis) of domestically produced cement, which we measured by calculating the unit net revenues on external sales for each of the Majors' Cement Divisions. We compared the Cement Import Divisions' average landed prices with the Majors' average ex-works prices to determine whether imported cement faced a cost disadvantage against domestically produced cement, even before taking into account a Cement Import Division's fixed costs and margin requirement.

31. Table 1 below sets out the unit variable costs for each of the Cement Import Divisions and the unit net revenues on external sales for each of the Majors' Cement Divisions, over the relevant period.

TABLE 1 **A comparison of unit variable costs* for the Cement Import Divisions with the Majors' unit net revenues†**

£/t

FYE 31 December‡	*2007*	*2008*	*2009*	*2010*	*2011*
*Variable cost/t**					
Southern Cement	[✂]	[✂]	[✂]	[✂]	[✂]
Dragon Alfa	[✂]	[✂]	[✂]	[✂]	[✂]
Thomas Armstrong§	[✂]	[✂]	[✂]	[✂]	[✂]
Titan	[✂]	[✂]	[✂]	[✂]	[✂]
Net revenue/t†					
Cemex¶	[✂]	[✂]	[✂]	[✂]	[✂]
Hanson	[✂]	[✂]	[✂]	[✂]	[✂]
Lafarge	[✂]	[✂]	[✂]	[✂]	[✂]
Tarmac	[✂]	[✂]	[✂]	[✂]	[✂]

Source: P&L data.

*We used the Cement Import Divisions' unit variable cost as a proxy for their landed price of imported cement.
†We used unit net revenues on external sales as a proxy for the average ex-works market price.
‡All financial year ends are in December with the exception of Thomas Armstrong, whose financial year ends on around the end of September.
§[✂]
¶[✂]
Note: N/A = not applicable for [✂] and not available for [✂].

32. Based on Table 1 above, we calculated the difference between each Cement Import Division's unit variable cost (ie the average landed price) and the Majors' unit net revenues on external sales (ie the average market price of domestically produced cement). These differences are set out in Table 2 below, where a positive figure implies that the landed price is higher than the average market price of domestically produced cement, ie the Cement Import Division faces a cost disadvantage compared with the Majors even before taking into account any fixed costs.

TABLE 2 **Differences between average landed prices* and market prices† for domestically produced cement**

FYE 31 December‡	*2007*	*2008*	*2009*	*2010*	*2011*
Southern Cement					
Cemex	[✂]	[✂]	[✂]	[✂]	[✂]
Hanson	[✂]	[✂]	[✂]	[✂]	[✂]
Lafarge	[✂]	[✂]	[✂]	[✂]	[✂]
Tarmac	[✂]	[✂]	[✂]	[✂]	[✂]
Dragon Alfa					
Cemex	[✂]	[✂]	[✂]	[✂]	[✂]
Hanson	[✂]	[✂]	[✂]	[✂]	[✂]
Lafarge	[✂]	[✂]	[✂]	[✂]	[✂]
Tarmac	[✂]	[✂]	[✂]	[✂]	[✂]
Thomas Armstrong					
Cemex	[✂]	[✂]	[✂]	[✂]	[✂]
Hanson	[✂]	[✂]	[✂]	[✂]	[✂]
Lafarge	[✂]	[✂]	[✂]	[✂]	[✂]
Tarmac	[✂]	[✂]	[✂]	[✂]	[✂]
Titan					
Cemex	[✂]	[✂]	[✂]	[✂]	[✂]
Hanson	[✂]	[✂]	[✂]	[✂]	[✂]
Lafarge	[✂]	[✂]	[✂]	[✂]	[✂]
Tarmac	[✂]	[✂]	[✂]	[✂]	[✂]

Source: P&L data.

*Unit variable cost: we used the Cement Import Divisions' unit variable cost as a proxy for their average landed price of imported cement. A positive figure in Table 2 implies that the average landed price is higher than the average market price of domestically produced cement, ie the Cement Import Division faces a cost disadvantage compared with the Majors even before taking into account any of its fixed costs and margin requirement.
†Unit net revenues: we used unit net revenues on external sales as a proxy for the average ex-works market price.
‡All financial year ends are in December with the exception of Thomas Armstrong, whose financial year ends on around the end of September.
Note: N/A means not applicable for [✂] and not available for [✂].

33. The data in Table 2 above is presented graphically in Figure 2 below.

FIGURE 2

Differences between landed prices and market prices of domestic cement (£/t) (FY07–FY11)

[✂]

Source: CC analysis of P&L data.
Note: The differences between average landed prices and market prices of domestically produced cement were calculated by deducting each Major's unit net revenues on external sales from each Cement Import Division's unit variable cost. A positive figure in Figure 2 implies that the average landed price is higher than the average market price of domestically produced cement, ie the Cement Import Division faces a cost disadvantage compared with the Majors even before taking into account any of its fixed costs and margin requirement.

34. For the purpose of this analysis, we refer to unit variable cost for the Cement Import Divisions as the 'average landed price' and the unit net revenue (on external sales) for the Majors' Cement Divisions as the 'average market price'. Based on Table 2 and Figure 2 above, with the exception of [✂], the average landed price for [✂], [✂]

and [✂] was lower than the Majors' average market prices. In relation to each of the Cement Import Divisions: [✂].[4]

35. Over the relevant period, whilst average landed prices for [✂], [✂] and [✂] were lower than the average market prices of the Majors, we found that this advantage had steadily decreased over the period, narrowing the gap between average landed prices and average market prices. In relation to [✂], whilst its average landed price was consistently higher than the average market prices of the Majors (excluding [✂]) over the relevant period, this disadvantage had steadily increased over the period.

