

**DEROGATION LETTER  
IN RESPECT OF INITIAL ENFORCEMENT ORDER ISSUED  
PURSUANT TO SECTION 72(2) ENTERPRISE ACT 2002  
COMPLETED ACQUISITION**

**Consent under section 72(3C) of the Enterprise Act 2002 to certain actions for the purpose of the Initial Enforcement Order made by the Competition and Markets Authority (CMA) on 23 July 2019**

**Completed acquisition by Danspin A/S of certain assets and goodwill of LY Realisations Limited (formerly Lawton Yarns Limited)**

We refer to your email dated 7 August 2019 requesting that the CMA consents to derogations to the Initial Enforcement Order of 23 July 2019 (the 'Initial Order'). The terms defined in the Initial Order have the same meaning in this letter.

Under the Initial Order, save for written consent by the CMA, Danspin and Lawton Yarns are required to hold separate the acquired business ('the LY Realisations business' as defined in the Initial Order) from the acquirer's business ('the Danspin/Lawton Yarns business' as defined in the Initial Order) and refrain from taking any action which might prejudice a reference under section 22 of the Act or impede the taking of any remedial action following such a reference.

After due consideration of your request for derogations from the Initial Order, based on the information received from you and in the particular circumstances of this case, Danspin and LY Realisations business may carry out the following actions, in respect of the specific paragraphs:

**1. Paragraphs 5(a) and 5(l) of the Initial Order**

*a) Use of Danspin's UK bank account*

Danspin has sought CMA consent for Danspin's UK bank account to be utilised for payments to and from LY Realisations business and for Danspin's [X] to be provided with information on Lawton Yarns Limited's payments from the scope of the obligations in paragraphs 5(a) and 5(l).

During the specified period, the CMA consents to Danspin to provide its UK bank account to be utilised for payments to and from LY Realisations business until the applied bank account under Lawton Yarns' name in NatWest is opened.

This derogation is granted on the basis of representations made by Danspin that the LY Realisations business does not currently have a bank account in its name and it is required to make payments and to arrange to receive payments on its behalf in order to ensure that the LY Realisations business continued to be able to operate. The contracts and relationships with suppliers and customers will remain with the LY Realisations business.

The CMA's consent is conditional upon:

- (i) access to LY Realisations business' information being reserved only to Danspin's [X] and only to the extent necessary to perform this activity;
- (ii) Danspin will commit to release the funding necessary in the ordinary course of business of LY Realisations business and shall not deny or unreasonably withhold the release of these funds.

The LY Realisations business will inform the CMA of any instances in which a funding request from Danspin has been denied or unreasonably withheld.

For the avoidance of doubt, [X] will not have access to any information regarding the purpose of the payment or the commercial information underlying it, including the underlying invoice.

This is also conditional on [X] being subject to a non-disclosure agreement in the form approved by the CMA.

This derogation shall not prevent any remedial action that the CMA may need to take regarding the Transaction.

*b) Inclusion of the LY Realisations business in Danspin's insurance policy*

Danspin has sought CMA consent for LY Realisations business to be included in Danspin's insurance policies (including but not limited to, director liability and credit insurance) or to be organised by Danspin on LY Realisations's behalf.

During the specified period, the CMA consents to Danspin extending Danspin's insurance policies (including but not limited to, director liability and credit insurance) to the LY Realisations business.

This derogation is granted on the basis of representations by Danspin that without this insurance coverage, the LY Realisations business would not have insurance policies in place to cover director liability or credit default as these policies had previously been policies of the parent company, the Spin Group, of LY Realisations

Limited pre-merger and that it is required for the continued viability of the LY Realisations business. The derogation is granted on the condition that:

- (i) the inclusion of the LY Realisations business in Danspin's group insurance policies will have no influence upon the commercial direction of the LY Realisations business during the term of the Initial Order;
- (ii) any information confidential to the LY Realisations business will only be provided to a limited number of Danspin's employees [X] for whom it is strictly necessary to see the information for the purpose of taking out the insurance on the LY Realisations' business's behalf;
- (iii) each specific employee of Danspin/Lawton Yarns listed above shall enter into non-disclosure agreements in the form approved by the CMA;
- (iv) the LY Realisations business (or any new owner of the LY realisations business) is free at any time and for any reason to stop the insurance programme and is able to take out replacement insurance policies; and
- (v) should the CMA require Danspin to divest all, or part, of the LY Realisations business, any records or copies (electronic or otherwise) of business secrets, know-how, commercially sensitive information, intellectual property or any other information of a confidential or proprietary nature that have passed, wherever they may be held, will be returned to the business to which they relate and any copies destroyed.

