



## DAWSON INTERNATIONAL PLC

**Burnfoot Industrial Estate  
Hawick  
TD9 8RJ**

**DAWSON INTERNATIONAL PLC**  
("Dawson" or "the Group" or "the Company")

### **Preliminary Results for the fifteen months ended 2 April 2011**

#### **Key Points**

- Continuing operations:
  - Revenues £38.1 million (12 months ended 2 January 2010: £36.6 million)
  - Operating profit before exceptional items £0.1 million (12 months ended 2 January 2010: £2.9 million)
  - Pre tax profit £2.5 million (12 months ended 2 January 2010: £2.1 million)
  - Cashmere businesses performed well in challenging markets where raw material costs continue to rise
  - Central costs increased due to high pension related fees and charges
  
- Discontinued operations:
  - Home Furnishings business sold in May 2011 for net proceeds of c.£6.0 million
  - Pre tax loss of £4.2 million includes £2.5 million estimated loss on sale
  
- Combined operations:
  - Loss for the period £3.5 million (12 month period to 2 January 2010 £5.8 million)
  - Cash balances and deposits of £10.2 million (12 months ended 2 January 2010: £12.3 million)
  - Ongoing discussions to resolve long term pension funding

David Bolton, Chairman of Dawson, commented,

"Reported results are for the 15 month period to 2 April 2011 and include an additional first calendar quarter, which is seasonally loss-making for the Group. In this additional first quarter, continuing operations recorded sales of £1.6 million (2010: £2.6 million) and an operating loss of £1.7 million (2010: £1.5 million loss).

The pre-exceptional operating profit from continuing operations was £0.1 million for the 15 month period to 2 April 2011 compared with a pre-exceptional operating profit of £2.9 million for the 12 month period to 2 January 2010. Both the UK and US Knitwear businesses performed well, returning operating profits of £0.7 million and £2.3 million respectively. These results were achieved against a background of rapidly escalating cashmere prices which increased by around 40% in 2010 and a further 20% in the first part of 2011.

It is clear that our trading results for 2011/12 will be impacted by the recent increases in cashmere raw material prices discussed above, reducing margins in both of our Knitwear businesses but particularly so in the case of the US Knitwear business. Our key priority is to resolve our pension funding issues as quickly as possible in a manner which takes full account of the financial circumstances of the Company, and recognises fairly the interests of all stakeholders in the Company."

The Annual Report and Accounts for the 15 month period ended 2 April 2011 will be despatched to shareholders on or around 31 August 2011 and will also be available on the Company's website: ([www.dawson-international.co.uk](http://www.dawson-international.co.uk))

The Annual General Meeting of the Company will be held at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2ET on 30 September 2011 at 12 noon.

#### **For further information please contact:**

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## **CHAIRMAN'S STATEMENT**

In this, my second year as Chairman of Dawson, I am pleased to report that our cashmere businesses again performed well in challenging circumstances. However, the results of the Home Furnishings business were disappointing, impacted by rising raw material costs and continuing difficulties in the retail market. The Board had previously agreed that it should focus its strategy on developing the cashmere businesses which are Dawson's core competencies and in light of the ongoing difficulties facing the Home Furnishings business during the period, came to the conclusion that the business should be sold. The business was sold on 17 May 2011, generating estimated net proceeds of £6.0 million. Therefore, the results presented here concentrate on continuing operations comprising our UK and US Knitwear businesses.

As we stated in last year's annual report, one of our key strategic objectives is to finalise negotiations with the Pension Trustees on an affordable arrangement that addresses the Company's commitments to its pension plan members, retains the resources necessary to fund growth and allows shareholders to share equitably in the future benefits of the business. The Directors believe that the size of the pension deficit relative to the reduced activities of the Company makes an affordable long term recovery plan more challenging and are working with the Trustees of the schemes to explore what options are open to secure members' benefits without compromising the future of the business. Whilst it is frustrating that we are not yet able to report an outcome from our protracted and expensive negotiations, the funds generated from the disposal of the Home Furnishings business will assist in the determination of a satisfactory solution to this ongoing process.

### **Performance**

The Company has changed its accounting reference date from 31 December to 31 March. This is intended to reduce the seasonal fluctuation between first and second half results and to align the budgeting process with order intake for the coming season better. Reported results are therefore for the 15 month period to 2 April 2011 and include an additional first calendar quarter, which is seasonally loss-making for the Group. In this additional first quarter, continuing operations recorded sales of £1.6 million (2010: £2.6 million) and an operating loss of £1.7 million (2010: £1.5 million loss).

The pre-exceptional operating profit from continuing operations was £0.1 million for the 15 month period to 2 April 2011 compared with a pre-exceptional operating profit of £2.9 million for the 12 month period to 2 January 2010. Both the UK and US Knitwear businesses performed well, returning operating profits of £0.7 million and £2.3 million respectively. These results were achieved against a background of rapidly escalating cashmere prices which increased by around 40% in 2010 and a further 20% in the first part of 2011.

While strenuous efforts were made to reduce central costs, including the downsizing and relocation of the Corporate Office, the benefits of these savings were outweighed by an increase in pension costs, both the pension protection levy and advisors fees incurred, as we continue to negotiate a strategy to address the plan deficits. It is vital that we conclude these discussions as quickly as possible to stem these costs.

We recorded net exceptional income of £1.8 million for the period (2010: £0.6 million). Further proceeds of £2.7 million from our previous joint venture partner, King Deer, were recognised during the period, however, it was necessary to increase our provision for US environmental remediation costs by £0.6 million to reflect revised estimates of the remediation period. We also incurred one-off restructuring costs of £0.3 million.

The sale of the Home Furnishings business to Brookmann Home Limited was completed on 17 May 2011. The consideration was based on net asset value at completion which, after estimated costs of £0.5 million, is expected to generate funds of £6.0 million. £4 million of the consideration was paid on completion with the balance payable over a period not exceeding six months. As security for this deferred consideration, the Company has retained stocks of £2.5 million which Dawson Home Group Limited has contracted to repurchase over this period.

Further details on all of the above are given in the Business and Financial Review.

## **Pensions**

The pension scheme liabilities reported in the balance sheet are calculated in accordance with IAS 19. On this basis, the liabilities reduced from £19.3 million to £11.5 million, mainly due to strong asset performance in the period.

