

2 Background to the appointment of the Administrators

2.1 The trade of the Companies

DIL and DSLI managed construction and civil engineering projects in Sierra Leone and Liberia. There are no known UK employees as the employees that worked on the projects were employed by an entity within the group of companies, Dawnus Construction Holdings Limited (DCHL) which is also in administration.

2.2 Factors leading to financial distress

The Companies are part of a group of companies (the Group), for which Dawnus Group Limited (DGL) is the sole shareholder of DIL, and DIL is the sole shareholder of DSLI. The majority of the Group were placed into administration on 15 March 2019 and Matthew Richards, Philip Stephenson and I, were appointed Joint Administrators.

Grant Thornton UK LLP (the Firm) was first consulted by the Group in December 2017 to assist with assessing options available for meeting forecast funding requirements. At that point, the Group was facing a cash shortfall driven principally by difficulties encountered in the delivery of specific UK contracts.

Following this, the Firm was engaged to assist with raising additional finance. In March 2018, the Group secured a £7 million funding injection provided jointly by HSBC Bank Plc (HSBC) and the Welsh Government (WG). The proposed repayment of this new funding was underpinned by a strategic plan designed to unwind the build-up of the historical contract work in progress (WIP) and to refinance or sell certain assets.

The Group realised c£7 million by refinancing or selling assets, with the recovery of historical WIP ultimately proving more challenging than expected. The Group repaid c£4 million, split equally between HSBC and WG with both allowing c£3 million to remain invested into the Group to further ease cash flow pressures.

The Group continued to experience a cash shortfall as underlying trading conditions in 2018 were very difficult in the construction sector, credit terms from the Group's supply chain were further tightened and turnover from its international operations was vastly reduced during 2018, which historically had been the most profitable division.

In early December 2018, the Firm was engaged to secure a buyer or investment into the UK based Group entities. Potential indicative offers were received from two parties for various parts of the Group; however, they were both withdrawn. Given the absence of an investor and the position in respect of the Group's financial position, the majority of the UK based Group entities were placed into administration on 15 March 2019. On the same date, all UK employees who were seconded to the DIL and DSLI projects were made redundant.

Following the UK Group administrations, the directors were exploring a management buyout (MBO) of DIL and DSLI as the companies' cash position was worsening. However, the deal to secure an MBO could not be reached.