

The Insolvency Act 1986

Administrator's progress report

Pursuant to Rule 2.38 of the Insolvency (Scotland) Rules 1986

Name of Company

Dawson International Trading Limited

Company number

SC162162

(a) Insert full
name(s) and
address(es) of
administrator

IAWe (a) Blair Carnegie Nimmo
KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

administrator of the above company attach a progress report for the period

from

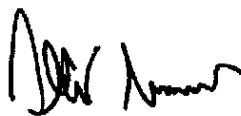
to

(b) Insert date(s)

(b) 15 February 2018

(b) 14 August 2018

Signed



Administrator

Dated

11 September 2018

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form.

The contact information that you give will be visible to searchers of the public record

Blair Carnegie Nimmo
KPMG LLP
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1000

FRIDAY



SCT *S7EGXQRE* #88
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Administrator's
progress
report for the
period 15
February 2018
to 14 August
2018

Dawson International Trading
Limited - in Administration

12 September 2018

Notice to creditors

This progress report provides an update on the administration of the Company.

We have included (Appendix 2) an account of all amounts received and payments made since the date of our appointment.

We have also explained our future strategy for the administration and how likely it is that we will be able to pay each class of creditor.

You will find other important information in this progress report such as the costs which we have incurred to date.

A glossary of the abbreviations used throughout this document is attached (Appendix 4).

Finally, we have provided answers to frequently asked questions and a glossary of insolvency terms on the following website, <http://www.insolvency-kpmg.co.uk/case+KPMG+DC81391052.html>. We hope this is helpful to you.

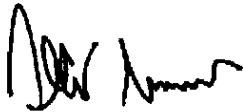
Please also note that an important legal notice about this progress report is attached (Appendix 5).

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1 Executive summary

- This progress report covers the period from 15 February 2018 to 14 August 2018.
- All of the Company's assets have now been sold and no further realisations are anticipated. The only outstanding issue preventing the completion of the administration is the legacy environmental issue, which is complex and could take a considerable period of time to resolve (Section 2 - Progress to date).
- Based upon the Directors' statement of affairs and the level of asset realisations achieved a dividend should be payable to DITL's unsecured creditors. The dividend amount will depend on any costs that may be incurred in connection with, or unsecured claims relating to, the legacy environmental issue (Section 3 - Dividend prospects).
- Please note: you should read this progress report in conjunction with our previous progress reports and proposals which were issued to the Company's creditors and can be found at <http://www.insolvency-kpmg.co.uk/case+KPMG+DC81391052.html>. Unless stated otherwise, all amounts in this progress report and appendices are stated net of VAT.



Blair Nimmo
Administrator

2 Progress to date

2.1 Strategy and progress to date

Strategy

All of the Company's assets have now been sold and no further realisations are anticipated.

The only outstanding issue preventing the completion of the administration is the legacy environmental issue.

Environmental issue

The Company may potentially have a legacy environmental liability as a result of the former ownership of the Pringle of Scotland factory in Berwick upon Tweed by one of the Group's former subsidiaries, DPOSL Limited. This relates to an historic spillage of PCE chemical that occurred between the mid-1970s and early 1990s. A "Pump and Treat" system was designed and installed to remediate the contamination. This has continued to operate since the Company was placed into administration. Given the history of the site ownership and operations, this issue has been extremely complex and we have been liaising with the Company's solicitors and environmental advisers to assess the possible extent of the Company's liability, if any.

In an attempt to progress and resolve matters, we have been in regular correspondence with the Environment Agency. Despite our efforts, we have been unable to obtain clarity from the Environment Agency in relation to several matters, particularly regarding the implications of the Administrator switching off the Pump and Treat system. This has meant that we have been unable to take steps to progress the administration and facilitate the payment of a dividend to creditors.

Towards the end of 2017, in an attempt to break the impasse, we submitted an application for directions to the Court of Session. A hearing was held before Lord Clark over two days in early February 2018 with five parties (the Company, Dawson International PLC - in Administration, the landowner, EA and the PPF) being represented. The landowner has since withdrawn from the Court process.

We received Lord Clark's interim opinion on 30 May 2018 which provided direction, however the Court has stated that a substantive hearing will be required before a final opinion can be issued. The hearing has been set for 15 January 2019 and the seven days following.

Any costs or claims relating to this potential environmental liability may impact the level of dividend available to the Company's unsecured creditors and whilst progress has been made, this matter could still take a considerable period of time to resolve.

Removing the uncertainty caused by this issue will be key to progressing the administration and facilitating payment of a dividend to creditors. In the meantime, the Company continues to operate the Pump and Treat system in line with the terms of the abstraction licence.