However, as noted in the last annual report, the level of contributions paid by the Company is based on a full actuarial valuation of scheme liabilities which is updated by the independent scheme actuary every three years. A triennial valuation is currently being finalised which is expected to show a significantly higher deficit than both the current IAS 19 valuation and the last triennial valuation, mainly due to changes in assumptions made by the scheme actuary concerning life expectancy and discount factors. This likely escalation of the deficit represents a significant challenge for the UK business in terms of the prospective future demands for increased financial support which may be placed on it by the pension schemes and discussions are ongoing with the Pensions Trustees and the Pensions Regulator at considerable expense to agree a sustainable way forward. Those discussions are considering a range of options for dealing with the pension deficit. The length of time taken to resolve this issue is indicative of the complexity of the situation and the challenge of funding such significant deficits.

## **Funding**

Our funding position is currently strong with cash and deposits of £10.2 million at 2 April 2011 (2 January 2010: £12.3 million). During the period, we extended our US facility with Bank of America for a further three years and entered into a three year facility agreement with GE Commercial Finance Limited in the UK, replacing our previous facility with Gmac Commercial Finance Limited on broadly similar terms. Our funding position was further strengthened after the period end by the disposal of the Home Furnishings business as noted above. It must be recognised however, that our seasonal working capital requirements absorb some of these funds mid-year and that a solution to the pensions issue is also likely to absorb a significant proportion of these funds.

## **Board and Management**

In September 2010 we advised of the departure of Andy Bartmess and the appointment of Jim Carrie, the Managing Director of Barrie Knitwear as Chief Operating Officer and myself as Executive Chairman. Since September Jim has overseen a closer working relationship between the two knitwear businesses, which he now heads. With the sale of Dawson Home Group in May 2011, his focus is now exclusively the knitwear businesses, whilst my responsibilities are corporate matters and a resolution to the pension issue. On 2 August 2011 Giovanni Ghione left the Board and I would like to thank him for his valuable contribution during his term of office which has seen significant change in the Group. I am pleased to welcome Jim Carrie to the Board following his appointment on 8 August 2011.

## **Employees**

I would again like to acknowledge the very difficult challenges faced by employees in all of our Group businesses during these turbulent economic times. I thank everyone for their continued dedication and efforts to sustain existing business and their creative approach to maximising opportunities as they emerge.

## **Outlook**

It is clear that our trading results for 2011/12 will be impacted by the recent increases in cashmere raw material prices discussed above, reducing margins in both of our Knitwear businesses but particularly so in the case of the US Knitwear business. We intend to make the investments and decisions necessary to ensure both businesses are well placed and resourced to benefit from returning stability in the raw material market, when this comes, although this is unlikely in the short term

Our key priority is to resolve our pension funding issues as quickly as possible in a manner which takes full account of the financial circumstances of the Company, and recognises fairly the interests of all stakeholders in the Company.

**David Bolton | Chairman**

## BUSINESS REVIEW

During the period, the Board resolved to focus on the development of its core cashmere businesses. Subsequently there was an approach to the Company to acquire the Home Furnishings business and a sale was concluded on 17 May 2011. The continuing operations are therefore separated into two reporting divisions: UK Knitwear and US Knitwear. In addition there is a central administrative function. The operations of each division are reviewed in the following sections of this report, as are the results of the discontinued Home Furnishings division.

During the period, the Company changed its accounting reference date from 31 December to 31 March. The statutory accounts are therefore for the 15 month period ended 2 April 2011 with a comparative period of 12 months to 2 January 2010. The unaudited pro forma results for the 12 month periods to 2 April 2011 and 3 April 2010 are derived from the statutory and management accounts and are provided to illustrate trading performance of continuing operations over a comparable reporting period.

### UK Knitwear

Extracted from:	Audited Statutory Results		Unaudited pro forma Results	
	15 month period ended 2 April 2011 £000	12 month period ended 2 January 2010 £000	12 month period ended 2 April 2011 £000	12 month period ended 3 April 2010 £000
Revenue	9,040	7,896	7,937	7,725
Operating profit before exceptional items	743	1,133	1,084	1,071
Exceptional items	-	(125)	-	-
Average capital employed*	(139)	(101)	(10)	(91)

\* Average capital employed is derived from management accounts and comprises fixed assets, working capital and provisions.

The UK Knitwear division comprises the Barrie Knitwear business, based in Hawick, Scotland. It manufactures highest quality cashmere garments at its factory in the Scottish Borders and sells to some of the world's most prestigious couture houses, department stores and private label retail outlets.

### Performance

The result for the 15 month period to 2 April 2011 demonstrates the seasonality of the business with sales up £1.1 million compared with the previous 12 month period but operating profit down £0.4 million. The first calendar quarter of the year is the manufacturing off-peak period and contract business is accepted at a lower margin to contribute to overhead recovery.

Performance for the 12 month period to 2 April 2011 was consistent with the comparative period and the results of both are very satisfactory. This is particularly so given the increase in cashmere fibre prices over the past 18 months. Prices rose by around 40% in 2010 and have increased again by around 20% in 2011. The impact on reported results to date has been mitigated by the utilisation of yarn stocks which were purchased or contracted before these price increases but the ongoing price increases will inevitably impact on future margins.

Demand from couture customers remains strong and the business takes pride in its ability to supply these high specification, technically demanding products. The business is also focused on promoting its own label garments, *Barrie*, *John Laing* and *Glenmac*, and attended a number of trade shows during the period, including Pitti Uomo in Florence and the MRket shows in New York and Las Vegas.

The business is working closely with the US Knitwear division and Jim Carrie, managing director of the UK division, now heads both businesses in his role as Group Chief Operating Officer. It is expected that this closer relationship will create opportunities to increase the sales of our high quality Scottish-made product both in the USA and in the emerging Chinese market.

### **Outlook**

2011/12 has started positively with the order book filled through to the end of the calendar year. As noted above however, it has not been possible to fully pass on the increase of cashmere yarn prices and it is expected that margins in the coming year will be lower than in recent years.

Websites:            [www.johnlaing-cashmere.co.uk](http://www.johnlaing-cashmere.co.uk)  
                          [www.barrie.co.uk](http://www.barrie.co.uk)

## US Knitwear

Extracted from:	Audited Statutory Results		Unaudited pro forma Results	
	15 month period ended	12 month period ended	12 month period ended	12 month period ended
	2 April 2011 \$000	2 January 2010 \$000	2 April 2011 \$000	3 April 2010 \$000
Revenue	45,202	44,994	42,814	46,093
Operating profit before exceptional items	3,669	5,918	4,545	6,039
Exceptional items	(160)	-	(160)	-
Average capital employed	4,770	4,549	5,691	4,827
	£000	£000	£000	£000
Revenue	29,055	28,695	27,518	29,334
Operating profit before exceptional items	2,358	3,774	2,921	3,906
Exceptional items	(103)	-	(104)	-
Average exchange rate	1.556	1.568	1.542	1.546

The US Knitwear division comprises the Dawson Forte Cashmere business based in Boston and New York, USA. Dawson Forte sources cashmere garments from China for US private label retail programmes and its own branded cashmere collection 'Kinross'.

