

P/90/478

3 August 1990

**UNDERTAKINGS FOLLOWING MMC REPORT ON MERGER SITUATIONS  
INVOLVING COATS VIYELLA PLC AND TOOTAL GROUP PLC**

The Secretary of State for Trade and Industry has accepted statutory undertakings from Coats Viyella PLC involving the divestment of its domestic thread business and its former shareholding in Gutermann.

These undertakings remedy the adverse effects on competition arising from the merger situations involving Coats and the Tootal Group PLC investigated last year by the Monopolies and Mergers Commission.

The MMC concluded unanimously that provided these divestments were made, Coats should be allowed to retain all its current shareholding in Tootal and to proceed, if it so decides, with proposals for a full merger.

The then Secretary of State announced, following publication of the MMC's report on 26 October 1989, that he had accepted the Commission's recommendations and that he had requested the Director General of Fair Trading to consult Coats with a view to obtaining appropriate undertakings to implement the Commission's recommendations. The undertakings have now been given following these consultations.

The full text of the undertakings is attached.

**NOTES TO EDITORS**

1. The then Secretary of State for Trade and Industry referred the proposed acquisition by Coats Viyella of Tootal, and also the 29.9 per cent shareholding already held by Coats in Tootal, to the Monopolies and Mergers Commission on 26 June 1989. The then Secretary of State received the report on 25 September.

2. Under Section 88 of the Fair Trading Act 1973, where a report from the MMC concludes that a merger may be expected to operate against the public interest, the Secretary of State may request the Director General of Fair Trading to consult the relevant parties in order to obtain undertakings with a view to remedying or preventing the adverse effects specified in the report.

3. Coats disposed of its interests in the Guitermann Group on 30 April 1990.

4. Coats has negotiated a sale and purchase agreement with Amann & Sohne Gmbh u. Company for the German company to acquire its domestic thread business. The Agreement was signed on 2 July 1990 and is due to be completed later today.

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ENDS

COATS VIYELLA PLC AND TOOTAL GROUP PLC

MERGER REFERENCE TO MONOPOLIES AND MERGERS COMMISSION

FINAL UNDERTAKINGS

Following the report of the Monopolies and Mergers Commission on the merger between Coats Viyella plc ("Coats") and Tootal Group plc ("Tootal"), Coats undertakes to the Secretary of State that:

- (1) Coats will ensure the completion, not later than 26 October 1990, of the disposal as a going concern of the Business, in accordance with the Agreement. Coats will give notice to terminate the Administrative Services Agreement comprised in the Agreement to have effect no later than twelve months after the date of completion of the disposal pursuant to this undertaking.
- (2) After the disposal pursuant to undertaking (1) above, except to such extent, if any, as is expressly provided in the Agreement:
  - (a) Coats and its subsidiaries will not, and will procure that persons associated with them will not, acquire or hold directly or indirectly:
    - (i) any interest in the Business,
    - (ii) any shares of any company carrying on or controlling the Business, or any interest in any such shares,
    - (iii) any other interest carrying on entitlement to vote at meetings of any company carrying on or controlling the Business, or

(iv) other than in the ordinary course of business any assets of the Business;

(b) No Coats employee will hold any directorship, similar position under foreign law, or managerial position in any company carrying on or controlling the Business;

(c) Coats and its subsidiaries will not participate in the formulation or making of, or influence or attempt to influence, the policy of any person carrying on or controlling the Business.

(3) Following the disposal by Coats and its subsidiaries, by agreement dated 30 April 1990, of all their shares in Gutermaun and interests in such shares, Coats and its subsidiaries will not, and will procure that persons associated with them will not, acquire or hold directly or indirectly:

(a) any shares of Gutermaun or any interest in any such shares,

(b) any other interest carrying an entitlement to vote at meetings of Gutermaun, or

(c) other than in the ordinary course of business, any assets of Gutermaun.

(4) Until Coats has complied with undertaking (1) above:

(a) Coats will procure that the voting rights attaching to the Coats holding in Tootal are not exercised on any resolution insofar as they would amount to more than 9.9% of the total number of votes exercisable on that resolution (and for the purposes of this undertaking votes exercisable on a resolution shall

not include votes the exercise of which is hereby precluded);

- (b) Coats and its subsidiaries will not acquire or offer to acquire directly or indirectly any shares of Tootal or any interest in such shares;
- (c) Coats and its subsidiaries will not enter into or carry out any agreement which may result in any person associated with them acquiring or offering to acquire directly or indirectly any shares of Tootal or any interest in such shares;
- (d) No Coats employee will hold any directorship or managerial position in Tootal or its subsidiaries; and Coats and its subsidiaries will not participate in the formulation or making of, or influence or attempt to influence, the policy of Tootal or its subsidiaries, other than through the exercise of voting rights in accordance with paragraph 4(a) above.

- (5) Coats and its subsidiaries will provide promptly to the Director General of Fair Trading such information as he may reasonably require for the purpose of monitoring fulfilment of the above undertakings.

In these undertakings:

"the Agreement" means:

- (i) the agreement dated 2 July 1990 between Coats Leisure Crafts Group Limited ("the Vendor"), Coats and Amann and Sohne GmbH and Co ("the Purchaser"),
- (ii) the Administrative Services Agreement dated 2 July 1990 between the Vendor and the Purchaser,

(iii) the Supply Agreement dated 2 July 1990 between J & P Coats Limited and the Purchaser, and

(iv) the Trade Mark Licence dated 2 July 1990 between J & P Coats Limited and the Purchaser,

approved by the Director General of Fair Trading, for the sale and purchase of the Business;

"associated" is to be construed in accordance with section 77(4) of the Fair Trading Act 1973;

"the Business" means the business of the supply in the United Kingdom of domestic sewing thread carried on by Coats and/or its subsidiaries;

"Coats employee" means any director, employee or representative of Coats or any of its subsidiaries;

"controlling" is to be construed in accordance with section 65(3) of the Fair Trading Act 1973;

"the Coats holding in Tootal" means the aggregate of the shares comprised in the share capital of Tootal held from time to time by Coats, its subsidiaries and any person associated with them, or in which they have an interest;

"equity share capital" has the same meaning as in Section 744 of the Companies Act 1985;

"Gutermann" means Gutermann and Company, Interfina AG and any interconnected body corporate (within the meaning of section 137(5) of the Fair Trading Act 1973) of either of them;

"interest" in shares includes an entitlement, by a person other than the registered holder, to exercise any right conferred by the holding of those shares or an entitlement to control the exercise of any such right;

"subsidiary" has the same meaning as in section 736 of the Companies Act 1985.