

Possible restructuring of SDEL and SDEH

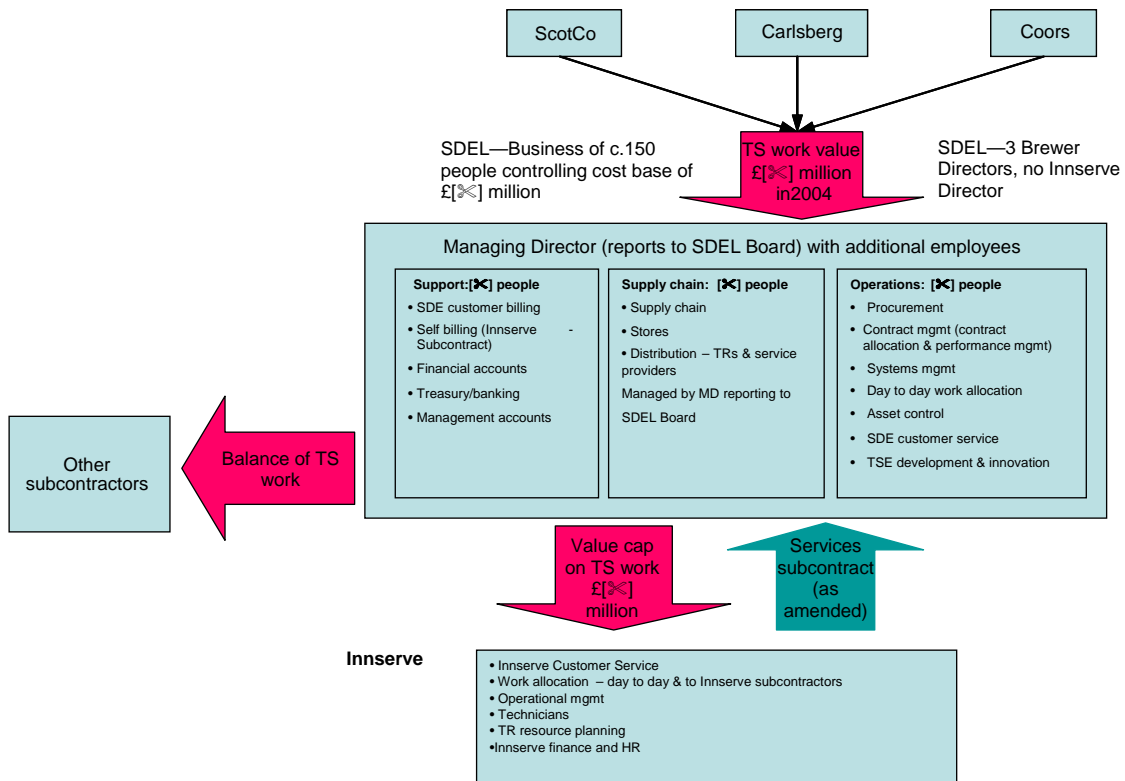
1. The parties proposed a revised package of remedies in response to the CC's notice of possible remedies. It included a proposed restructuring of SDEL (see paragraphs 6.13 to 6.16). The details of the proposed restructuring are set out in this appendix.
2. Under the parties' revised proposals, SDEL would:
 - (a) employ a full time Managing Director, who would report to the SDEL board;
 - (b) employ a full time Contracts Manager, to allocate, negotiate and manage sub-contracts;
 - (c) employ approximately 150 employees; and
 - (d) have a projected annual internal cost base of approximately £[~~XX~~] million.
3. SDEL would assume responsibility for key functions, including:
 - (a) the appointment of subcontractors for its TS work;
 - (b) procurement of TSE;
 - (c) negotiation of contracts with subcontractors and high-level allocation of work between TS subcontractors;
 - (d) day-to-day allocation of work to TS subcontractors; and
 - (e) finance and administration.
4. SDEH and SDEL would become fully independent from Innserve. Innserve and its management would have no involvement in SDEH and SDEL:
 - (a) Neither M&F nor Hallriver would remain a shareholder of SDEH (the parent company of SDEL).
 - (b) Mr Nicholas Bryan would no longer be a director of SDEL.
5. The parties would undertake to cap the level of fees paid by SDEL to Innserve for TS work to the same level that Innserve was due to receive for TS work under the original merger (excluding consultancy services).
6. The parties have agreed that SDEL would adopt a minimum take-or-pay arrangement of £[~~XX~~] million with Innserve, which would replace its current exclusive subcontract to Innserve and ensure that Innserve's fixed costs were covered. The fixed costs for Innserve would include the cost of employing the TS technicians who would be transferred from Coors under TUPE arrangements.
7. The Services Subcontract between SDEL and Innserve would be amended so that:

- (a) the profit-sharing¹ arrangement between SDEL and Innserve [X] would be removed and Innserve would retain 100 per cent of any profit;
 - (b) [X]; and
 - (c) [X]. Innserve and SDEL would negotiate a protocol which would set out rules for how the repair/replace decisions are taken.
8. The length of the contract would continue to be ten years except in the event that Innserve failed to meet its KPIs for three consecutive quarters when SDEL has step-in rights.
 9. SDEL would introduce a financial incentive for Innserve to achieve the target level of KPIs. The bonus would be an amount equal to the existing penalties for failing to achieve the threshold level.
 10. SDEL would employ personnel to monitor Innserve's performance and that of SDEL's other subcontractors.
 11. In the event that the SDEL brewers and Coors lose responsibility for servicing more than 10 per cent of the total number of lines they are currently responsible for servicing, the take or pay arrangement will be renegotiated with Innserve.
 12. The revised structure is summarized in Figure 1.

¹Profits would be generated if Innserve reduced costs by more than the cost synergies it has agreed with SDEL.

FIGURE 1

Revised SDEL structure proposed by the parties as part of the remedies package



Source: The parties' response to the provisional findings and notice of possible remedies.