### Performance

As with the UK Knitwear division, the result for the 15 month period to 2 April 2011 demonstrates the seasonality of the business with sales up \$0.2 million compared with the previous 12 month period but operating profit down \$2.2 million. Sales in the first quarter of the calendar year were \$1.1 million and the operating loss \$1.3 million.

Sales in the 12 month period to 2 April 2011 of \$42.8 million were \$3.3 million (7%) lower than in the comparative period and operating profit of \$4.5 million was \$1.5 million (25%) lower. As noted above, cashmere fibre prices rose by around 40% in 2010 and have increased again by around 20% in 2011. As the US Knitwear division does not hold stocks, the increase in 2010 had a more immediate impact than on the UK Knitwear business and this is reflected in the reduction in sales and in margins, the latter reducing by around 2% compared with the previous period.

The business aims to secure and grow its private label business by continuing to offer exceptional service and support. It is pleasing to have secured the cashmere knitwear programme for Patagonia, the US outdoor specialist, which has stringent quality, environmental and social compliance requirements. The business has lost one significant customer during the year who has chosen to source directly.

Simultaneously, the business is seeking to increase its support for the large number of customers who sell the 'Kinross' branded label. The "Gold Store Initiative" was introduced in 2010 providing advertising and inventory support to five key customers who committed more retail floor space to our product. This proved successful and is being rolled out to 40 more customers in 2011.

The product line is being expanded both to grow existing sales and to create a product offering in the seasonally quieter first half of the calendar year. This in turn has required us to engage additional resource and to expand and strengthen our supplier factory base, moving into new geographical areas where appropriate. Management are working closely with the UK Knitwear division to market a 'made in Scotland' product in the USA and will pursue opportunities through this relationship to market sourced products in the UK and Europe.

**Outlook**

Sales for 2011/12 are likely to be below 2010/11 levels with one major customer deciding to source directly. However we are successfully seeking to widen our customer base, as the new relationship with Patagonia demonstrates. It is clear however that the recent rise in cashmere prices will have a significant negative impact on margins in 2011/12 as it is not possible to pass these on in full to customers. While the coming year is expected to be difficult it is vital to continue to invest in the growth opportunities identified.

Website: [www.kinrosscashmere.com](http://www.kinrosscashmere.com)

## Central Costs

Extracted from:	Audited Statutory Results		Unaudited pro forma Results	
	15 month period ended 2 April 2011 £000	12 month period ended 2 January 2010 £000	12 month period ended 2 April 2011 £000	12 month period ended 3 April 2010 £000
Payroll costs	820	821	610	785
Legal, professional and treasury fees	358	355	197	336
Other costs	141	257	160	176
Costs before pensions, exchange and exceptional items	1,319	1,433	967	1,297
Pension related costs	1,513	795	1,279	813
Exchange loss (gain)	154	(209)	154	(363)
Total costs	2,986	2,019	2,400	1,747
Net exceptional income	1,890	681	1,890	428

During the period, the Company downsized its Corporate Office function and relocated to shared premises with the UK Knitwear division in Hawick, Scotland. The Corporate Office provides administrative and treasury functions to Group businesses. All costs not directly incurred or attributable to these businesses are borne centrally.

Significant savings have been achieved in payroll and professional fees, however, central costs overall have increased due to the continued escalation in pension related costs.

Pension related charges in the 15 month period to 2 April 2011 were £1.5 million (12 months to 2 January 2010: £0.8m). In addition, the Group made deficit repair contributions of £0.5 million (£0.6 million), resulting in a total cash cost of £2.0 million (£1.4 million). Charges to the Income Statement comprised the pension protection fund levy of £0.7 million (£0.4 million) and adviser fees of £0.8 million (£0.4 million). All pension fees, with the exception of investment manager fees, are borne by the Company.

Payroll costs comprise the remuneration, inclusive of pension costs, of the Executive Directors and the corporate office staff, and the fees paid to the Non-Executive Directors.

The level of legal, professional and treasury fees reflects the relative complexity of the Group with its overseas operations, legacy issues from discontinued operations and restructuring activities. These costs have continued to reduce as the Group structure has simplified.

Other costs are mainly the administrative and facility costs associated with running the central function and any legacy costs associated with discontinued activities.

An exchange loss of £0.2 million was recorded in the 15 month period to 2 April 2011 compared with a gain of £0.2 million in the 12 month period to 2 January 2010.

Net exceptional income of £1.9 million was recorded in the 15 month period to 2 April 2011 (12 month period to 2 January 2010: £0.7m). Exceptional income of £2.7 million resulted from the re-instatement of a long standing debt due from the Company's former joint venture partner, of which £1.6 million has been received and £1.1 million is due by 31 December 2011. This was partly offset by £0.2 million reorganisation costs to restructure the Corporate Office function and a charge of £0.6 million to increase the provision for US environmental remediation costs.

## DISCONTINUED OPERATIONS

	15 month period ended 2 April 2011			12 month period ended 2 January 2010		
	Dawson Home Group £000	Todd & Duncan £000	Total £000	Dawson Home Group £000	Todd & Duncan £000	Total £000
Revenue	38,476	-	38,476	36,292	14,625	50,917
Loss before exceptional items	(1,472)	-	(1,472)	(1,482)	(927)	(2,409)
Pre disposal exceptional costs	(256)	-	(256)	-	-	-
Loss on disposal of business	(2,500)	-	(2,500)	-	(5,200)	(5,200)
Loss for the period from discontinued operations	(4,228)	-	(4,228)	(1,482)	(6,127)	(7,609)

### Dawson Home Group

The sale of Dawson Home Group Limited to Brookmann Home Limited was completed on 17 May 2011. Immediately prior to the sale £2.5 million of stock was transferred from Dawson Home Group Limited to its parent company and will be sold back to Dawson Home Group Limited over a period not exceeding six months. The consideration was based on the net asset value of the business at completion, less a discount of £2.0 million. Disposal costs are estimated at £0.5 million.