36. We then compared the Cement Import Divisions' unit total costs (but adjusted to exclude distribution costs[5]) with the Majors' unit net revenues. We show this in Figure 3 below. A positive figure in Figure 3 implies that the adjusted unit total cost for the Cement Import Division concerned is higher than the average market price (or the unit net revenue) of domestically produced cement, ie the Cement Import Division faces a cost disadvantage compared with the Majors before taking into account any margin requirement.

FIGURE 3

Cement Import Divisions' adjusted unit total costs vs market prices of domestic cement (£/t) (FY07–FY11)

[✂]

Source: CC analysis of P&L data.
Note: The difference between unit variable cost and 'adjusted' unit total cost is the inclusion of unit fixed cost, which comprises the following: Site fixed costs, divisional fixed costs, central costs and depreciation and amortization. Distribution costs were excluded to enable a comparison between the adjusted unit total cost and the unit net revenues of the Majors. A positive figure in Figure 3 implies that the adjusted unit total cost for the Cement Import Division concerned is higher than the average market price (or the unit net revenue) of domestically produced cement, ie the Cement Import Division faces a cost disadvantage compared with the Majors before taking into account any of margin requirement.

37. Based on Figure 3 above, in relation to each Cement Import Division: [✂].

[4] We took FY08 as our starting point for this analysis on the basis that: *(a)* Thomas Armstrong commenced its cement import operations during FY08; and *(b)* the relevant FY07 data was not available for [✂].
[5] For the purposes of this analysis, we excluded distribution costs from a Cement Import Division's total costs in order to make comparisons with a Major's net revenues.

38. Based on Figures 2 and 3 above, we found that over the relevant period, whilst the average landed price was generally lower than the Majors' average market prices, for [✂], [✂] and [✂], the gap between these two prices generally decreased over the period considered. However, when a Cement Import Division's fixed costs were taken into account, but before taking into account its requirements in relation to margins or returns, we found that the Cement Import Divisions faced a cost disadvantage such that their adjusted unit total costs were close to, or above, the Majors' average market prices. We also found that over the relevant period, this cost disadvantage has gradually increased over time. We note that this cost disadvantage would increase when their required margin and returns are also taken into account.

Cement Import Divisions: sales volumes vs market

39. Figure 4 below shows the sales volume performance against the market for cement for each Cement Import Division (with the exception of [✂]) over the relevant period, where we took FY07 as the base year. Since [✂] commenced importing cement in FY08 and its full-year sales were only reflected in FY09, we set out its sales volume performance relative to the market separately, with FY09 as the base year.

FIGURE 4

Cement Import Division: sales volumes* vs market (rebased to 100)

Cement Import Divisions ([✂]) (FY07 base year)

[✂]

[✂]† ***(FY09 base year)***

[✂]

Source: Medium-tier independents' P&L data and Mineral Products Association for market volumes.
*Sales volumes based on total sales, including both external and internal sales.
†[✂]
Note: Market performance based on sales of cement produced in GB.

40. As shown in Figure 4, the sales volumes of the Cement Import Divisions generally moved directionally in line with the market over the relevant period, albeit at different

rates of change, in particular, we note that the impact of the market downturn in FY09 affected all of the Cement Import Divisions' sales volumes. Since FY09, whilst [✂] sales volumes outperformed the market, [✂] suffered a sharp fall in its sales volumes, which was not shared by the other cement importers.

Cement Import Divisions: price and variable cost trends

41. In Figure 5 below, we set out for each Cement Import Division its average price and unit variable cost trends over the relevant period, all rebased to 100 and using FY07 as the base year (FY08 for Thomas Armstrong). We set out both unit gross revenue and unit net revenue, but note that in our assessment, we have adopted unit net revenue as a proxy for the average price.

FIGURE 5

Cement Import Division: Average price* (total sales†) vs variable costs

[✂]

Source: Medium-tier independents' P&L data.
*We adopted net revenue per tonne sold as a proxy for the average price.
†In the absence of a split between external and internal sales volumes, we calculated these unit ratios based on total sales.
‡[✂]
Note: We adopted unit variable cost as a proxy for the average landed price of cement.

42. Notwithstanding the stable and sometimes increasing trends in the Cement Import Divisions' average prices, as Figure 5 above shows, these changes were more than offset by growth in their unit variable costs. All of the Cement Import Divisions saw their unit variable costs rise sharply since FY07, outpacing any increases in average prices. We examine the net effect of these average price and cost trends when we assess margins below.

Cement Import Division: margin assessment

43. Figure 6 below sets out the variable profit and EBITDA margins for the Cement Import Divisions based on both the return on sales and unit margin approaches.

FIGURE 6

Cement Import Division: medium-tier independents' margins

[✂]

Source: Medium-tier independents' P&L data.
*We adopted net revenue per cubic metre sold as a proxy for the average price.
†In the absence of a split between external and internal sales volumes, we calculated margins based on total *sales.*

44. We focused our analysis on variable profit and EBITDA as a percentage of net revenues. In Figure 6, we found that the variable profit margins of the Cement Import Divisions had generally declined over the relevant period, but noted the significant volatility in the margins of [✂], [✂] and [✂]. The variable profit margin trends described above can also be seen at an EBITDA margin level, but we note that only [✂] and [✂] remained [✂] over the relevant period.

45. [✂]

46. Based on our analysis above, we noted the sharp contrast in the margin performance of the Cement Import Divisions compared with the margin performance of the Majors' Cement Divisions, where we found that the variable profit margins of the Majors' Cement Divisions remained relatively stable and resilient with margins moving within a relatively tight range. In particular, the sharp downturn in market demand in FY09 did not have a negative impact on their variable profit margins (on external sales only).

47. Table 3 below sets out the EBITDA margins over the relevant period for the Cement Import Divisions of the medium-tier independents and the Majors' Cement Divisions.

