

COMPLETED ACQUISITION BY DANSPIN A/S OF CERTAIN ASSETS AND GOODWILL OF LY REALISATIONS LIMITED (FORMERLY LAWTON YARNS LIMITED)

Directions issued on 24 September 2019 pursuant to paragraph 10 of the Initial Enforcement Order imposed by the Competition and Markets Authority on Lawton Yarns Limited (previously known as K72 Limited), and Danspin A/S on 23 July 2019

On 12 June 2019, Danspin A/S (**Danspin**), through Lawton Yarns Limited (previously known as K72 Limited) (**Lawton Yarns**), completed the acquisition of certain assets and goodwill of LY Realisations Limited (**the LY Realisations business**) (the **Merger**).

On 23 July 2019, the Competition and Markets Authority (**CMA**) sent an enquiry letter to Danspin. On the same date, the CMA made an Initial Enforcement Order (the **Order**) addressed to Danspin and Lawton Yarns in accordance with section 72(2) of the Enterprise Act 2002 to prevent pre-emptive action. The Order is still in force.

The CMA now issues written directions under paragraph 10 of the Order that, for the purpose of securing compliance with the Order, Danspin and Lawton Yarns must appoint a monitoring trustee in accordance with the terms provided for in this Annex and must comply with the obligations set out in the Annex.

Signed

Maria Duarte
Assistant Director, Mergers
Competition and Markets Authority
24 September 2019

Annex

Directions to appoint a monitoring trustee

Interpretation

1. In these Directions:

‘the Act’ means the Enterprise Act 2002;

‘CMA’ means the Competition and Markets Authority;

‘MT’ means the monitoring trustee appointed in accordance with paragraphs 2 to 4 below;

‘Derogations’ means any derogations granted whether before or after the appointment of the MT by the CMA by which Danspin and LY Realisations businesses may undertake certain actions that derogate from the Order;

‘Order’ means the initial enforcement order made by the CMA on 23 July 2019 and addressed to Danspin and Lawton Yarns;

‘business’ has the meaning given by section 129(1) and (3) of the Act;

‘Danspin’ means Danspin A/S;

‘the Danspin business’ means the business of Danspin and its subsidiaries (including Lawton Yarns) but excluding the LY Realisations business carried on as at the commencement date;

‘Lawton Yarns’ means Lawton Yarns Limited and company number 120409946 (previously known as K72 Limited);

‘LY Realisations’ means certain assets and goodwill of LY Realisations Limited and company number 07917717 (previously known as Lawton Yarns Limited) that were the subject of the transaction as at the commencement date;

‘the LY Realisations business’ means the business of LY Realisations carried on as at the commencement date;

‘subsidiary’, unless otherwise stated, has the meaning given by section 1159 of the Companies Act 2006;

‘the two businesses’ means the Danspin business and the LY Realisations business;

unless the context requires otherwise, the singular shall include the plural and vice versa.

Terms and expressions defined in the Order have the same meaning in these directions, unless the context requires otherwise.

Appointment

2. Danspin and Lawton Yarns must appoint a MT in order to ensure compliance with the Order, in particular to:
 - a. monitor and report to the CMA on compliance by Danspin and Lawton Yarns and their subsidiaries with the Order; and
 - b. support the CMA taking any remedial action which may be required to maintain the LY Realisation business and the Danspin business as going concerns.
3. The MT must act on behalf of the CMA and be under an obligation to the CMA to carry out his or her functions to the best of his or her abilities.
4. Danspin and Lawton Yarns must cooperate fully with the MT, in particular as set out below, and must ensure that the terms and conditions of appointment of the MT reflect and give effect to the functions and obligations of the MT and the obligations of Danspin and Lawton Yarns as set out in these directions.

General

5. The MT must possess appropriate qualifications and experience to carry out his or her functions.
6. The MT must neither have, nor become exposed to, a conflict of interest that impairs his or her objectivity and independence in discharging his or her duties under these directions, unless it can be resolved in a manner and within a timeframe acceptable to the CMA.
7. Danspin and Lawton Yarns shall remunerate and reimburse the MT for all reasonable costs properly incurred in accordance with the terms and conditions of the appointment and in such a way so as not to impede the MT's independence or ability to effectively and properly carry out his or her functions.
8. Danspin and Lawton Yarns must appoint the MT as soon as is reasonably practicable and in any event by 30 September 2019 and the MT will continue to act either until the CMA reaches a decision to clear the Merger or until the CMA directs that the MT is no longer required.
9. The appointment of a MT by Danspin and Lawton Yarns is subject to the approval of the CMA as to the identity of the MT and the terms and conditions of appointment in their entirety and:
 - a. the name of the proposed MT must be notified to the CMA as soon as is reasonably practicable and in any event by **26 September 2019**;

- b. the draft terms and conditions of appointment must be notified to the CMA as soon as is reasonably practicable and in any event by **27 September 2019**; and
- c. once the MT has been approved by the CMA and appointed, Danspin and Lawton Yarns must provide the CMA with a copy of the agreed terms and conditions of appointment.