During the 15 month period to 2 April 2011, the business incurred a trading loss of £1.5 million. This was partly as a result of the increase in world cotton prices which more than doubled during the period. While this could be regarded as a short term issue, the Board determined that the businesses had not demonstrated sufficient progress to achieve an adequate level of profitability in an acceptable timescale and it should therefore focus its resources on developing its core cashmere businesses.

The Company had guaranteed the lease obligations of Dawson Home Group Limited in respect of its administrative offices in Manchester and this guarantee is expected to remain in place until expiry of the initial term of the lease in 2017. The annual cost of the lease is £0.3 million.

### Todd & Duncan

As detailed in last year's annual report, the sale of the Todd & Duncan business to Ningxia Zhongyin Cashmere Company Limited ("Zhongyin") was completed on 28 August 2009.

As part of the sale two supply agreements were entered into:

- (i) The UK Knitwear division signed a four year supply agreement at arm's length to source yarn from Todd & Duncan Limited at historical levels.
- (ii) The US Knitwear division signed a four year agreement to offer a minimum level of garment orders to Zhongyin each year.

These arrangements have operated satisfactorily throughout the period.

## FINANCIAL REVIEW

	Audited Statutory Results		Unaudited proforma Results	
	15 month period ended 2 April 2011 £000	12 month period ended 2 January 2010 £000	12 month period ended 2 April 2011 £000	12 month period ended 3 April 2010 £000
Income Statement summary				
Continuing operations:				
Revenue				
UK Knitwear	9,040	7,896	7,937	7,725
US Knitwear	29,055	28,695	27,518	29,334
	38,095	36,591	35,455	37,059
Operating profit before exceptional items:				
UK Knitwear	743	1,133	1,084	1,071
US Knitwear	2,358	3,774	2,921	3,906
Central overheads	(2,986)	(2,019)	(2,400)	(1,747)
	115	2,888	1,605	3,230
Exceptional items	1,787	556		
Operating profit after exceptional items	1,902	3,444		
Net finance costs				
- on borrowings	(234)	(498)		
- on pension obligations	838	(889)		
Taxation	(1,759)	(291)		
Continuing operations profit after tax	747	1,766		
Discontinued operations loss after tax	(4,228)	(7,609)		
Loss after tax	(3,481)	(5,843)		
Average USD exchange rate	1.556	1.568		

### Presentation of Results

Comments below refer to the statutory accounts unless otherwise stated.

The Home Furnishings business was sold on 17 May 2011 and so is reported as a discontinued operation in all periods.

## **Operating results – continuing operations**

Revenues from continuing businesses rose by £1.5 million to £38.1 million, with £1.6 million generated in the additional three month period. Operating profit before exceptional items fell from £2.9 million to £0.1 million with an operating loss of £1.7m incurred in the additional three month period:

- The UK Knitwear division reported revenues up £1.1 million at £9.0 million of which £1.1m was generated in the additional three month period. Pre-exceptional operating profit fell from £1.1 million to £0.7 million with a loss of £0.2 million in the additional three month period. Pro forma revenues for the 12 month period to 2 April 2011 increased by £0.2m compared with the previous 12 month period, with pre-exceptional operating profits unchanged at £1.1m.
- The US Knitwear division reported revenues up £0.4 million at £29.1 million with £0.5 million generated in the additional three month period. Pre-exceptional pre tax profit fell from £3.8 million to £2.4 million with a loss of £0.8 million in the additional three month period. Pro forma revenues for the 12 month period to 2 April 2011 were down £1.8 million compared with the previous 12 month period, with pre-exceptional operating profits down £1.0 million. There was no significant exchange rate effect.
- Central costs for the 15 month period to 2 April 2011 were £3.0 million compared with £2.0 million for the 12 month period to 3 January 2010, an increase of £1.0 million of which £0.7 million was pension related cost. £0.6 million of costs were incurred in the additional three month period of which £0.4 million were pensions related cost. Pro forma costs for the 12 month period to 2 April 2011 were £2.4 million, £0.6 million higher than in the comparative 12 month period.

The performance of each division is discussed in the Business Review above. The results of the Knitwear divisions remain satisfactory having been achieved in a very challenging economic environment. In particular, both divisions are having to manage a significant increase in cashmere raw material prices which increased by around 40% in 2010 and have again increased by around 20% in 2011. While cashmere fibre is only part of the cost of cashmere yarn for the UK Knitwear division and cashmere garments for the US knitwear division, it is a significant proportion and has resulted in price increases which could not be fully passed on to customers. The impact on the UK knitwear division was less pronounced as it was able to utilise existing stocks.

## **Exceptional Items – continuing operations**

Net exceptional income for the 15 month period to 2 April 2011 was £1.8 million (12 month period to 2 January 2010: £0.6 million).

Exceptional income of £2.8 million was recognised in the current period. As noted in last year's annual report, the Company agreed a payment plan with Inner Mongolia King Deer Cashmere Company Limited ("King Deer") in March 2009 for the repayment of a long standing debt of approximately \$10.4 million which had been fully provided in prior years and received payments totalling \$1.5 million in the 12 month period to 2 January 2010. Payments totalling \$2.5 million (£1.7 million) were received in the current period and a debtor of \$1.8 million (£1.1 million) was also recognised at the period end in respect of payments which are due by December 2011. The payment plan was restructured during the current period such that the remaining \$4.6 million of debt now has no fixed repayment term but is secured against a 9% equity stake in King Deer. This amount is fully provided given the uncertainty as to timing and value of realisation.

Exceptional charges totalling £0.9 million were recognised in the current period: £0.1 million in respect of restructuring costs at the US Knitwear division, £0.2 million in respect of restructuring costs at the Corporate Office and an increase of £0.6 million in US environmental provisions.

Further details are given in note 4 to the Preliminary Statement

## **Net Finance Costs**

Net finance costs, excluding pension related items, for the 15 month period to 2 April 2011 were £0.2 million on average net funds of £10.4 million (12 month period to 2 January 2010: £0.5 million on average net debt of

£2.1 million). Effective interest rates are high due to the geographical spread of funds, the seasonal nature of the businesses which results in a significant inflow of funds in the final months of the year and the high fixed cost element of the Group's asset based lending facilities.

Net finance income on pension obligations for the 15 month period to 2 April 2011 was £0.8 million (12 month period to 2 January 2010: £0.9m cost). This is a notional figure only, calculated as the expected return on scheme assets in the year less the unwinding of one year's discount on pension obligations. The expected rate of return on assets for the 15 month period to 2 April 2011 was 7.4% compared with 5.6% in the previous period. In both periods, the actual return on assets exceeded the expected return.