2.2 Asset realisations

There were no realisations during the period. We received bank interest of £7,555.89.

2.3 Costs

Payments made in this period are set out in the attached receipts and payments account (Appendix 2). Summaries of the most significant payments made during the period are provided below.

Environmental issue legal fees

During the period, fees totalling £40,169.24 were paid to our advisors in respect of legal advice regarding the environmental issue. Of this amount, £14,834.00 was paid to Burges Salmon LLP and £25,335.24 was paid to Shepherd + Wedderburn LLP. These sums include outlays, including Counsel and Court costs.

Environmental issue employee costs

A total of £5,537.70 was incurred in respect of our surveillance officer during the period. (£4,955.70 is included under 'Direct labour' in the trading accounts of our receipts and payments account in Appendix 2).

3 Dividend prospects

3.1 Secured creditors

The Company's pre-appointment trade debtors were subject to an invoice discounting facility with GECF. The facility was in credit at the date of the administration and GECF had no claim. GECF formally reassigned the remaining debtor balances to the Company and they were subsequently sold to SSL.

3.2 Preferential creditors

We are not aware of any preferential claims against the Company.

3.3 Unsecured creditors

Based on current estimates, we anticipate that unsecured creditors should receive a dividend.

The dividend amount will depend upon the quantum of unsecured creditors' claims, which includes claims in respect of the deficits on the defined benefit pension schemes operated by the Company. The dividend amount will also depend on any costs that may be incurred in connection with, or unsecured claims relating to, the legacy environmental issue.

As previously reported, the Group operated two defined benefit pension schemes, the Staff Scheme and the Works Scheme. The Schemes entered the PPF following an assessment period. The PPF's claims amount to £58.7 million for the Staff Scheme and £37.5 million for the Works Scheme. The quantum of the PPF's claims will dilute the overall level of dividend available to unsecured creditors.

4 Administrator's remuneration, outlays and disbursements

Remuneration and outlays

During the administration the Company creditors have provided approval for administrators' remuneration and outlays of £726,767.15 which has been drawn from the Company' estate.

Time costs

From 15 February 2018 to 14 August 2018, we have incurred time costs of £21,364.00. These represent 59.70 hours at an average rate of £357.86 per hour.

A detailed analysis of the time spent in this period is provided at Appendix 3.

Our total time costs from the commencement of the administration to 14 August 2018 are £921,692.50 which comprises 3,052.40 hours at an average rate of £301.96 per hour.

Disbursements

During the period, we have not incurred any disbursements.

Additional information

We have attached (Appendix 3) an analysis of the time spent, the charge-out rates for each grade of staff and the expenses paid directly by KPMG for the period from 15 February 2018 to 14 August 2018. We have also attached our charging and disbursements policy.

5 Future strategy

5.1 Future conduct of the administration

We will continue to manage the affairs, the business and the property of the Company in order to achieve the purpose of the administration. This will include but not be limited to:

- Endeavouring to resolve the legacy environmental issue at the former Pringle of Scotland factory in Berwick upon Tweed;
- Preparing and submitting VAT and corporation tax returns to HMRC;
- Adjudicating on creditors' claims, and paying a dividend to unsecured creditors; and
- Attending to all other statutory and administrative matters.

5.2 Extension of the administration

The duration of an administration is restricted to 12 months from the date of commencement unless it is extended with the permission of creditors or the Court.

As a result of the remaining issues which required to be dealt with, six 12 month extensions to the administration period have previously been granted by order of the Court.

The administration is currently due to end on 14 August 2019.

Whilst we will endeavour to finalise the outstanding matters as soon as possible, these might not be resolved by 14 August 2019. In such a situation, an application to Court to extend the period of the administration for a period of one year, to 14 August 2020 may be submitted.

5.3 Future reporting

We intend to provide a further progress report within six weeks of 14 February 2019.

