

Financial Markets Conduct (Coats Group plc Sale Facility) Exemption Notice 2015

Pursuant to section 556 of the Financial Markets Conduct Act 2013, the Financial Markets Authority, being satisfied of the matters set out in section 557 of that Act, gives the following notice.

Contents

1	Title	1
2	Commencement	1
3	Revocation	1
4	Interpretation	1
5	Exemption	2
6	Conditions of exemption	2

Notice

1 Title

This notice is the Financial Markets Conduct (Coats Group plc Sale Facility) Exemption Notice 2015.

2 Commencement

This notice comes into force on 17 November 2015.

3 Revocation

This notice is revoked on the close of 31 March 2017.

4 Interpretation

(1) In this notice, unless the context otherwise requires, —

Act means the Financial Markets Conduct Act 2013

Closing Date means the closing date of the Sale Facility

Coats means Coats Group plc, a company incorporated in the United Kingdom

Computershare means Computershare Investor Services Limited, a company incorporated in New Zealand

Delisting means the proposed cessation of Coats' listing with NZX

Delisting Date means the date on which the New Zealand branch of Coats' share register is proposed to be closed in connection with the Delisting

Information Pack means the document or documents to be sent by Coats to the registered address or recorded email address of all Shareholders (holding Shares as at a date no earlier than 10 working days before the Opening Date) in connection with the Delisting and the Sale Facility

LSE means London Stock Exchange plc or the Main Market of London Stock Exchange plc, as the context requires

NZX means NZX Limited or the main board equity security market operated by NZX Limited, as the context requires

Offer means an unsolicited offer, to which the Regulations apply, to acquire a power to dispose of Shares

Opening Date means the opening date of the Sale Facility

Regulations means the Financial Markets Conduct Regulations 2014

Sale Facility means the Offer by Computershare to acquire from Shareholders who each hold not more than 100,000 Shares as at a date no earlier than 10 working days before the Opening Date the power to dispose of Shares, and the subsequent instruction of a broker, sale of the Shares on the LSE, and remittance of proceeds (or a proportionate share of proceeds of a batch sale) to the Shareholder on the terms set out in the Information Pack

Sale Instruction Form means the form for use by Shareholders to grant Computershare the power to dispose of Shares under the Sale Facility

Share means an ordinary share in Coats registered on the New Zealand branch of Coats' share register

Shareholder means a person who is registered as a holder of Shares who has a registered address in New Zealand or Australia.

- (2) Any term or expression that is defined in the Act or the Regulations and used, but not defined, in this notice has the same meaning as in the Act or the Regulations.

5 Exemption

Coats, Computershare, and every person making an offer on behalf of either or both of them are exempted from regulations 163 to 170 (inclusive), 172 and 177 of the Regulations, in respect of the Sale Facility.

6 Conditions of exemption

The exemption in clause 5 is subject to the following conditions:—

- (a) within 10 working days after the Opening Date, Coats must send a copy of the Information Pack and Sale Instruction Form to each Shareholder that held not more than 100,000 Shares as at a date no earlier than 10 working days before the Opening Date. The Information Pack and Sale Instruction Form must be sent to the registered address or recorded email address of each Shareholder;
- (b) the Information Pack must contain all the terms and conditions of the Sale Facility;
- (c) the Information Pack must include the following information or information to the following effect:—
 - (i) that participation in the Sale Facility involves Computershare having authority to arrange for the sale of Shareholders' Shares on the LSE;
 - (ii) details of how Shares of Shareholders participating in the Sale Facility may be aggregated into batches for the purposes of sale and how the proceeds of sale will be allocated between participating Shareholders;
 - (iii) information about alternatives a Shareholder has to participating in the Sale Facility, including that a Shareholder does not have to sell their Shares through