### Taxation

A tax charge of £1.8 million for the 15 month period to 2 April 2011 was incurred (12 month period to 2 January 2010: £0.3 million). A charge of £1.9 million for the reversal of the deferred tax asset was offset by a current year tax credit of £0.1 million. The deferred tax asset was released in full during the period, £0.7m due to the utilisation of prior period tax losses in the USA and the balance on the basis that the current volatility in cashmere prices makes short term profitability in the USA insufficiently certain to justify recognition of the asset at this time.

### Earnings Per Share

The basic loss per share for the 15 month period to 2 April 2011 was 1.6 pence (12 month period to 2 January 2010: 2.6 pence loss). The adjusted loss per share, calculated on the results of continuing operations before exceptional items, was 0.5 pence (12 month period to 2 January 2010: 0.5 pence earnings). The weighted average number of shares in issue was 225.2 million (225.2 million).

### Dividends

No dividends were paid or proposed in the year.

### Balance Sheet

	2 April 2011	2 January 2010
Balance Sheet summary	£000	£000
Fixed assets	647	1,068
Working capital	1,881	8,180
Provisions	(2,005)	(2,166)
Other financial liabilities	(106)	(51)
Net assets of disposal group	5,201	-
Net tax asset	351	1,366
Pension obligations	(11,544)	(19,246)
Net funds	10,157	12,343
Net assets	4,582	1,494

### Fixed Assets

Fixed assets reduced by £0.4 million in the period, £0.2 million of which was due to the reclassification of Dawson Home Group into Net assets of disposal group. Capital expenditure was £0.2 million and depreciation £0.4 million.

## **Working Capital**

Working capital reduced by £6.3 million in the period. A reduction of £7.2 million resulted from the reclassification of Dawson Home Group into Net assets of disposal group while an increase of £1.1 million resulted from the recognition of a debt which had previously been provided.

## **Provisions**

Provisions were £2.0 million at 2 April 2011 (2 January 2010: £2.2 million), comprising £0.2 million for reorganisation costs, £1.3 million for environmental liabilities, £0.2 million for the cost of exiting an onerous lease and £0.3 million for customer claims and unfunded retirement benefits. A charge of £0.6m was made in the period to increase the provision for US environmental remediation costs to reflect a longer expected remediation period.

## **Other Financial Liabilities**

As noted below, the policy of the Company is to enter into forward foreign exchange contracts to protect against the impact of unfavourable exchange movements on its forecast Euro sales and US Dollar purchases. These are not designated as cash flow hedges, instead any unrealised gains or losses arising on open contracts at the end of the year are taken to the Income Statement in the period and an asset or liability recorded in the balance sheet. At the period end the unrealised loss was £0.1 million (2 January 2010: £0.1 million).

## **Net assets of disposal group**

As required by IFRS 5, the assets and liabilities of the Home Furnishings business which was sold on 17 May 2011 are classified separately on the balance sheet as held for sale at the period end. Liabilities include a provision of £2.5 million for the loss on sale.

## **Net tax recoverable**

Tax recoverable of £0.4 million at 2 April 2011 relates to an estimated repayment due in the USA. The net tax recoverable balance of £1.4 million at 2 January 2010 comprised a deferred tax asset of £1.8 million offset by a current tax liability of £0.4 million.

IAS12 requires that deferred tax liabilities are provided in full and that deferred tax assets be recognised to the extent they are considered recoverable. A deferred tax asset of £1.8 million was recognised at 2 January 2010 in respect of unexpired operating losses brought forward which could be set off against the prospective profits of the US Knitwear division. £0.7 million of this asset was utilised during the year and the balance of £1.1 million has been de-recognised on the basis that the current volatility in cashmere prices makes it insufficiently certain at the present time that the remaining losses will be utilised in the foreseeable future.

## **Pension obligations**

Pension obligations are calculated by applying IAS19 which specifies that assets are measured at market value at the balance sheet date and liabilities are measured by discounting projected future benefit payments at good quality corporate bond rates. The projected future benefit payments are based on a number of actuarial assumptions such as life expectancy and inflation.

On this basis the liability reduced from £19.3 million to £11.5 million in the period despite the UK schemes discount rate for liabilities reducing from 5.8% to 5.6%. The improvement was driven mainly by an increase in the market value of assets during the period. Contributions by the Company were £0.7 million (12 month period to 2 January 2010: £0.8 million) of which £0.2 million (£0.2 million) was current service cost and £0.5 million (£0.6 million) additional contributions to reduce the deficit. An additional deficit repair contribution of £1.8 million was made after the period end.

## **Funding and Facilities**

Net cash and deposits reduced by £2.1 million during the 15 month period to 2 April 2011, from £12.3 million to £10.2 million. Funds are absorbed mid year due to seasonal working capital requirements and fell to a minimum of £5.2 million in August 2010.

Borrowing facilities comprise a £10 million working capital facility with GE Commercial Finance which funds the Group's UK operations and a \$15 million working capital facility with Bank of America which funds the Group's US operation. The funding capacity of each facility varies according to the working capital of the respective businesses. Both are three year facilities. The GE facility expires in February 2014 and the Bank of America facility expires in June 2013.

## **Going Concern**

In carrying out their duties in respect of going concern, the Directors have reviewed the Group's financial position and cash flow forecasts for a period of 12 months from the date of signing these Group financial statements. These have been based on a comprehensive review of revenue, expenditure and cash flows, taking into account the likelihood of recovering the balance of King Deer debt and the deferred consideration from the disposal of Dawson Home Group Limited and specific business risks and the uncertainties brought about by the current economic environment.

The key assumption made in these forecasts is that there is no demand for a pensions' deficit repair contribution beyond the means of the Group to pay.

Based on current negotiations with the Trustees and the Pensions Regulator, the Directors see little likelihood of a deficit contribution notice that would jeopardise the going concern status as any insolvent realisation that this would trigger would disadvantage all stakeholders.

On this basis, the Group's forecasts and projections, taking account of reasonably possible changes in trading performance and other business risks, show that the Group should be able to operate within the level of its current and forecast facilities. Accordingly, the Directors have continued to adopt the going concern basis of preparing the financial statements.

## **Treasury**

The Group's funding policy is to negotiate sufficient facilities to cover forecast net borrowings for the following 12 month period with adequate headroom against identified risks.

The Group's policy on currency risk is to minimise the impact of currency risk on currency transaction flow through use of forward foreign exchange contracts. Due to uncertainty of timing of future cash flows these are not accounted for as cash flow hedges. Instead, all gains and losses are recognised in the Income Statement in the period arising. This can result in timing differences with gains or losses on forward foreign exchange contracts marked to market at each reporting period.