Appendix 1 Statutory information

Company information

Company name	Dawson International Trading Limited
Date of incorporation	12 September 1995
Company registration number	SC162162
Present registered office	KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG

Administration information

Administration appointment	The administration appointment granted in Court of Session, Edinburgh
Appointor	Directors
Date of appointment	15 August 2012
Administrator's details	Blair Nimmo
Current administration expiry date	14 August 2019

Appendix 2 Administrator's receipts and payments account

Dawson International Trading Limited - in Administration		
Trading accounts		
Statement of Accounts	For the period ended 31 March 2012	For the period ended 31 March 2011
POST-APPOINTMENT SALES		
Sales	NIL	1,665,671.50
Post - Early Settlement Discount	NIL	(2,758.28)
	NIL	1,662,913.22
PURCHASES		
Yarn	NIL	(657,637.24)
Other disposable materials	NIL	(8,597.98)
Exporting Costs	NIL	(50.00)
Petty cash	NIL	(1,093.25)
	NIL	(667,378.47)
OTHER DIRECT COSTS		
Direct labour	(4,955.70)	(639,640.32)
	(4,955.70)	(639,640.32)
TRADING EXPENSES		
Designer agent fees	NIL	(3,575.01)
IT expenses	(59.88)	(7,548.27)
Rates	NIL	(5,158.36)
Water rates	NIL	(3,077.24)
Heat & light	NIL	(28,751.30)
Telephone/Telex/Fax	NIL	(3,650.91)
Carriage	NIL	(24,790.49)
Professional fees	NIL	(762.50)
Bank charges & interest	NIL	(23,307.79)
Repairs and maintenance	NIL	(5,031.07)
Sundry expenses	NIL	(8,370.31)
Commission on sales	NIL	(116,429.12)
Vehicle running costs	NIL	(1,716.78)
Advertising	NIL	(588.06)
Stationery & postage	NIL	(765.35)
	(59.88)	(233,522.56)
Trading surplus/(deficit)	(5,015.58)	122,371.87

Dawson International Trading Limited - in Administration

Abstract of receipts & payments

Period from 1st January 2012 to 31st March 2012
 Balance brought forward 1,146,110.00

ASSET REALISATIONS

441,000.00	Plant & machinery	NIL	404,430.00
123,000.00	Stock	NIL	1,050,300.00
566,000.00	Stock - work in progress	NIL	NIL
1,678,000.00	Book debts	NIL	NIL
	Pre-appointment book debts	NIL	2,093,503.89
	Goodwill	NIL	400,000.00
912,000.00	Cash at bank	NIL	1,048,338.24
	Cash in Hand	NIL	626.61
		NIL	4,997,198.74

OTHER REALISATIONS

	Bank interest, gross	7,555.89	107,673.37
	VAT refund	NIL	79,584.58
	Sundry refunds	NIL	5,444.54
	Suspense	NIL	100.00
	Trading surplus/(deficit)	(5,015.58)	122,371.87
	Bank charges	NIL	(3,721.70)
	Other refunds	NIL	3,794.91
105,000.00	Loans and advances	NIL	NIL
579,000.00	Other property	NIL	NIL
	Intercompany dividends	NIL	162,152.08
		2,540.31	477,399.65

COST OF REALISATIONS

	Specific bonds	NIL	(1,200.00)
	Administrators' fees	NIL	(726,767.15)
	Agents'/Valuers' fees	NIL	(4,500.00)
	Legal fees	(40,169.24)	(266,956.27)
	Environmental issue employee costs	(582.00)	(51,339.00)
	Environmental issue expenses	(24.57)	(101,649.58)
	Stationery & postage	NIL	(208.75)
	Storage costs	(220.39)	(536.97)
	Statutory advertising	NIL	(151.34)
	Other property expenses	NIL	(1,714.80)
	Insurance of assets	(385.28)	(4,555.80)

Dawson International Trading Limited - in Administration

Abstract of receipts & payments

Statement of Financial Position		31/12/2019 (£)	31/12/2018 (£)
	Bank charges	(150.00)	(2,772.29)
	Pringle site costs	NIL	(2,102.00)
		<u>(41,531.48)</u>	<u>(1,164,453.95)</u>
PREFERENTIAL CREDITORS			
(95,600.00)	Employees' wage arrears	NIL	(85,637.76)
(80,000.00)	Employees' holiday pay	NIL	NIL
(4,000.00)	Conts. to pension schemes	NIL	NIL
		<u>NIL</u>	<u>(85,637.76)</u>
UNSECURED CREDITORS			
(518,000.00)	Trade creditors and accruals	NIL	NIL
(329,000.00)	Other liabilities	NIL	(13,730.54)
(222,000.00)	Sales agents	NIL	NIL
(4,136,000.00)	Inter-co Dawson International PLC	NIL	NIL
(152,000.00)	PAYE and National Insurance	NIL	NIL
(329,000.00)	Environmental	NIL	NIL
(117,700,000.00)	Pension schemes	NIL	NIL
		<u>NIL</u>	<u>(13,730.54)</u>
(119,161,600.00)		<u>(38,991.17)</u>	<u>4,210,776.14</u>
REPRESENTED BY			
	Floating ch. VAT rec'able		12,795.94
	Floating charge current		<u>4,197,980.20</u>
			<u>4,210,776.14</u>

Appendix 3 Administrator's charging and disbursements policy

Administrator's charging policy

The time charged to the administration is by reference to the time properly given by us and our staff in attending to matters arising in the administration. This includes work undertaken in respect of tax, VAT, employee, pensions and health and safety advice from KPMG in-house specialists.