TABLE 3 **EBITDA as a percentage of net revenues* for the Cement Import Divisions and the Majors' Cement Divisions**

per cent

FYE 31 December†	*2007*	*2008*	*2009*	*2010*	*2011*
Majors					
Cemex	[✂]	[✂]	[✂]	[✂]	[✂]
Hanson	[✂]	[✂]	[✂]	[✂]	[✂]
Lafarge	[✂]	[✂]	[✂]	[✂]	[✂]
Tarmac	[✂]	[✂]	[✂]	[✂]	[✂]
Medium-tier independents					
Southern Cement	[✂]	[✂]	[✂]	[✂]	[✂]
Dragon Alfa	[✂]	[✂]	[✂]	[✂]	[✂]
Thomas Armstrong	[✂]	[✂]	[✂]	[✂]	[✂]
Titan	[✂]	[✂]	[✂]	[✂]	[✂]

Source: P&L data.

*[✂]
†All financial year ends are in December with the exception of Thomas Armstrong, whose financial year ends on around the end of September.
Note: N/A means not applicable for [✂] and not available for [✂].

48. Focusing only on the broad trends shown in Table 3 above, we found that the EBITDA margins for each of the Majors remained broadly stable over the relevant period, and were at significantly higher levels than the margins generated by any of the medium-tier independents, albeit different margins could reasonably be expected for operations with different capital intensities, eg a greater amount of capital is employed in the production of cement than is employed in importing cement. However, in contrast, as shown in Figure 6 above, the Cement Import Divisions' margins exhibited much greater variation in margin levels, as well as a large degree of volatility.

49. Based on our analysis above, we considered that given the cost disadvantage faced by the Cement Imports Divisions when compared with the Majors' Cement Divisions, together with the volatility in their margins over the relevant period, the Cement Import Divisions would face disadvantages that would significantly weaken their ability to act as a strong competitive constraint on the Majors' Cement Divisions.

Assessment of the RMX Divisions

Overview of the medium-tier independents' RMX Divisions

50. We assessed the cost structures and margins of the RMX Divisions of Breedon Aggregates (split between its English and Scottish operations) and Brett Group.

RMX Division: cost structure assessment

51. We first examined the cost structures of the medium-tier independents' RMX Divisions. Figure 7 below sets out the FY11 cost structures of their RMX Divisions on both a unit sold and percentage of total costs basis. As mentioned earlier, [✂].

FIGURE 7

RMX Division: cost structures of the medium-tier independents (FY11)

Cost per unit sold (£/m^3)

[✂]

% of total costs

[✂]

Source: CC analysis of medium-tier independents' P&L data.
Notes:
1. Other fixed costs include both divisional fixed costs and central costs.
2. [✂]

52. Based on Figure 7 above, FY11 unit variable cost ranged from £[✂] ([✂]) to £[✂] ([✂]) per cubic metre, with variable costs accounting for the largest proportion of total costs, at [✂] per cent for [✂]. The largest components within variable costs are the costs of purchasing aggregates and cement. Table 4 below sets out the proportion of FY11 variable costs accounted for by aggregates, cement and cementitious products.

TABLE 4 **RMX Division: proportion of FY11 variable costs accounted for by aggregates and cement purchases**

	*% of FY11 variable costs**		
	Aggregates	*Cement*	*Cementitious*
Breedon (England)	[✂]	[✂]	[✂]
Breedon (Scotland)	[✂]	[✂]	[✂]
Brett Group	[✂]	[✂]	[✂]

Source: P&L data.

*Aggregates, cement and cementitious products together account for [✂] per cent of FY11 variable costs for the [✂]; and [✂] per cent for [✂].

53. As Table 4 above shows, aggregates, cement and cementitious products together account for [✂] of an RMX Division's variable costs. We note that whilst both Breedon Aggregates and Brett Group supply aggregates downstream to their RMX Divisions, they both source their RMX Divisions' cement requirements externally.

54. Given the relative significance of the costs of aggregates and cement to an RMX Division, and that Breedon Aggregates and Brett Group both source their cement externally, we calculated the costs of aggregates and cement per cubic metre of RMX sold for Breedon Aggregates and Brett Group over the relevant period, and compared these ratios with those for the Majors' RMX Divisions. The result of our analysis is set out in Table 5 below for the cost per cubic metre of aggregates and in Table 6 below for the cost per cubic metre of cement.

TABLE 5 **RMX Division: aggregates costs* per cubic metre sold—medium-tier independents vs the Majors**

	Aggregates costs (£/m³)				
FYE 31 December	*2007*	*2008*	*2009*	*2010*	*2011*
Majors' RMX Divisions					
Aggregate Industries	[✂]	[✂]	[✂]	[✂]	[✂]
Cemex	[✂]	[✂]	[✂]	[✂]	[✂]
Hanson	[✂]	[✂]	[✂]	[✂]	[✂]
Lafarge	[✂]	[✂]	[✂]	[✂]	[✂]
Tarmac	[✂]	[✂]	[✂]	[✂]	[✂]
Medium-tier independents					
Breedon (England)	[✂]	[✂]	[✂]	[✂]	[✂]
Breedon (Scotland)	[✂]	[✂]	[✂]	[✂]	[✂]
Brett Group	[✂]	[✂]	[✂]	[✂]	[✂]

Source: P&L data.

*Based on the cost of aggregates to the RMX Division as presented in the RMX Division's P&L data. No adjustments have been made for transfer pricing.

55. Based on Table 5 above, since FY08, [✂] appeared to have the [✂] aggregates per cubic metre of RMX sold, when compared with the cost of aggregates for [✂], eg in FY11, [✂] aggregates cost was £[✂] per cubic metre of RMX sold, whilst it was £[✂] for [✂], and between £[✂] and £[✂] for the Majors' RMX Divisions. [✂] cost of aggregates [✂] the aggregates costs of the Majors during the relevant period.