- the Sale Facility and that the Shareholder can sell Shares on NZX through a broker prior to the Delisting;
- (iv) that the proceeds Shareholders may receive from the sale of their Shares will be affected by the market price of Shares on the LSE at the time of sale and the £/NZ\$ exchange rate at the time of conversion of the proceeds to New Zealand dollars;
 - (v) details of the currency conversion and how the proceeds of the sale of a batch of shares will be paid to the broker's trust account with a United Kingdom bank in British Pounds;
 - (vi) where and how Shareholders can obtain up-to-date information on the market price of Shares traded on the LSE;
 - (vii) that Shareholders should consider whether the Sale Facility is the best option available to them in relation to the Delisting, and are encouraged to seek advice from an independent broker or financial adviser;
 - (viii) the Opening Date and the Closing Date and the terms on which the Closing Date may be changed; and
 - (ix) information about the timing between the instruction to sell and the sale of the Shares under the Sale Facility;
- (d) the Sale Facility must be open for not less than 30 days and not more than 12 months from the Opening Date;
 - (e) each Sale Instruction Form sent to a Shareholder must state the number of Shares owned by that Shareholder as at a point in time specified in the Sale Instruction Form (being a time that is not earlier than 10 working days before the Opening Date);
 - (f) all Shares sold under the Sale Facility must be sold in the ordinary course of trading on the LSE by a firm regulated and authorised by the Financial Conduct Authority in the United Kingdom which is a member of the LSE;
 - (g) all costs relating directly to the sale of Shares made under the Sale Facility (including brokerage, transfer fees and currency conversion costs) must be paid by Coats or a subsidiary of Coats;
 - (h) all the proceeds of sale of Shares under the Sale Facility must be paid to Shareholders participating in the Sale Facility;
 - (i) Shareholders participating in the Sale Facility must be paid the proceeds of sale of their Shares (or their proportionate share of proceeds of a batch sale) in New Zealand dollars as soon as practicable after their Shares (or the relevant batch of Shares) have been sold and, in any event, within 28 days after the date on which their Shares (or the relevant batch of Shares) have been sold; and
 - (j) the terms of the Sale Facility cannot be varied, except for the purpose of extending the Closing Date in accordance with the terms contained in the Information Pack.

Dated at Auckland this 12th day of November 2015.



Liam Mason
Director of Regulation
Financial Markets Authority

Statement of reasons

This notice comes into force on 17 November 2015 and is revoked on the close of 31 March 2017.

This notice exempts Coats Group plc (**Coats**) and Computershare Investor Services Limited (**Computershare**) from regulations 163 to 170 (inclusive), 172 and 177 of the Financial Markets Conduct Regulations 2014 (**Regulations**) in relation to the proposed acquisition by Computershare of the power to dispose of ordinary shares in the capital of Coats (**Shares**) as part of a share sale facility (**Sale Facility**).

The Financial Markets Authority (**FMA**), after satisfying itself as to the matters set out in section 557 of the Financial Markets Conduct Act 2013 (**Act**), considers that it is appropriate to grant the exemptions because—

- the Sale Facility provides for sales of Shares at market value. An underlying policy consideration for the Regulations was to regulate offers that result in sales at less than market value. The effect of certain conditions is that shares will be sold at market value, via an on-market sale in the ordinary course of trading on the LSE market by a firm regulated and authorised by the Financial Conduct Authority in the United Kingdom:
- an Offer under the Sale Facility is made by Computershare with the consent of Coats, in respect of shares in Coats, so the requirement that prior notice be given to the issuer (in this case, Coats) under regulation 163 is unnecessary:
- the matters that are required to be disclosed under regulation 168 (for example a fair estimate of value of the power to dispose of shares) are not all relevant in the context of an Offer under a Sale Facility because Computershare is facilitating the sale of Shares at a market price to unknown third parties:
- exemption from regulations 170 and 172 will enable Coats to extend the Sale Facility beyond the date of delisting in order to ensure the maximum numbers of Shareholders are able to obtain the benefits of the Sale Facility. The conditions of the exemption ensure that the Information Pack will specify the Closing Date, and how the Closing Date may be extended, such that Shareholders will be able to act with certainty and confidence:
- the Sale Facility provides for sales of Shares at market value, therefore Computershare's cancellation duties under regulation 177 that would apply if an agreement to acquire the power to dispose of shares through the Sale Facility were cancelled under regulation 173, are unnecessary and would delay the Shareholder from being able to finalise a sale of its shares at that market value.

As such, the FMA is satisfied that the granting of the exemption is desirable in order to promote the purposes of the Act.

Specifically, the notice will—

- enable Coats to avoid the unnecessary compliance costs of complying with the requirements of the Regulations;
- provide confident and informed participation of the Shareholders participating in the Sale Facility; and
- provide for timely, accurate and understandable information to Shareholders to assist those Shareholders to make decisions in participating in the Sale Facility.

The exemption is subject to conditions that:—

- Require the Information Pack to contain all the information set out in the conditions;
- All Shares sold under the Sale Facility must be sold in the ordinary course of trading on the LSE by a firm regulated and authorised by the Financial Conduct Authority in the United Kingdom which is a member of the LSE;
- All costs relating directly to the sale of Shares made under the Sale Facility must be paid by Coats or a subsidiary of Coats;
- The terms of the Sale Facility cannot be varied, except for the purpose of the extending the Closing Date in accordance with the terms contained in the Information Pack; and

The FMA is satisfied, therefore, that the extent of the exemption is not broader than is reasonably necessary to address the matters that gave rise to them.