Our policy is to delegate tasks in the administration to appropriate members of staff considering their level of experience and requisite specialist knowledge, supervised accordingly, so as to maximise the cost effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by senior staff or us.

A copy of "A Creditors' Guide to Administrators' Remuneration Scotland" from Statement of Insolvency Practice 9 ('SIP 9') produced by the Association of Business Recovery Professionals is available at:

https://www.r3.org.uk/media/documents/technical_library/SIPS/Creditors' Guide to Administrators' Remuneration Scotland.pdf

If you are unable to access this guide and would like a copy, please contact Nick McGlinchey on 0131 527 6942.

Hourly rates

Set out below are the relevant hourly charge-out rates for the grades of our staff actually or likely to be involved on this administration. Time is charged by reference to actual work carried out on the administration, using a minimum time unit of six minutes.

All staff who have worked on the administration, including cashiers and secretarial staff, have charged time directly to the administration and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the administration but is reflected in the general level of charge-out rates.

Charge-out rates (£) for: Dawson International Trading Limited – in Administration

Grade	Hourly rate (£) (incl VAT)
Partner	625
Director	560
Senior Manager	510
Manager	425
Senior Administrator	295
Administrator	215
Support	131

The charge-out rates used by us might periodically rise (for example to cover annual inflationary cost increases) over the period of the administration. In our next statutory report, we will inform creditors of any material amendments to these rates.

Policy for the recovery of disbursements

Where funds permit the officeholders will seek to recover both Category 1 and Category 2 disbursements from the estate. For the avoidance of doubt, such expenses are defined within SIP 9 as follows:

Category 1 disbursements: These are costs where there is specific expenditure directly referable to both the appointment in question and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the officeholder or his or her staff.

Category 2 disbursements: These are costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage.

Category 2 disbursements charged by KPMG Restructuring include mileage. This is calculated as follows:

Mileage claims fall into three categories:

- Use of privately-owned vehicle or car cash alternative – 45p per mile.
- Use of company car – 60p per mile.
- Use of partner's car – 60p per mile.

For all of the above car types, when carrying KPMG passengers an additional 5p per mile per passenger will also be charged where appropriate.

We have not incurred any disbursements during the period.

We have the authority to pay Category 1 disbursements without the need for any prior approval from the creditors of the Company.

The Category 2 disbursements have not been approved.

Creditors' right to challenge our remuneration and outlays

If you wish to challenge the basis of our remuneration, the remuneration approved, or the outlays approved during the period covered by this progress report, you must do so by making an application to Court within eight weeks of the accounting period and no later than 9 October 2018 or within 14 days of receiving this progress report.

Applications by any creditor must be made with concurrence of at least 25% in value of unsecured creditors (including the creditor making the challenge).

The full text of the relevant rules can be provided on request by writing to Nick McGlinchey at KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG United Kingdom.

Narrative of work carried out for the period 15 February 2018 to 14 August 2018

The key areas of work have been:

Statutory and compliance	<ul style="list-style-type: none"> - preparing statutory receipts and payments accounts; - ensuring compliance with all statutory obligations within the relevant timescales.
Strategy documents, Checklist and reviews	<ul style="list-style-type: none"> - monitoring and reviewing the administration strategy; - briefing of our staff on the administration strategy and matters in relation to various work-streams; - regular case management and reviewing of progress, including regular team update meetings and calls; - reviewing and authorising junior staff correspondence and other work; - reviewing matters affecting the outcome of the administration; - allocating and managing staff/case resourcing and budgeting exercises and reviews; - complying with internal filing and information recording practices, including documenting strategy decisions.
Cashiering	<ul style="list-style-type: none"> - preparing and processing vouchers for the payment of post-appointment invoices; - reconciling post-appointment bank accounts to internal systems; - ensuring compliance with appropriate risk management procedures in respect of receipts and payments.
Tax and VAT	<ul style="list-style-type: none"> - preparing and submitting VAT426 forms to HM Revenue & Customs to reclaim post appointment input VAT; - dealing with post appointment tax compliance.
General	<ul style="list-style-type: none"> - reviewing time costs data and producing analysis of time incurred which is compliant with Statement of Insolvency Practice 9.
Health and safety	<ul style="list-style-type: none"> - liaising with both internal and external legal and environmental advisors in relation to the legacy environmental issue on the site of the former Pringle of Scotland factory in Berwick upon Tweed; - liaising with our Surveillance Officer in respect of the operation of the pump & treat system; - ensuring adequate repair and maintenance of the pump & treat system is performed; - corresponding with the Environment Agency; - performing the required sampling in line with the terms of the EA abstraction licence.
Employees	<ul style="list-style-type: none"> - preparing payroll payments for the retained Surveillance Officer; - administering the Company's payroll, including associated taxation and other deductions, and preparing PAYE and NIC returns; - communicating and corresponding with HM Revenue and Customs.
Creditors and claims	<ul style="list-style-type: none"> - responding to enquiries from creditors regarding the administration and submission of their claims; - drafting our progress report.
Reports	<ul style="list-style-type: none"> - providing written and oral updates to representatives of the Pension Protection Fund regarding the progress of the administration and case strategy.