Translation exposures on foreign currency net assets and income streams are not hedged.

**David Bolton** | Chairman

**David Cooper** | Finance Director

## Consolidated Income Statement

For the 15 month period ended 2 April 2011

		15 month period ended 2 April 2011 £000	Re-presented* 12 month period ended 2 January 2010 £000
	<i>Note</i>		
<b>Continuing Operations</b>			
Revenue	2	38,095	36,591
Cost of sales		(28,721)	(26,337)
Gross profit		9,374	10,254
Other operating income		124	66
Selling and distribution costs		(1,624)	(1,318)
Administrative expenses	4	(7,759)	(6,114)
Operating profit before exceptional items	2,3	115	2,888
Exceptional administrative items	2,4	1,787	556
Operating profit	2,3	1,902	3,444
Finance income		10	15
Finance costs		(244)	(513)
Net finance (expense) income on pension assets/liabilities		838	(889)
Profit before taxation		2,506	2,057
Taxation		(1,759)	(291)
Profit for the period from continuing operations		747	1,766
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	5	(4,228)	(7,609)
<b>Loss for the period</b>		<b>(3,481)</b>	<b>(5,843)</b>

### Basic and Diluted earnings (loss) per share

From continuing operations	0.3p	0.8p
From continuing and discontinued operations	(1.6)p	(2.6)p

\* Comparative information has been re-presented to reclassify the results of the Home Furnishings division to discontinued operations

## Consolidated Statement of Comprehensive Income

For the 15 month period ended 2 April 2011

	15 month period ended 2 April 2011 £000	12 month period ended 2 January 2010 £000
Loss for the period	(3,481)	(5,843)
Other comprehensive income:		
Exchange differences on translation of foreign subsidiaries	181	(577)
Actuarial gain (loss) on defined benefit pension obligations	6,388	(12,373)
Other comprehensive income (loss) for the period	6,569	(12,950)
<b>Total comprehensive income (loss) for the period</b>	<b>3,088</b>	<b>(18,793)</b>

## Consolidated Balance Sheet

As at 2 April 2011

	2 April 2011 £000	2 January 2010 £000
<i>Note</i>		
<b>Non-current assets</b>		
Intangible assets	1	143
Property, plant and equipment	646	925
Deferred tax asset	-	1,750
<b>Total non-current assets</b>	<b>647</b>	<b>2,818</b>
<b>Current assets</b>		
Inventories	2,684	8,309
Trade and other receivables	2,581	9,350
Income tax recoverable	351	-
Cash and cash equivalents	10,157	12,343
Disposal group held for sale	5 11,636	-
<b>Total current assets</b>	<b>27,409</b>	<b>30,002</b>
<b>Total assets</b>	<b>28,056</b>	<b>32,820</b>
<b>Current liabilities</b>		
Trade and other payables	3,384	9,479
Income tax payable	-	384
Provisions	495	1,144
Other financial liabilities	106	51
Liabilities directly associated with disposal group held for sale	5 6,435	-
<b>Total current liabilities</b>	<b>10,420</b>	<b>11,058</b>
<b>Non-current liabilities</b>		
Provisions	1,510	1,022
Retirement benefit obligations	11,544	19,246
<b>Total non-current liabilities</b>	<b>13,054</b>	<b>20,268</b>
<b>Total liabilities</b>	<b>23,474</b>	<b>31,326</b>
<b>Net assets</b>	<b>4,582</b>	<b>1,494</b>
<b>Equity</b>		
Share capital	51,989	51,989
Share premium account	5,489	5,489
Translation reserve	421	240
Retained earnings	(53,317)	(56,224)
<b>Total equity</b>	<b>4,582</b>	<b>1,494</b>

The financial statements of Dawson International PLC (registered number SC54505) were approved by the Board of Directors and authorised for issue on 8 August 2011. They were signed on its behalf by:

**David Bolton** | Chairman

**David Cooper** | Finance Director

## Consolidated Cash Flow Statement

15 month period ended 2 April 2011	15 month period ended 2 April 2011 £000	Re-presented 12 month period ended 2 January 2010 £000
<i>Note</i>		
<b>Continuing operations</b>		
<b>Cash flows from operating activities</b>		
Profit before tax	2,506	2,057
Depreciation	216	129
Net finance (income) expense	(604)	1,387
Share based payment expense	-	47
	2,118	3,620
Increase in inventories	(1,455)	(90)
Decrease in receivables	1,458	1,360
Decrease in payables	(1,369)	(1,838)
Increase (decrease) in provisions	466	(8)
Cash generated by operations	1,218	3,043
Additional contributions to pension schemes	(480)	(606)
Taxes paid	(702)	(261)
<b>Net cash generated by operating activities</b>	<b>36</b>	<b>2,235</b>
<b>Cash flows from investing activities</b>		
Interest received	10	15
Proceeds from disposal of Todd & Duncan	-	5,426
Purchase of property, plant and equipment	(48)	(87)
Purchase of intangible assets	(47)	(1)
<b>Net cash generated by investing activities</b>	<b>(85)</b>	<b>5,353</b>
<b>Cash flows from financing activities</b>		
Interest paid	(244)	(513)
Decrease in asset backed finance	-	(4,212)
<b>Net cash used by financing activities</b>	<b>(244)</b>	<b>(4,725)</b>
<b>Net cash (used) generated by continuing operations</b>	<b>(293)</b>	<b>2,805</b>
<b>Discontinued operations</b>		
Net cash (used) generated by operating activities	(1,960)	821
Net cash used by investing activities	(36)	(355)
<b>Net cash (used) generated by discontinued operations</b>	<b>(1,996)</b>	<b>466</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(2,289)</b>	<b>3,271</b>
Cash and cash equivalents at the beginning of the period	12,343	9,900
Exchange rate effects	103	(828)
<b>Cash and cash equivalents at the end of the period</b>	<b>10,157</b>	<b>12,343</b>

## Reconciliation of Movement in Net Funds

15 month period ended 2 April 2011	15 month period ended 2 April 2011 £000	12 month period ended 2 January 2010 £000
(Decrease) increase in cash and cash equivalents	(2,289)	3,271
Decrease in borrowings	-	4,212
Exchange rate effects	103	(828)
(Decrease) increase in net funds	(2,186)	6,655
Opening net funds	12,343	5,688
Closing net funds	10,157	12,343

## Consolidated Statement of Changes in Equity

	Share Capital £000	Share Premium £000	Translation Reserve £000	Retained Earnings £000	Total £000
At 3 January 2009	51,989	5,489	818	(38,056)	20,240
Total comprehensive income for the period	-	-	(578)	(18,215)	(18,793)
Share-based payments charge	-	-	-	47	47
At 2 January 2010	51,989	5,489	240	(56,224)	1,494
Total comprehensive income for the period	-	-	181	2,907	3,088
At 2 April 2011	51,989	5,489	421	(53,317)	4,582

## NOTES TO THE PRELIMINARY ANNOUNCEMENT

### 1. Basis of information in the Preliminary Announcement

The financial information set out above does not constitute the Company's statutory accounts for the 15 month period ended 2 April 2011 or for the 12 month period ended 2 January 2010 but is derived from those accounts. Statutory accounts for the 12 month period ended 2 January 2010 have been delivered to the Registrar of Companies and those for the 15 month period ended 2 April 2011 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006 or equivalent preceding legislation.