56. Table 6 below repeats this analysis for the cost of cement per cubic metre.

TABLE 6 **RMX Division: cement* costs per cubic metre sold—medium-tier independents vs the Majors**

	Cement costs (£/m³)				
FYE 31 December	*2007*	*2008*	*2009*	*2010*	*2011*
Majors' RMX Divisions					
Aggregate Industries	[✂]	[✂]	[✂]	[✂]	[✂]
Cemex	[✂]	[✂]	[✂]	[✂]	[✂]
Hanson	[✂]	[✂]	[✂]	[✂]	[✂]
Lafarge	[✂]	[✂]	[✂]	[✂]	[✂]
Tarmac	[✂]	[✂]	[✂]	[✂]	[✂]
Medium-tier independents					
Breedon (England)	[✂]	[✂]	[✂]	[✂]	[✂]
Breedon (Scotland)	[✂]	[✂]	[✂]	[✂]	[✂]
Brett Group	[✂]	[✂]	[✂]	[✂]	[✂]

Source: P&L data.

*Including cementitious products. With the exception of Aggregate Industries, the Majors grouped the cost of cement and cementitious products together in the P&L data of their RMX Divisions.

57. Based on Table 6 above, we found that the Majors' cost of cement per cubic metre of RMX sold moved within a relatively tight range for each year over the relevant period, ie in FY07, this cost ratio ranged from £[✂] ([✂]) to £[✂] ([✂] and [✂]); in FY08, from £[✂] ([✂]) to £[✂] ([✂], [✂] and [✂]); in FY09 from £[✂] ([✂], [✂] and [✂]) to £[✂] ([✂] and [✂]); in FY10, from £[✂] ([✂], [✂] and [✂]) to £[✂] ([✂] and [✂]); and in FY11, from £[✂] ([✂] and [✂]) to £[✂] ([✂]).

58. However, we found that the cost of cement per cubic metre of RMX sold varied [✂] for the medium-tier independents, eg in FY11, [✂] cement cost was £[✂] per cubic metre of RMX for [✂], but £[✂] for [✂]. We noted that [✂], when compared against [✂] and the Majors.

59. The cement cost ratio for [✂] was among the highest over the relevant period, when compared against [✂] and the Majors. Based on Table 6 above, we found that [✂] cost of cement per cubic metre of RMX was generally at the [✂] cost ratios, eg in FY10 and FY11, [✂] cement cost was £[✂] and £[✂] respectively. These ratios were [✂] cement cost ratios, ie £[✂] in FY10 and £[✂] in FY11.

RMX Divisions: sales volumes vs market

60. Before we examine the margins of the medium-tier independents' RMX Divisions, Figure 8 below shows how their sales volumes performed against the market over the relevant period, taking FY07 as the base year.

FIGURE 8

RMX Division: sales volumes* vs market (rebased to 100)

[✂]

Source: Medium-tier independents' P&L data and Mineral Products Association for market volumes.
*Sales volumes based on total sales, including both external and internal sales.
Note: Market performance based on based on RMX production volumes in the UK.

61. Based on Figure 8 above, [✂] and [✂] performed [✂] the market. [✂]the market in FY10, [✂].

RMX Division: average price and variable cost trends

62. Figure 9 below sets out the average price and unit variable cost trends of the RMX Divisions of Breedon Aggregates and Brett Group over the relevant period.

FIGURE 9

RMX Division: Average price* vs variable costs

[✂]

Source: Medium-tier independents' P&L data.
*We adopted net revenue per tonne sold as a proxy for the average price.

63. Based on Figure 9 above, whilst average price trends varied between the medium-tier independents, costs generally exhibited an [✂] trend.

RMX Division: margin assessment

64. Figure 10 below sets out the variable profit and EBITDA margins of the RMX Divisions of Breedon Aggregates and Brett Group, showing the net effect of the movements in average prices and unit variable costs above.

FIGURE 10

RMX Division: medium-tier independents' margins

[✂]

Source: Medium-tier independents' P&L data.
*We adopted net revenue per cubic metre sold as a proxy for the average price.

65. We focused our analysis on variable profit and EBITDA as a percentage of net revenues. [✂]

Assessment of the Aggregates Divisions

Overview of the medium-tier independents' Aggregates Divisions

66. As mentioned earlier in this paper, our assessment of the medium-tier independents' Aggregates Divisions covered Breedon Aggregates, Brett Group, Marshalls and Thomas Armstrong. [✂]

Aggregates Division: cost structure assessment

67. We examined the cost structures of the medium-tier independents' Aggregates Divisions. Figure 11 below sets out the FY11 cost structures of the Aggregates Divisions on both a unit sold and percentage of total costs basis. [✂]

FIGURE 11

Aggregates Division: cost structures of the medium-tier independents (FY11)

[✂]

Source: CC analysis of medium-tier independents' P&L data.
Notes:
1. Other fixed costs include both divisional fixed costs and central costs.
2. [✂]

68. Based on Figure 11 above, FY11 unit variable cost ranged from £[✂] ([✂]) to £[✂] ([✂]) per tonne sold. The unit variable cost was £[✂] for both [✂] and [✂], but £[✂] for [✂]. As a percentage of total costs, variable costs ranged from [✂] ([✂]) to [✂] per cent ([✂]). Whilst there were some similarities in relation to their unit site fixed costs, which ranged from £[✂] ([✂]) to £[✂] ([✂]), we considered this similarity to be less relevant than variable costs when determining cost structure transparency or symmetry, given: *(a)* the relative significance of variable costs as a proportion of total costs; and *(b)* fixed costs, in particular in relation to shared services and other common costs, were likely to vary between companies depending on how the individual company was organized and managed its operations.

