

Section 67(1)

The Insolvency Act 1986
 Notice of Receiver's Report
 Pursuant to Section 67(1)
 of the Insolvency Act 1986

S67(1)

For Official Use

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Company Number

SC010939

To the Registrar of Companies
 To the Accountant in Bankruptcy
 To

Insert full name of
 company

Name of Company

DUMFRIES KNITWEAR LIMITED

Insert full name and
 address of receiver(s)

We, JOHN MICHAEL HALL
 BKR HAINES WATTS
 65 BATH STREET
 GLASGOW
 G2 2DD

IAN WILLIAM WRIGHT
 BKR HAINES WATTS
 65 BATH STREET
 GLASGOW
 G2 2DD

receiver(s) of the company attach a copy of our report to creditors and a summary of the
 statement of affairs of the company.

Signed



Dated

5/2/03

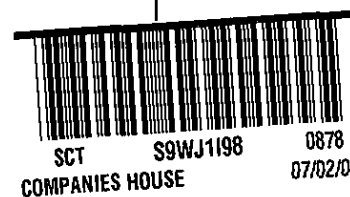
Presenter's name,
 address and reference
 (if any)

BKR Haines Watts
 65 Bath Street
 Glasgow
 G2 2DD.

For Official Use

Receiver's Section

Post Room



**DUMFRIES KNITWEAR LIMITED
(IN RECEIVERSHIP)**

**JOHN MICHAEL HALL AND IAN WILLIAM WRIGHT APPOINTED JOINT RECEIVERS ON 6
NOVEMBER 2002**

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1. INTRODUCTION

John Hall and Ian Wright, partners in BKR Haines Watts, were appointed Joint Receivers of Dumfries Knitwear Limited by Elba International S.r.L on 6 November 2002. The appointment was made under the terms of a bond and floating charge granted on 1 July 1997 and registered on 10 July 1997.

2. STATUTORY INFORMATION

The company was incorporated on 3 February 1920. The company changed its name from J A Robertson and Sons (Dumfries) Limited to Robertsons of Dumfries Limited on 7 August 1987 and to Dumfries Knitwear Limited on 28 December 2001. The company number is SC010939.

The nominal share capital is £1,562,162 comprising 162,162 ordinary shares at £1 each, 1,200,000 preference shares of £1 each and 200,000 B ordinary shares of £1 each.

The sole director of the company is Stefano Angelino and the company secretary was Janet Caven. At the date of receivership the company's registered office was situated at Bellevue Street, Dumfries, DG1 3EL. It has subsequently changed to the receivers' office at 9 Coates Crescent, Edinburgh, EH3 7AL.

The company's principle object was the manufacture of knitted and crocheted pullovers, cardigans and similar articles.

3. HISTORY OF THE COMPANY

The business was formed in the 1920's to "manufacture and wholesale finest quality knitwear for ladies and gentlemen". The company performed reasonably well for most of its history and was owned by Austin Reed for a period until 1992, when it was subject to a management buy-out. The buy-out was not successful and, in 1997, the company's holding company (which had been used as the investment vehicle for the MBO), went into receivership. At this time, the share capital of the company was bought by an Italian company, Elba S.r.L., which invested a total of approximately £2.3million by way of a secured loan. The company struggled over the next five years due to a combination of increasing global competition and a general downturn in worldwide demand for knitwear. As a result, the business gradually declined to the point where the Italian owners made a strategic decision not to invest further funds and to gradually wind down the business. This controlled wind-down occurred over a two year period with production finally ceasing in the Autumn of 2002.

4. RECENT FINANCIAL INFORMATION

Extracts from the last 3 sets of accounts are as follows:

Balance Sheet	As at 30 June 02 (Draft) £	As at 30 June 01 (Audited) £	As at 30 June 2000 (Audited) £
Fixed Assets	662,842	719,901	388,347
Net Current Assets/(Liabilities)	<u>(1,521,261)</u>	<u>591,966</u>	<u>106,815</u>
	(858,419)	1,311,867	495,162
Amounts falling due after more than one year	<u>-</u>	<u>(1,108,808)</u>	<u>(1,455,026)</u>
Net Assets	(858,419)	203,059	959,864)
Comprising			
Called up share capital	162,162	262,162	262,162
Revaluation reserve	399,656	399,656	399,656
Shareholders' secured loan	1,351,821	1,373,545	1,373,54
Profit and Loss account	<u>(2,722,058)</u>	<u>(1,832,304)</u>	<u>(2,995,227)</u>
Shareholders' Funds	<u>(858,419)</u>	<u>203,059</u>	<u>(959,864)</u>

Profit and Loss Account	As at 30 June 2002 (Draft) £	As at 30 June 2001 (Audited) £	As at 30 June 2000 (Audited) £
Turnover	1,977,119	2,878,996	1,071,146
Cost of Sales	<u>(2,215,103)</u>	<u>3,261,429</u>	<u>1,035,680</u>
Gross profit/(loss)	(237,984)	382,433	35,466
Admin expenses	<u>(628,357)</u>	<u>(1,838,515)</u>	<u>(482,635)</u>
Operating profit/(loss)	(866,341)	(1,456,082)	(447,169)
Profit/(loss) for the financial year after tax	(939,757)	1,162, 923	(508,506)
Deficit brought forward	<u>(1,832,301)</u>	<u>(2,995,227)</u>	<u>(2,486,721)</u>
Deficit carried forward	<u>(2,772,058)</u>	<u>(1,832,304)</u>	<u>(2,995,227)</u>

Note

A profit of approximately £3m on the sale of intellectual property is reflected in admin expenses in 2001.