Functions

10. The functions of the MT will be to:

- a. ascertain and report to the CMA in relation to the current level of compliance by Danspin, Lawton Yarns and their subsidiaries with the Order;
- b. assess and report to the CMA in relation to the arrangements made by Danspin, Lawton Yarns and their subsidiaries for compliance with the Order and what changes to those arrangements, if any, are necessary to preserve the possibility of the CMA taking any remedial action, if required;
- c. identify and supervise if necessary the arrangements made by Danspin and Lawton Yarns for ensuring compliance with the Order;
- d. monitor compliance by Danspin, Lawton Yarns and their subsidiaries with the Order; and
- e. without prejudice to the right of Danspin or Lawton Yarns to contact the CMA, respond to any questions which Danspin or Lawton Yarns may have in relation to compliance with the Order, in consultation with the CMA.

11. The MT must take such steps as he or she reasonably considers necessary in order to carry out his or her functions effectively, including requiring the provision of information or the production of documents relating to communications within and between the Danspin business and the LY Realisations business, such as written and electronic communications, telephone conversations and meetings as may be required.

12. The MT must comply with any requests made by the CMA for the purpose of ensuring the full and effective compliance by Danspin and Lawton Yarns and their subsidiaries with the Order.

Obligations of Danspin and Lawton Yarns

13. Danspin, Lawton Yarns and their employees, officers, directors, advisers and consultants must cooperate fully with the MT, in particular by providing the MT with all cooperation, assistance and information as the MT may reasonably require in order to discharge his or her functions, including but not limited to:

- a. the provision of full and complete access to all personnel, books, records, documents, facilities and information of the Danspin business and the LY Realisation business as the MT may reasonably require; and
 - b. the provision of such office and supporting facilities as the MT may reasonably require.
14. If the Danspin business or the LY Realisation business are in any doubt as to whether any action or communication would infringe the Order, they are required to contact the MT for clarification.
15. If Danspin or Lawton Yarns has any reason to suspect that the Order may have been breached, it must notify the MT and the CMA immediately.

Reporting functions

16. The MT is required to provide an initial report to the CMA no later than **11 October 2019**, giving details of any arrangements which have been, or should be, put in place to ensure compliance with the Order, and including among other things:
- a. details of the current extent of compliance with the Order;
 - b. a description of the current arrangements made for the operation of the Danspin and LY Realisations businesses and for the preservation of the assets required to operate the Danspin and LY Realisations businesses;
 - c. recommendations as to what changes to those arrangements, if any, are necessary, particularly whether a hold separate manager should be hired to manage the Danspin and LY Realisations businesses.
17. In addition to providing the initial report referred to in paragraph 16 above, the MT must provide a statement to the CMA every two weeks thereafter (or otherwise as required by the CMA) stating whether or not, in his or her view, Danspin, Lawton Yarns and their subsidiaries have complied with the Order. At the same time, the MT must provide the CMA with a report setting out the following:
- a. the basis for the MT's view that the Order has or has not, as the case may be, been complied with and in particular whether:
 - i. anything has caused him or her to be concerned as to whether Danspin, Lawton Yarns and their subsidiaries have complied with the Order, and if it has, whether those concerns have been resolved and why;
 - ii. he or she has any remaining doubts or uncertainties as to whether Danspin, Lawton Yarns and their subsidiaries have complied with the Order; and

- iii. anything that causes him or her to be concerned about a possible future breach of the Order (whether deliberate or inadvertent);
 - b. details of the performance of the Danspin and LY Realisations businesses, including any factors that might indicate asset deterioration;
 - c. whether appropriate steps are being taken to maintain Danspin and LY Realisations businesses as going concerns;
 - d. the extent to which Danspin, Lawton Yarns and their subsidiaries have cooperated with the MT in his or her task of monitoring its compliance with the Order and details of any aspects of the cooperation of Danspin and Lawton Yarns that he or she considers could be improved;
 - e. the extent to which the MT considers that he or she is in an appropriate position to monitor the compliance of Danspin, Lawton Yarns and their subsidiaries with the Order and if there is anything that the MT considers would assist him or her in monitoring compliance;
 - f. any current or anticipated requests for consent to vary the Order; and
 - g. the information he or she used to compile the report.
- 18. When providing reports to the CMA, the MT must ensure that he or she does not disclose any information or documents to the CMA which Danspin and Lawton Yarns would be entitled to withhold from the CMA on the grounds of legal privilege and nothing in these directions requires Danspin and Lawton Yarns to produce any information or documents to the MT which are privileged.
- 19. The MT must immediately notify the CMA in writing if he or she forms a reasonable suspicion that the Order has been breached, or if he or she considers that he or she is no longer in a position to effectively carry out his or her functions. In that situation, the MT must give reasons for this view, including any supporting evidence available (unless doing so would infringe the obligations referred to in paragraph 18 above).
- 20. All communications between the MT and the CMA (including the statements and reports referred to in paragraphs 16 and 17) are confidential and should not be disclosed to Danspin, Lawton Yarns and their subsidiaries, save with the prior written consent of the CMA. The MT shall not disclose such communications to third parties.