69. The results of this analysis were consistent with our cost structure assessment of the Majors' Aggregates Divisions (see Part II), where we found that there were significant variations in unit variable costs at a site level even for sites focusing on the production and sale of the same product category of primary aggregates. In Part II, we found no evidence of cost structure symmetry between the Majors' Aggregates Divisions.

Aggregates Divisions: sales volumes vs market

70. We then examined how each of the medium-tier independents' Aggregates Divisions performed against the market. Figure 12 below shows the relative sales volume performance of the medium-tier independents' Aggregates Divisions compared with the market over the relevant period, using FY07 as the base year.

FIGURE 12

Aggregates Division: sales volumes* vs market (rebased to 100)

[✂]

Source: Medium-tier independents' P&L data and Mineral Products Association for market volumes.
*Sales volumes based on total sales, including both external and internal sales.
Note: Market performance based on UK production volumes of primary (ie crushed rock and sand and gravel) and non-primary aggregates.

71. Figure 12 above shows that the sales volumes of the medium-tier independents' Aggregates Divisions broadly performed in line with the market, ie declining between FY07 and FY09, before seeing a slight recovery in FY10 and FY11. Whilst [✂] sales volumes moved directionally in line with the market, its movements generally out-performed the market over the relevant period. By the end of FY11, only [✂] sales volumes were up on FY07 levels. For reference, FY11 market volumes were –26 per cent down on FY07 levels.

Aggregates Division: average price and variable cost trends

72. We also examined the trends in their average prices and unit variable costs. We set this out in Figure 13 below, where we compare unit gross and net revenues with unit variable costs. Given the limitations in some of the medium-tier independents' transactions data, these ratios have been calculated based on their total combined sales, ie including both external and internal sales.

FIGURE 13

Aggregates Division: Average price (total sales)* vs variable costs

[✂]

Source: Medium-tier independents' P&L data.
*We adopted net revenue per tonne sold as a proxy for the average price.

73. Figure 13 above shows that unit gross and net revenues generally moved in line with each other, with very little variation in their respective rates of change over the relevant period. [✂] Unit variable cost trends after FY08 have generally increased [✂] between FY08 and FY10. We examine the net effect of these price and cost trends in our margin assessment below.

Aggregates Division: margin assessment

74. Figure 14 sets out the variable profit and EBITDA margins for the medium-tier independents' Aggregates Division over the relevant period, based on both the percentage of net revenues, and unit margin approaches.

FIGURE 14

Aggregates Division: medium-tier independents' margins (FY07-FY11)

[✂]

Source: Medium-tier independents' P&L data.
*We adopted net revenue per tonne sold as a proxy for the average price.

75. We focused our analysis on margins based on the return on sales approach. Based on Figure 14 above, we noted the significant variation between the medium-tier independents in relation to their margin levels, eg in FY07, variable profit margins were [✂] per cent for [✂]; [✂] per cent for [✂]; [✂] per cent for [✂]; [✂] per cent for [✂]; and [✂] per cent for [✂].

76. In overall terms, by the end of FY11, variable profit margins had [✂] over the relevant period. In relation to their EBITDA margins, we found that EBITDA margin performance [✂].

Aggregates Division: margin assessment on external and internal sales

77. Whilst the margin analysis above was conducted on the total combined sales of the medium-tier independents, [✂] and [✂] provided us with a split between its external and internal sales volumes, which enabled us to calculate margins separately on their external and internal sales.

78. [✂]

79. Figure 15 below sets out the external and internal margins for [✂] (based on pro forma P&L data) and [✂].

FIGURE 15

Aggregates Division: pro forma variable profit margins on external and internal sales ([✂] and [✂] only)

Variable profit margins (% of net revenues)

[✂]

Variable profit margins £/t)

[✂]

Source: [✂] and [✂] P&L data.
*[✂]

80. Based on Figure 15 above, we found that for [✂] and [✂], variable profit margins were higher on their internal sales than on their external sales. The higher margin on internal sales for [✂] was consistent with what we found for the Majors' Aggregates Divisions.

81. However, as we stated in Part II, if competition were otherwise effective in the supply of RMX, we did not think that the transfer pricing policy adopted by vertically integrated firms that resulted in internal prices of aggregates being sometimes higher than external prices were likely, on their own, to have a material effect on competition in RMX.

The medium-tier independents: P&L data

1. This appendix sets out the P&L data, simplified to show the main headings we used for our assessment, for each of the medium-tier independents.

Breedon Aggregates

Aggregates Division (England)

2. Breedon Aggregates' simplified P&L data for its Aggregates Division in England is set out below.

TABLE 2 **Breedon Aggregates: Aggregates Division (England)—simplified P&L data**

£ million

FYE 31 December	*2007*	*2008*	*2009*	*2010*	*2011*
Sales volumes (Mt)	[✂]	[✂]	[✂]	[✂]	[✂]
Gross revenues	[✂]	[✂]	[✂]	[✂]	[✂]
Distribution costs	[✂]	[✂]	[✂]	[✂]	[✂]
Net revenues	[✂]	[✂]	[✂]	[✂]	[✂]
Variable costs	[✂]	[✂]	[✂]	[✂]	[✂]
Variable profit	[✂]	[✂]	[✂]	[✂]	[✂]
Site fixed costs	[✂]	[✂]	[✂]	[✂]	[✂]
Site profit	[✂]	[✂]	[✂]	[✂]	[✂]
Divisional fixed costs	[✂]	[✂]	[✂]	[✂]	[✂]
EBITDA (before central costs)	[✂]	[✂]	[✂]	[✂]	[✂]
Central costs*	[✂]	[✂]	[✂]	[✂]	[✂]
EBITDA	[✂]	[✂]	[✂]	[✂]	[✂]
Depreciation and amortization	[✂]	[✂]	[✂]	[✂]	[✂]
EBIT	[✂]	[✂]	[✂]	[✂]	[✂]

Source: P&L data.