### 2. Segmental analysis

As required by IFRS 8 the segmental analysis below reflects internal reporting to the 'Chief Operating Decision Maker' which is considered to be the Board of Directors. The Board receives monthly reports which focus primarily on the operating results of the segments before exceptional charges and on working capital management. Borrowings and tax are managed on a group wide basis and so are not allocated across segments. Accordingly, net finance charges are not allocated across segments. The operating segments of continuing operations have been identified as the following:

#### UK Knitwear

This segment comprises the Barrie business which manufactures cashmere and woollen garments which are sold mainly in the European market. It sells both to private label customers and under its own labels which include Barrie, John Laing and Glenmac.

#### US Knitwear

This segment comprises the Forte business which sources cashmere garments from China which are sold in the American market, primarily to large private label customers. It also sells to smaller boutique customers under its own 'Kinross' label.

The results of discontinued operations are disclosed in note 5.

Unaudited pro forma operating results for the 12 month period ended 2 April 2011 are given in note 6.

	Results for 15 month period ended 2 April 2011			
	UK Knitwear £000	US Knitwear £000	Unallocated Central £000	Total £000
Revenues from external customers	9,040	29,055	-	38,095
Cost of sales	(6,884)	(21,678)	(159)	(28,721)
Gross profit	2,156	7,377	(159)	9,374
Operating expenses	(1,413)	(5,019)	(2,827)	(9,259)
Operating profit before exceptional items	743	2,358	(2,986)	115
Exceptional items	-	(103)	1,890	1,787
Operating profit after exceptional items	743	2,255	(1,096)	1,902
Net finance charges				
- On funding facilities			(234)	(234)
- On net pension liabilities			838	838
Profit before tax from continuing operations			(492)	2,506

## 2. Segmental analysis (continued)

Results for 12 month period ended 2 January 2010				
	UK	US	Unallocated	Total
	Knitwear	Knitwear	Central	
	£000	£000	£000	£000
Revenues from external customers	7,896	28,695	-	36,591
Cost of sales	(5,691)	(20,900)	254	(26,337)
Gross profit	2,205	7,795	254	10,254
Operating expenses	(1,072)	(4,021)	(2,273)	(7,366)
Operating profit before exceptional items	1,133	3,774	(2,019)	2,888
Exceptional items	(125)	-	681	556
	1,008	3,774	(1,338)	3,444
Net finance charges				
- On funding facilities			(498)	(498)
- On net pension liabilities			(889)	(889)
Profit before tax from continuing operations			(2,725)	2,057

Net assets at 2 April 2011				
	UK	US	Unallocated	Total
	Knitwear	Knitwear	Central	
	£000	£000	£000	£000
Non-current assets	490	32	125	647
Inventories	1,376	1,308	-	2,684
Trade and other receivables	658	234	1,689	2,581
Cash and deposits	-	-	10,157	10,157
Tax recoverable	-	-	351	351
Disposal group held for sale			11,636	11,636
Total assets	2,524	1,574	23,958	28,056
Trade, other payables and provisions	(2,219)	(569)	(2,707)	(5,495)
Disposal group held for sale	-	-	(6,435)	(6,435)
Retirement benefit obligations	-	-	(11,544)	(11,544)
Total liabilities	(2,219)	(569)	(20,686)	(23,474)
Net assets	305	1,005	3,272	4,582

Net assets at 2 January 2010					
	UK	US	Discontinued	Unallocated	Total
	Knitwear	Knitwear	Operations	Central	
	£000	£000	£000	£000	£000
Non-current assets	576	57	301	1,884	2,818
Inventories	278	946	7,085	-	8,309
Trade and other receivables	1,413	2,049	5,394	494	9,350
Cash and deposits	-	-	-	12,343	12,343
Total assets	2,267	3,052	12,780	14,721	32,820
Trade, other payables and provisions	(2,050)	(1,888)	(5,326)	(2,432)	(11,696)
Income tax payable	-	-	-	(384)	(384)
Retirement benefit obligations	-	-	-	(19,246)	(19,246)
Total liabilities	(2,050)	(1,888)	(5,326)	(22,062)	(31,326)
Net assets	217	1,164	7,454	(7,341)	1,494

	Continuing Operations		Discontinued Operations		Total	
	15 month period ended 2 April 2011 £000	12 month period ended 2 January 2010 £000	15 month period ended 2 April 2011 £000	12 month period ended 2 January 2010 £000	15 month period ended 2 April 2011 £000	12 month period ended 2 January 2010 £000

### 3. Operating Profit

**Operating profit is stated after charging (crediting):**

Cost of inventories recognised as an expense	28,213	26,549	31,897	40,239	60,110	66,788
Staff costs	7,889	6,458	3,069	6,876	10,958	13,334
Net foreign exchange losses (gains)	122	(444)	350	(231)	472	(675)
Depreciation of property, plant and equipment	216	129	53	282	269	411
Amortisation of computer software	-	-	90	47	90	47
Loss (gain) on disposal of property, plant and equipment	17	(5)	(9)	4	8	(1)
Impairment (gains) losses recognised on trade receivables	(238)	(124)	30	365	(208)	241
Operating lease rentals					-	-
- plant and machinery	1	2	23	62	24	64
- other	202	167	447	343	649	510
Government grants towards						
- training costs	2	4	-	-	2	4
- market research costs	5	8	-	-	5	8
- efficiency projects	13	4	-	-	13	4
Auditor's remuneration (as analysed below)	393	143	52	38	445	181
<b>Auditor's remuneration:</b>						
Audit of these financial statements	82	66	-	-	82	66
Audit fees for subsidiaries pursuant to legislation	25	14	39	26	64	40
<b>Total audit fees</b>	<b>107</b>	<b>80</b>	<b>39</b>	<b>26</b>	<b>146</b>	<b>106</b>
Pensions advice	149	31	-	-	149	31
Other services relating to taxation	137	32	13	12	150	44
<b>Total non-audit fees</b>	<b>286</b>	<b>63</b>	<b>13</b>	<b>12</b>	<b>299</b>	<b>75</b>

