

Examination of the viability of Stonegate and Deans in the event of divestiture of Stonegate

1. This appendix examines the forecasts used by Noble to support its view that in the event of a divestiture of Stonegate one or both of the Stonegate's or Deans' businesses may become financially unviable, and that it would therefore be disproportionate to apply a divestiture remedy.
2. We use Noble's forecast as a basis for our analysis. We assess the appropriateness of Noble's forecasting assumptions in some cases replacing them with our own. These assumptions are based on our understanding of:
 - the businesses;
 - the forecasting assumptions; and
 - the comments made by Noble in hearings and correspondence.

We then look at the effects of our assumptions on the levels of debt and the viability of the business according to Nobles financial forecasting models. We reviewed this work following a presentation and report by [REDACTED] on behalf of Noble.¹ Noble did not provide any sensitivity analysis on their forecasts, nor did the company present us with the information to do so ourselves. However we recognise that small changes to their assumptions could make significant changes to the forecasts.²

[REDACTED]

3. [REDACTED]³
4. [REDACTED]⁴
5. [REDACTED]
6. [REDACTED]⁵

[REDACTED]

7. [REDACTED]⁶
8. [REDACTED]⁷
9. [REDACTED]

¹At a hearing on 11 April 2007.

²At the same hearing.

³[REDACTED]

⁴[REDACTED]

⁵[REDACTED]

⁶Meeting between Noble accountants and CC accounting advisers on 8 March, 2007.

⁷Email from Slaughter and May, dated: 15 March 2007.

[REDACTED]

10. [REDACTED]

11. [REDACTED]

12. [REDACTED]

13. [REDACTED]

14. [REDACTED]^{8,9}

15. [REDACTED]

16. [REDACTED]¹⁰

17. [REDACTED]^{11,12}

[REDACTED]

18. [REDACTED]

19. [REDACTED]

20. [REDACTED]

[REDACTED]

21. [REDACTED]

22. [REDACTED]¹³

23. [REDACTED]

24. [REDACTED]

[REDACTED]

25. [REDACTED]

26. [REDACTED]

27. [REDACTED]

⁸[REDACTED]

⁹[REDACTED]

¹⁰[REDACTED]

¹¹Letter dated 3 April 2007, to CC from Slaughter and May, page 1 second bullet point.

¹²Meeting between Noble accountants and CC accounting advisers on 8 March, 2007. Also see spreadsheet 'CC-financials080307.xls' attached to email from Slaughter and May. Sent: 06 March 2007 11:10.

¹³p6 of *Project Seal, Limited Financial Review Report* presented in the hearing on 11 April 2007.

[REDACTED]

28. [REDACTED]^{14,15}

29. [REDACTED]

30. [REDACTED]¹⁶

31. [REDACTED]

32. [REDACTED]

33. [REDACTED]

[REDACTED]

34. [REDACTED]

35. [REDACTED]

36. [REDACTED]

37. [REDACTED]

[REDACTED]

38. [REDACTED]¹⁷

39. [REDACTED]¹⁸

40. [REDACTED]¹⁹

41. [REDACTED]

42. [REDACTED]

[REDACTED]

43. [REDACTED]

¹⁴[REDACTED]

¹⁵Email from Slaughter and May, sent 15 March, 2007.

¹⁶[REDACTED]—see email from Slaughter and May, to the CC, sent on 15 March 2007. [REDACTED]

¹⁷As a benchmark, it is usually considered that for a company in a mature market capital expenditure should on average approximate to depreciation.

¹⁸p10 of 'Project Seal, Limited Financial Review Report' presented in the hearing on 11 April 2007.

¹⁹Email from advisers to Michael Kent, of 7 October 2005, 16.37; also page 10 of the Due Diligence 'final report' of 16 June 2006 produced by [REDACTED].