*[✂]
Note: [✂].

Aggregates Division (Scotland)

3. Breedon Aggregates' simplified P&L data for its Aggregates Division in Scotland is set out below.

TABLE 3 **Breedon Aggregates: Aggregates Division (Scotland)—simplified P&L data**

£ million

FYE 31 December	*2007*	*2008*	*2009*	*2010*	*2011*
Sales volumes (Mt)	[✂]	[✂]	[✂]	[✂]	[✂]
Gross revenues	[✂]	[✂]	[✂]	[✂]	[✂]
Distribution costs	[✂]	[✂]	[✂]	[✂]	[✂]
Net revenues	[✂]	[✂]	[✂]	[✂]	[✂]
Variable costs	[✂]	[✂]	[✂]	[✂]	[✂]
Variable profit	[✂]	[✂]	[✂]	[✂]	[✂]
Site fixed costs	[✂]	[✂]	[✂]	[✂]	[✂]
Site profit	[✂]	[✂]	[✂]	[✂]	[✂]
Divisional fixed costs	[✂]	[✂]	[✂]	[✂]	[✂]
EBITDA (before central costs)	[✂]	[✂]	[✂]	[✂]	[✂]
Central costs*	[✂]	[✂]	[✂]	[✂]	[✂]
EBITDA	[✂]	[✂]	[✂]	[✂]	[✂]
Depreciation and amortization	[✂]	[✂]	[✂]	[✂]	[✂]
EBIT	[✂]	[✂]	[✂]	[✂]	[✂]

Source: P&L data.

*[✂]
Note: [✂]

RMX Division (England)

4. Breedon Aggregates' simplified P&L data for its RMX Division (England) is set out below.

TABLE 4 **Breedon Aggregates: RMX Division (England)—simplified P&L data**

£ million

FYE 31 December	*2007*	*2008*	*2009*	*2010*	*2011*
Sales volumes (m m^3)	[✂]	[✂]	[✂]	[✂]	[✂]
Gross revenues	[✂]	[✂]	[✂]	[✂]	[✂]
Distribution costs	[✂]	[✂]	[✂]	[✂]	[✂]
Net revenues	[✂]	[✂]	[✂]	[✂]	[✂]
Variable costs	[✂]	[✂]	[✂]	[✂]	[✂]
Variable profit	[✂]	[✂]	[✂]	[✂]	[✂]
Site fixed costs	[✂]	[✂]	[✂]	[✂]	[✂]
Site profit	[✂]	[✂]	[✂]	[✂]	[✂]
Divisional fixed costs	[✂]	[✂]	[✂]	[✂]	[✂]
EBITDA (before central costs)	[✂]	[✂]	[✂]	[✂]	[✂]
Central costs*	[✂]	[✂]	[✂]	[✂]	[✂]
EBITDA	[✂]	[✂]	[✂]	[✂]	[✂]
Depreciation and amortization	[✂]	[✂]	[✂]	[✂]	[✂]
EBIT	[✂]	[✂]	[✂]	[✂]	[✂]

Source: P&L data.

*[✂]
Notes: [✂]

RMX Division (Scotland)

5. Breedon Aggregates' simplified P&L data for its RMX Division (Scotland) is set out below.

TABLE 5 **Breedon Aggregates: RMX Division (Scotland)—simplified P&L data**

£ million

FYE 31 December	*2007*	*2008*	*2009*	*2010*	*2011*
Sales volumes (m m^3)	[✂]	[✂]	[✂]	[✂]	[✂]
Gross revenues	[✂]	[✂]	[✂]	[✂]	[✂]
Distribution costs	[✂]	[✂]	[✂]	[✂]	[✂]
Net revenues	[✂]	[✂]	[✂]	[✂]	[✂]
Variable costs	[✂]	[✂]	[✂]	[✂]	[✂]
Variable profit	[✂]	[✂]	[✂]	[✂]	[✂]
Site fixed costs	[✂]	[✂]	[✂]	[✂]	[✂]
Site profit	[✂]	[✂]	[✂]	[✂]	[✂]
Divisional fixed costs	[✂]	[✂]	[✂]	[✂]	[✂]
EBITDA (before central costs)	[✂]	[✂]	[✂]	[✂]	[✂]
Central costs*	[✂]	[✂]	[✂]	[✂]	[✂]
EBITDA	[✂]	[✂]	[✂]	[✂]	[✂]
Depreciation and amortization	[✂]	[✂]	[✂]	[✂]	[✂]
EBIT	[✂]	[✂]	[✂]	[✂]	[✂]

Source: P&L data.

*[✂]
Note: [✂].