5. EVENTS LEADING UP TO THE RECEIVERS' APPOINTMENT

The director, Stephano Angelino attributes the company's failure to cheap overseas labour, the worldwide downturn in demand for knitwear and occasional, late or non payment of debts due to the company.

Given the size of the secured debt due to Elba, it became clear to the director during the early part of 2002 that the company would not be able to satisfy the debt due to Elba or those debts due to ordinary trade creditors once the winding down was fully completed. Having taken legal advice on his own position, the director concluded that his own interests and those of the various classes of creditor would be best served by completing the winding down of the company's affairs via a formal insolvency process. Having consulted Elba, who were by far the largest creditor, it was decided that the most appropriate course of action would be for Elba to appoint receivers under the terms of their security.

6. CONDUCT OF THE RECEIVERSHIP

At the date of my appointment, the company had a considerable quantity of finished goods, stock and yarn. Due to the timing of the receivership, it was decided to keep the company's factory outlet at Thornhill, near Dumfries, open in the run up to Christmas. This achieved sales of approximately £7,000. Having obtained a professional valuation, the balance of remaining stock at 31 December 2002 was sold to Elba for substantially in excess of my agent's forced sale valuation.

A portion of the company's plant and machinery, including that located in Italy, was also sold to Elba for in excess of the forced sale valuation. The remaining items of plant and machinery will be sold by auction in due course.

The bulk of the company's book debts were due by Italian customers and, in the ordinary course of events, would have been collected by the company's Italian office. Given the difficulties which are usually encountered in collecting overseas debts, I agreed with the director that it would make sense for the debts to be collected by the same Italian personnel, who had been employed by Elba following my appointment.

The company had sought to sell its feuhold site in Dumfries for development purposes prior to my appointment and had persuaded a local developer to incur the necessary costs required to obtain planning consent. At the date of my appointment, this consent had not been forthcoming and I therefore allowed the extant planning process to continue and planning consent was finally obtained on 24 January 2003. In the meantime, I had instructed Messrs Fisher Wilson to sound out other potential purchasers for the site. Negotiations for a sale of the property are still ongoing and, at the date of this report, have not yet been concluded. In order not to prejudice these negotiations, I have decided that it would not be appropriate to disclose an estimated sale price in this report. Nevertheless, based on current estimates, it is clear that total asset realisations will leave Elba with a significant short-fall under their floating charge once the costs and expenses of the receivership have been taken into account.

7. AMOUNTS DUE TO SECURED CREDITORS

The balance due to Elba International S.r.L. as at 6 November 2002 was £1,351,821. Elba are contractually entitled to charge interest on the capital sum outstanding but have not yet calculated the amount due.

8. PREFERENTIAL CREDITORS

The claims of preferential creditors are estimated as follows:

	£
PAYE	660
NIC	419
Holiday Pay	17,754
Arrears of wages	<u>Nil</u>
	<u>18,833</u>

9. UNSECURED CREDITORS

Based on current forecast realisations, there is no prospect of a dividend to unsecured creditors.

10. STATUTORY STATEMENT OF AFFAIRS

The director has not yet submitted a statutory statement of affairs.

11. REPORT ON DIRECTORS CONDUCT

Under the terms of Section 7(3) of the Company Directors Disqualification Act 1986, I am required to submit to the Department of Trade and Industry a report on the conduct of the director. If any creditors has knowledge of any matter which they consider should be taken into consideration in compiling this report, they should make their views known to me as soon as possible.

J M Hall
Joint Receiver

BKR Haines Watts
9 Coates Crescent
Edinburgh
EH3 7AL

30 January 2003

DUMFRIES KNITWEAR LIMITED
(IN RECEIVERSHIP)

J M HALL AND I W WRIGHT APPOINTED JOINT RECEIVERS ON 6 NOVEMBER 2002.
STATEMENT OF ESTIMATED OUTCOME AS AT 30 JANUARY 2003

	Notes	Achieved to date £	Estimated future £	Estimated final £
ASSETS SUBJECT TO FLOATING CHARGE				
Heritable Property		-	Uncertain	Uncertain
Bank Interest			500	500
Insurance Claims		98	-	98
Sundry Debtors		949	-	949
Book Debts		21,335	3,000	24,335
Cash at Bank		6,888	-	6,888
Plant & Machinery		9,000	10,000	19,000
Fixtures & Fittings		50,000	10,000	60,000
Book Debts (Italy)		177,627	200,000	377,627
Stock		95,000	-	95,000
Italian Plant & Machinery		10,000	-	10,000
Receivers Trading	1	(6,471)	3,956	(2,515)
		<u>364,426</u>	<u>226,956</u>	<u>591,382</u>
Less: Costs of Realisation		(10,249)	(19,751)	(30,000)
Available to Preferential Creditors		<u>354,177</u>	<u>207,205</u>	<u>561,382</u>
Less: Preferential Creditors		<u>-</u>	<u>(18,833)</u>	<u>(18,833)</u>
Available under floating charge		354,177	188,372	542,549
Less: Paid/due Eiba International		(328,000)	(1,023,821)	(1,351,821)
Surplus/(deficit) to Eiba International subject to post appointment interest		<u>26,177</u>	<u>(835,449)</u>	<u>(809,272)</u>

Notes

1. Receivers trading includes wages and other expenses incurred maintaining the premises at Bellevue Street pending the auction of plant and machinery and sale of the premises.