Time costs

SIP 9 – Time costs analysis (15/02/2018 to 14/08/2018)

11.2.21							
Activity		Time (hours)		Rate (per hour)		Total	
Activity	Time (hours)	Rate (per hour)	Activity	Time (hours)	Rate (per hour)	Activity	Time (hours)
Administration & planning							
Cashiering							
General (Cashiering)			3.20		3.20	944.00	295.00
Reconciliations (& IPS accounting reviews)			0.60		0.60	177.00	295.00
General							
Fees and WIP			0.20		0.20	59.00	295.00
Statutory and compliance							
Appointment and extensions	0.40		1.20		1.60	558.00	348.75
Strategy documents	0.90	0.50			1.40	759.00	542.14
Tax							
Post appointment corporation tax			2.10		2.10	619.50	295.00
Post appointment PAYE (Non Trading)			3.10		3.10	914.50	295.00
Creditors							
Creditors and claims							
General correspondence			2.30		2.30	460.50	200.22
Legal claims			1.80		1.80	531.00	295.00
Statutory reports	3.90	2.80	3.60		10.30	4,439.50	431.02
Employees							
Correspondence			24.80		24.80	7,316.00	295.00
Realisation of assets							
Asset Realisation							
Leasehold property	7.40	0.90			8.30	4,586.00	552.53
Total in period	12.20	4.60	42.90	0.00	59.70	21,364.00	357.86

Brought forward time (appointment date to SIP 9 period start date)	2,992.70	900,328.50
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)	59.70	21,364.00
Carry forward time (appointment date to SIP 9 period end date)	3,052.40	921,692.50

Appendix 4 Glossary

Administrators/we/our/us	Blair Nimmo
Court	Court of Session, Edinburgh
DIHL	Dawson International Holdings (UK) Limited
DIPLC	Dawson International PLC
DPOSL	Dawson Pringle of Scotland Limited
GECF	GE Capital Commercial Finance Limited
Group	DIPLC and its subsidiaries
KPMG	KPMG LLP
PPF	Pension Protection Fund
SSL	Sport in Scotland Limited
Staff Scheme	Dawson International Staff Retirement Benefit Plan
Works Scheme	Dawson International Retirement Benefit Scheme

Any references in this progress report to sections, paragraphs or rules are to Sections, Paragraphs and Rules in the Insolvency Act 1986, Schedule B1 of the Insolvency Act 1986 and the Insolvency (Scotland) Rules 1986 respectively.

Appendix 5 Notice: About this report

This report has been prepared by Blair Nimmo, the Administrator of Dawson International Trading Limited – in Administration (the ‘Company’), solely to comply with his statutory duty to report to creditors under the Insolvency (Scotland) Rules 1986 on the progress of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in the Company.

Any estimated outcomes for creditors included in this report are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

Any person that chooses to rely on this report for any purpose or in any context other than under the Insolvency (Scotland) Rules 1986 does so at its own risk. To the fullest extent permitted by law, the Administrators does not assume any responsibility and will not accept any liability in respect of this report to any such person.

Blair Carnegie Nimmo is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants of Scotland.

I am bound by the Insolvency Code of Ethics.

The Officeholder is the Data Controller of personal data as defined by the Data Protection Act 2018. Personal data will be kept secure and processed only for matters relating to the appointment. For further information, please see the Privacy policy at – home.kpmg.com/uk/en/home/misc/privacy-policy-insolvency-court-appointments.html.

The Administrator acts as an agent for the Company and contracts without personal liability. The appointment of the Administrator is personal to him and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this report or the conduct of the administration.

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