Brett Group

Aggregates Division

6. Brett Group's simplified P&L data for its Aggregates Division is set out below.

TABLE 6 **Brett Group: Aggregates Division—simplified P&L data**

£ million

FYE 31 December	*2007*	*2008*	*2009*	*2010*	*2011*
*Sales volumes (Mt)**					
External	[✂]	[✂]	[✂]	[✂]	[✂]
Internal	[✂]	[✂]	[✂]	[✂]	[✂]
	[✂]	[✂]	[✂]	[✂]	[✂]
Gross revenues					
External	[✂]	[✂]	[✂]	[✂]	[✂]
Internal	[✂]	[✂]	[✂]	[✂]	[✂]
	[✂]	[✂]	[✂]	[✂]	[✂]
Distribution costs					
External	[✂]	[✂]	[✂]	[✂]	[✂]
Internal	[✂]	[✂]	[✂]	[✂]	[✂]
	[✂]	[✂]	[✂]	[✂]	[✂]
Net revenues					
External	[✂]	[✂]	[✂]	[✂]	[✂]
Internal	[✂]	[✂]	[✂]	[✂]	[✂]
	[✂]	[✂]	[✂]	[✂]	[✂]
Variable costs	[✂]	[✂]	[✂]	[✂]	[✂]
Variable profit	[✂]	[✂]	[✂]	[✂]	[✂]
Site fixed costs	[✂]	[✂]	[✂]	[✂]	[✂]
Site profit	[✂]	[✂]	[✂]	[✂]	[✂]
Divisional fixed costs	[✂]	[✂]	[✂]	[✂]	[✂]
EBITDA (before central costs)	[✂]	[✂]	[✂]	[✂]	[✂]
Central costs	[✂]	[✂]	[✂]	[✂]	[✂]
EBITDA	[✂]	[✂]	[✂]	[✂]	[✂]
Depreciation and amortization	[✂]	[✂]	[✂]	[✂]	[✂]
EBIT	[✂]	[✂]	[✂]	[✂]	[✂]

Source: P&L data and transactions data for external and internal sales volumes.

*[✂]
Note: [✂].

RMX Division

7. Brett Group's simplified P&L data for its RMX Division is set out below.

TABLE 7 **Brett Group: RMX Division—simplified P&L data**

£ million

FYE 31 December	*2007*	*2008*	*2009*	*2010*	*2011*
Sales volumes (m m^3)*	[✂]	[✂]	[✂]	[✂]	[✂]
Gross revenues	[✂]	[✂]	[✂]	[✂]	[✂]
Distribution costs	[✂]	[✂]	[✂]	[✂]	[✂]
Net revenues	[✂]	[✂]	[✂]	[✂]	[✂]
Variable costs	[✂]	[✂]	[✂]	[✂]	[✂]
Variable profit	[✂]	[✂]	[✂]	[✂]	[✂]
Site fixed costs	[✂]	[✂]	[✂]	[✂]	[✂]
Site profit	[✂]	[✂]	[✂]	[✂]	[✂]
Divisional fixed costs	[✂]	[✂]	[✂]	[✂]	[✂]
EBITDA (before central costs)	[✂]	[✂]	[✂]	[✂]	[✂]
Central costs	[✂]	[✂]	[✂]	[✂]	[✂]
EBITDA	[✂]	[✂]	[✂]	[✂]	[✂]
Depreciation and amortization	[✂]	[✂]	[✂]	[✂]	[✂]
EBIT	[✂]	[✂]	[✂]	[✂]	[✂]

Source: P&L data.

*[✂]
Note: [✂].

CPV's UK operations

Cement Import Division: Dragon Alfa

8. Dragon Alfa's simplified P&L data for its Cement Import Division is set out below.

TABLE 8 **Dragon Alfa: Cement Import Division—simplified P&L data***

£ million

FYE 31 December	*2007*	*2008*	*2009*	*2010*	*2011*
Sales volumes (Mt)	[✂]	[✂]	[✂]	[✂]	[✂]
Gross revenues	[✂]	[✂]	[✂]	[✂]	[✂]
Distribution costs	[✂]	[✂]	[✂]	[✂]	[✂]
Net revenues	[✂]	[✂]	[✂]	[✂]	[✂]
Variable costs	[✂]	[✂]	[✂]	[✂]	[✂]
Variable profit	[✂]	[✂]	[✂]	[✂]	[✂]
Site fixed costs	[✂]	[✂]	[✂]	[✂]	[✂]
Site profit	[✂]	[✂]	[✂]	[✂]	[✂]
Divisional fixed costs	[✂]	[✂]	[✂]	[✂]	[✂]
EBITDA (before central costs)	[✂]	[✂]	[✂]	[✂]	[✂]
Central costs	[✂]	[✂]	[✂]	[✂]	[✂]
EBITDA	[✂]	[✂]	[✂]	[✂]	[✂]
Depreciation and amortization	[✂]	[✂]	[✂]	[✂]	[✂]
EBIT	[✂]	[✂]	[✂]	[✂]	[✂]

Source: P&L data.

*[✂]
Note: [✂].

Cement Import Division: Southern Cement

9. Southern Cement's simplified P&L data for its Cement Import Division is set out below.

TABLE 9 **Southern Cement: Cement Import Division—simplified P&L data***

£ million

FYE 31 December	*2007*	*2008*	*2009*	*2010*	*2011*
Sales volumes (Mt)	[✂]	[✂]	[✂]	[✂]	[✂]
Gross revenues	[✂]	[✂]	[✂]	[✂]	[✂]
Distribution costs	[✂]	[✂]	[✂]	[✂]	[✂]
Net revenues	[✂]	[✂]	[✂]	[✂]	[✂]
Variable costs	[✂]	[✂]	[✂]	[✂]	[✂]
Variable profit	[✂]	[✂]	[✂]	[✂]	[✂]
Site fixed costs	[✂]	[✂]	[✂]	[✂]	[✂]
Site profit	[✂]	[✂]	[✂]	[✂]	[✂]
Divisional fixed costs	[✂]	[✂]	[✂]	[✂]	[✂]
EBITDA (before central costs)	[✂]	[✂]	[✂]	[✂]	[✂]
Central costs	[✂]	[✂]	[✂]	[✂]	[✂]
EBITDA	[✂]	[✂]	[✂]	[✂]	[✂]
Depreciation and amortization	[✂]	[✂]	[✂]	[✂]	[✂]
EBIT	[✂]	[✂]	[✂]	[✂]	[✂]

Source: P&L data.

*[✂]
Note: [✂].