This derogation shall not prevent any remedial action that the CMA may need to take regarding the transaction.

## **2. Paragraphs 5(a) and 5(h) of the Initial Order**

### *a) Danspin to provide arm's length manufacturing to LY Realisations business for one product*

Danspin has sought CMA consent to manufacture one specific product on behalf of LY Realisation's business, as a sub-contractor, at arm's length.

The CMA consents to Danspin acting as a sub-contractor on an arm's length basis for [X] for LY Realisations business.

This derogation is granted on the basis of representations by Danspin that:

- (i) prior to the Transaction, [X] of the Spin Group (the group which the LY Realisations business was a part of due to the [X] of the LY Realisations business;

- (ii) prior to the commencement date of the Initial Order, Danspin had agreed to produce approximately [X] of LY Realisations business, in order to ensure that the LY Realisations business continues to provide the full range of products to its customers;
- (iii) at the present date, the LY Realisations business is [X] in the UK.

During the specified period and in order to replicate the pre-administration position and enable LY Realisations business to fulfil its customer orders, the CMA consents to Danspin to provide contract manufacturing support of [X] to Lawton Yarns. This derogation is granted on the condition that:

- (iv) Danspin will only manufacture [X] as a sub-contractor of the LY Realisations business while the LY Realisations business is [X] in the UK;
- (v) The terms and conditions, including pricing, will be [X];
- (vi) [X] would be the only person responsible for administering the outsourcing arrangement between Danspin and LY Realisations business related to the manufacturing of [X] subject to signing of a non-disclosure agreement in the form approved by the CMA and be provided appropriate training to understand the obligations of the Initial Order;

This derogation shall not prevent any remedial action that the CMA may need to take regarding the transaction.

*(b) Danspin to provide [strictly necessary purchasing support] to LY Realisations business*

Danspin has sought CMA consent to provide [strictly necessary purchasing support] to suppliers of the LY Realisations business. Danspin has submitted that

- (i) Lawton Yarns Limited acquired [X] the LY Realisations Business' [X] on the completion of the Transaction on 12 June 2019. However, [X]. Some customers and suppliers [X] with the LY Realisations business because [X] prior to the Transaction;
- (ii) Prior to the commencement date of the Initial Order, Danspin has provided [X] to some of these customers and suppliers about [X] and has provided [X] with some suppliers that [X] with the LY Realisations business.

The CMA consents to the provision by Danspin of [strictly necessary purchasing support] to suppliers of the LY Realisations business, in that Danspin may:

- (iii) continue to provide [strictly necessary purchasing support] [X] it agreed these agreements prior to the commencement of the Initial Order;
- (iv) in the event that suppliers of the LY Realisations business [X], subject to prior consent from the CMA and the involvement with these suppliers [X] subject to signing of a non-disclosure agreement in the form approved by the CMA and is provided appropriate training to understand the obligations of the Initial Order engaged.

This derogation is granted on the condition that

- (v) any further [strictly necessary purchasing support] to be entered by Danspin with LY Realisations business' suppliers are subject to prior CMA consent and evidence that these arrangements are strictly necessary to ensure continuity of supply to the LY Realisations business; and
- (vi) Danspin's [X] only to have access to the information relating to the LY Realisation business's [X] in order to approve these arrangements. [X] will be subject to signing of a non-disclosure agreement in the form approved by the CMA and provided appropriate training to understand the obligations of the Initial Order.

For the avoidance of doubt, any supplier benefiting from a [strictly necessary purchasing support] continues to be, for all purposes, a supplier of the LY Realisations business.

This derogation shall not prevent any remedial action that the CMA may need to take regarding the transaction.

*c) Danspin to purchase the LY Realisations machinery at Raven Ings Mill [X]*

Danspin has sought consent from the CMA to purchase machines for winding, dyeing and steaming yarns located at Raven Ings Mill [X]. Upon insolvency of LY Realisations Limited, [X]. Prior to the commencement of the Initial Order, Danspin has negotiated the purchase price of these machines [X].

In order to ensure the operational continuity of the LY Realisations business, the CMA consents to Danspin purchasing the machinery at Raven Ings Mill [X] in order to replicate the pre-administration position and enable the LY Realisations business to fulfil its customer orders.

This derogation is granted on the condition that these machines [X] to the LY Realisations business by Danspin [X].

This derogation shall not prevent any remedial action that the CMA may need to take regarding the transaction. For the avoidance of doubt, if the CMA needs to take any remedial action, the machines acquired by Danspin will be considered, for that purpose, as being part of the LY Realisations business.

Yours sincerely

Maria Duarte  
Assistant Director, Mergers  
12 August 2019

## Annex 1

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