	15 month period ended 2 April 2011 £000	12 month period ended 2 January 2010 £000
<b>4. Exceptional administrative items - continuing operations</b>		
Reorganisation costs <sup>(i)</sup>		
- UK Knitwear	-	(125)
- US Knitwear	(103)	-
- Central	(249)	-
King Deer debt recovery <sup>(ii)</sup>	2,754	973
Environmental remediation costs <sup>(iii)</sup>	(615)	-
Property costs	-	(292)
	<b>1,787</b>	<b>556</b>

Total administrative expenses, net of the exceptional items noted above, were £5,972,000 (12 months to 2 January 2010: £5,558,000).

- (i) Reorganisation costs comprise redundancy payments resulting from the restructuring of the operating divisions and corporate office.
- (ii) In 2009, the Company agreed a payment plan with Inner Mongolia King Deer Cashmere Company Limited ("King Deer") for the repayment of a long outstanding debt of approximately \$10.4 million which had been fully provided in previous years and received \$1.5 million (£1.0 million) in accordance with that plan. The payment plan was amended in January 2010 such that \$4.6 million of the remaining debt had no fixed repayment term but was secured against a 9% equity stake in King Deer. The remaining debt balance of \$4.3 million was scheduled for repayment in accordance with the amended plan.
- During the current period, \$2.5 million (£1.7 million) was received in accordance with the amended payment plan and the remaining debt balance of \$1.8 million (£1.1 million) was re-instated as a debtor, resulting in total exceptional income of \$4.3 million (£2.8 million).
- The balance secured against equity of \$4.6 million (£2.9 million) remains fully provided in the financial statements.
- (iii) The Company is responsible for environmental remediation works stemming from previous manufacturing operations in the USA (2 locations) and the UK (1 location). The Company has recently been notified of a further possible contaminated site in the USA which is currently being investigated. The provision for remediation costs in the USA has been increased by \$1.0 million.

#### 5. Discontinued operations

On 17 May 2011 the Company completed the sale of Dawson Home Group Limited. The consideration was based on net asset value at completion less a discount of £2.0 million. A provision for loss on disposal was made at 2 April 2011 comprising the discount to net asset value of £2.0 million and estimated costs of £0.5 million. The assets and liabilities of Dawson Home Group Limited have been classified as held for sale at 2 April 2011 as the Company was actively engaged in the sale of the business at that date.

On 28 August 2009 the Company completed the sale of the business, fixed assets and stocks of the Todd & Duncan yarn spinning division to Ningxia Zhongyin Cashmere Company Limited ("Zhongyin"). The consideration was based on the value of fixed assets and stocks at completion less a discount of £4.2 million. The Company incurred costs of £0.9 million in respect of the disposal.

The results of these discontinued operations are as follows:

## 5. Discontinued operations (continued)

	15 month period ended 2 April 2011			12 month period ended 2 January 2010		
	Dawson Home	Todd &	Total	Dawson Home	Todd &	Total
	Group	Duncan		Group	Duncan	
	£000	£000	£000	£000	£000	£000
Revenue	38,476	-	38,476	36,292	14,625	50,917
Cost of sales	(32,275)	-	(32,275)	(29,407)	(13,201)	(42,608)
Gross margin	6,201	-	6,201	6,885	1,424	8,309
Operating expenses	(7,673)	-	(7,673)	(8,367)	(2,351)	(10,718)
Loss before exceptional items	(1,472)	-	(1,472)	(1,482)	(927)	(2,409)
Restructuring costs	(256)	-	(256)	-	-	-
Loss on disposal of business	(2,500)	-	(2,500)	-	(5,200)	(5,200)
Loss for the period from discontinued operations	(4,228)	-	(4,228)	(1,482)	(6,127)	(7,609)

The assets and associated liabilities of Dawson Home Group Limited which were classified as held for sale at 2 April 2011 were as follows:

	£000
Assets classified as held for sale:	
Intangible assets	90
Property plant and equipment	142
Inventories	7,486
Trade and other debtors	3,918
	<b>11,636</b>
Liabilities directly associated with disposal group held for sale:	
Trade and other payables	3,878
Provision for loss on sale	2,500
Other provisions	57
	<b>6,435</b>

There are certain ongoing obligations associated with each of the above transactions as follows:

### Dawson Home Group Limited

- (i) Prior to the sale, Dawson Home Group Limited transferred £2.5 million of inventory to its parent Company and will repurchase that inventory over a period not exceeding six months.
- (ii) Dawson International PLC has guaranteed the lease obligations of Dawson Home Group Limited in respect of its administrative offices in Ardwick, Manchester. The lease expires in August 2017 and has an annual cost of approximately £0.3 million.

### Todd & Duncan

As part of the sale two supply agreements were entered into:

- (iii) Barrie signed a four year supply agreement at arm's length to source yarn from Todd & Duncan Limited at historical levels.
- (iv) Dawson Forte signed a four year agreement to offer a minimum level of garment orders to Zhongyin each year.

## 6. Unaudited Pro forma results for the year ended 2 April 2011

The group has changed its financial reporting reference date from 31 December to 31 March to reflect the seasonality of the business better and improve the budgeting process. The following unaudited pro-forma financial information compares the revenues and operating results of continuing operations before exceptional items and is derived from both statutory and management accounting information.

Comparative unaudited pro-forma interim information is given to demonstrate the reduced impact of seasonality on reported results as previously the first half of the financial year was invariably loss making.

	6 month period to 4 September 2010 £000	12 month period to 2 April 2011 £000	6 month period to 5 September 2009 £000	12 month period to 3 April 2010 £000
Continuing operations				
Revenues				
UK Knitwear	4,893	7,937	4,634	7,725
US Knitwear	16,465	27,518	14,564	29,334
	21,358	35,455	19,198	37,059
Operating profit before exceptional items				
UK Knitwear	388	1,084	618	1,071
US Knitwear	2,376	2,921	2,011	3,906
Central overheads	(1,627)	(2,400)	(866)	(1,747)
	1,137	1,605	1,763	3,230