Marshalls

Aggregates Division

10. Marshalls' simplified P&L data for its Aggregates Division is set out below.

TABLE 10 **Marshalls: Aggregates Division—simplified P&L data**

£ million

FYE 31 December	*2007*	*2008*	*2009*	*2010*	*2011*
Sales volumes (Mt)*	[✂]	[✂]	[✂]	[✂]	[✂]
Gross revenues	[✂]	[✂]	[✂]	[✂]	[✂]
Distribution costs	[✂]	[✂]	[✂]	[✂]	[✂]
Net revenues	[✂]	[✂]	[✂]	[✂]	[✂]
Variable costs	[✂]	[✂]	[✂]	[✂]	[✂]
Variable profit	[✂]	[✂]	[✂]	[✂]	[✂]
Site fixed costs	[✂]	[✂]	[✂]	[✂]	[✂]
Site profit	[✂]	[✂]	[✂]	[✂]	[✂]
Divisional fixed costs	[✂]	[✂]	[✂]	[✂]	[✂]
EBITDA (before central costs)	[✂]	[✂]	[✂]	[✂]	[✂]
Central costs	[✂]	[✂]	[✂]	[✂]	[✂]
EBITDA	[✂]	[✂]	[✂]	[✂]	[✂]
Depreciation and amortization	[✂]	[✂]	[✂]	[✂]	[✂]
EBIT	[✂]	[✂]	[✂]	[✂]	[✂]

Source: P&L data.

*[✂]
Note: [✂].

Thomas Armstrong

Aggregates Division

11. Thomas Armstrong's simplified P&L data for its Aggregates Division is set out below.

TABLE 11 **Thomas Armstrong: Aggregates Division—simplified P&L data**

£ million

FYE around end of September	*2007*	*2008*	*2009*	*2010*	*2011*
Sales volumes (Mt)*	[✂]	[✂]	[✂]	[✂]	[✂]
Gross revenues	[✂]	[✂]	[✂]	[✂]	[✂]
Distribution costs	[✂]	[✂]	[✂]	[✂]	[✂]
Net revenues	[✂]	[✂]	[✂]	[✂]	[✂]
Variable costs	[✂]	[✂]	[✂]	[✂]	[✂]
Variable profit	[✂]	[✂]	[✂]	[✂]	[✂]
Site fixed costs	[✂]	[✂]	[✂]	[✂]	[✂]
Site profit	[✂]	[✂]	[✂]	[✂]	[✂]
Divisional fixed costs	[✂]	[✂]	[✂]	[✂]	[✂]
EBITDA (before central costs)	[✂]	[✂]	[✂]	[✂]	[✂]
Central costs	[✂]	[✂]	[✂]	[✂]	[✂]
EBITDA	[✂]	[✂]	[✂]	[✂]	[✂]
Depreciation and amortization	[✂]	[✂]	[✂]	[✂]	[✂]
EBIT	[✂]	[✂]	[✂]	[✂]	[✂]

Source: P&L data.

*[✂]
Note: [✂].

Cement Import Division

12. Thomas Armstrong's simplified P&L data for its Cement Import Division is set out below.

TABLE 12 **Thomas Armstrong: Cement Import Division—simplified P&L data**

£'000

FYE around end of September	*2008*	*2009*	*2010*	*2011*
Sales volumes (Kt)	[✂]	[✂]	[✂]	[✂]
Gross revenues*	[✂]	[✂]	[✂]	[✂]
Distribution costs	[✂]	[✂]	[✂]	[✂]
Net revenues	[✂]	[✂]	[✂]	[✂]
Variable costs	[✂]	[✂]	[✂]	[✂]
Variable profit	[✂]	[✂]	[✂]	[✂]
Site fixed costs	[✂]	[✂]	[✂]	[✂]
Site profit	[✂]	[✂]	[✂]	[✂]
Divisional fixed costs	[✂]	[✂]	[✂]	[✂]
EBITDA (before central costs)	[✂]	[✂]	[✂]	[✂]
Central costs	[✂]	[✂]	[✂]	[✂]
EBITDA	[✂]	[✂]	[✂]	[✂]
Depreciation and amortization	[✂]	[✂]	[✂]	[✂]
EBIT	[✂]	[✂]	[✂]	[✂]

Source: P&L data.

*[✂]
Note: [✂].

Titan

Cement Import Division

13. Titan's simplified P&L data for its Cement Import Division is set out below.

TABLE 13 **Titan: Cement Import Division*—simplified P&L data**

					£'000
FYE 31 December	*2007*	*2008*	*2009*	*2010*	*2011*
Sales volumes (Kt)	[✂]	[✂]	[✂]	[✂]	[✂]
Gross revenues	[✂]	[✂]	[✂]	[✂]	[✂]
Distribution costs	[✂]	[✂]	[✂]	[✂]	[✂]
Net revenues	[✂]	[✂]	[✂]	[✂]	[✂]
Variable costs	[✂]	[✂]	[✂]	[✂]	[✂]
Variable profit	[✂]	[✂]	[✂]	[✂]	[✂]
Site fixed costs	[✂]	[✂]	[✂]	[✂]	[✂]
Site profit	[✂]	[✂]	[✂]	[✂]	[✂]
Divisional fixed costs	[✂]	[✂]	[✂]	[✂]	[✂]
EBITDA (before central costs)	[✂]	[✂]	[✂]	[✂]	[✂]
Central costs	[✂]	[✂]	[✂]	[✂]	[✂]
EBITDA	[✂]	[✂]	[✂]	[✂]	[✂]
Depreciation and amortization	[✂]	[✂]	[✂]	[✂]	[✂]
EBIT	[✂]	[✂]	[✂]	[✂]	[✂]

Source: P&L data.

*[✂]
Note: [✂].