

**To all known creditors, members and ex-members**

21 August 2009

Dear Sirs

**Dairy Farmers of Britain Limited – Receivers and Managers appointed ('DFB')**

As you are aware, I was appointed as Joint Receiver and Manager of DFB at 3pm on 3 June 2009 together with my colleagues Ian Green and David Kelly under the provisions of the Industrial and Provident Societies Act 1965.

The Joint Receivers and Managers ('Receivers') have consulted with the Insolvency Service and DFB's supervisory authority, the Financial Services Authority ('FSA'), and produced a report to provide all creditors and members with details of the Receivership and the events leading up to their appointment ("the Report").

**Key messages from the Report**

1. By successfully concluding milk swaps, haulage final accounts and collection of milk supply debtors, the Receivers have improved milk price for both the initial 2 week and subsequent month. There are still some provisions for debtors and final accounts to be concluded but the Bank has agreed to take the risk of those provisions to allow final milk cheques for 2 weeks and the month to be issued as follows:

<b>First two weeks</b>	<b>Date paid</b>	<b>Pence per litre</b>
First interim payment	17 June 2009	10.0
Second interim payment	17 July 2009	2.0
Third, and final, payment	24 August 2009	4.0
<b>Total Milk Margin Payments</b>		<u>16.0</u>

  

<b>Final month</b>	<b>Date paid</b>	<b>Pence per litre</b>
First interim payment (supplied 17 – 30 June)	8 July 2009	} 10.0
Second interim payment (supplied 1 – 16 July)	22 July 2009	
Third, and final, payment (supplied 17 June – 16 July)	24 August 2009	5.7
<b>Total Milk Margin Payments</b>		<u>15.7</u>

2. The estimated outcome of the Receivership is still that unsecured creditors, loan note holders and members with equity, will not receive any dividend on monies owed to them by DFB.
3. The Receivers still have to realise funds from debtor collections, property sales and settle liabilities from our trading and as such the final outcome of the Receivership is unlikely to be known before June 2010 (given the current state of the property market). When concluded, a final Report will be available to all creditors and members and lodged with the FSA. In the ordinary course the Receivers will then file their notice of resignation and the FSA will be asked to strike off the Co-operative from its Register bringing DFB to an end.

4. In regard to members guarantees it is a complex issue and we have been taking advice. Consequently we can confirm that no steps will be taken by the Receivers and Managers (or by the Bank) to collect any monies that may be due from any members, including members who have retired or left, with guarantees.
5. A major contributory factor to the demise of DFB was the failure of its Liquids division to deliver sustainable profits. Ultimately, it was loss-making, proved unsaleable as a business either before or during Receivership, and (at least in one such negotiation) was cited as the reason why a 'significant next step' merger or joint venture deal was not possible.
6. Board proposals to fill the emerging funding gap caused mainly by Liquids losses, were the raising of new equity (£20 million) via retention from members milk cheques. At the 27 March 2009 Council meeting these proposals were not supported by Council. Only the loan to equity conversion was sanctioned by Council to assist improvement of the balance sheet. Consequently, following discussions between the Board and the Bank, the funding gap was bridged by the Bank in an effort to:
  - a) give time to try and sell the entire DFB business or find an alternative solution; and
  - b) ensure the business continued throughout the Spring Flush.

The full Report will shortly be available to download from the Receivers dedicated website, [www.pwc.co.uk/dfob](http://www.pwc.co.uk/dfob). Alternatively, a request for a hardcopy of the Report can be made via an email to either of the following addresses [dfobsuppliers@uk.pwc.com](mailto:dfobsuppliers@uk.pwc.com), [dfobmembers@uk.pwc.com](mailto:dfobmembers@uk.pwc.com) or [dfobemployees@uk.pwc.com](mailto:dfobemployees@uk.pwc.com) (as appropriate), in writing to the letterhead address or by telephoning 020 7804 9333.

The Receivers are also calling a meeting of all creditors and members (including ex-members) at 11.00 am on 7 September 2009 at De Vere Venues Whites at Bolton Wanderers Football Club, De Havilland Way, Bolton, Greater Manchester, BL6 6SF.

The sole purpose of the meeting is for the Receivers to present their Report. The Receivers will not be seeking to form a creditors committee. No formal business will be conducted at this meeting and there is no requirement for creditors or members to attend.

If you do not wish to attend the meeting but still have specific queries relating to the content of the Report, please telephone 020 7804 9333, write to the Receivers at the letterhead address, or email on [dfobsuppliers@uk.pwc.com](mailto:dfobsuppliers@uk.pwc.com), [dfobmembers@uk.pwc.com](mailto:dfobmembers@uk.pwc.com) or [dfobemployees@uk.pwc.com](mailto:dfobemployees@uk.pwc.com) (as appropriate).

Yours faithfully  
For and on behalf of DFB



Stephen Oldfield  
Joint Receiver and Manager

*Messrs Ian Green, David Kelly and Stephen Oldfield are all licensed to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales and were appointed as Receivers and Managers and in their capacity as agents of Dairy Farmers of Britain Limited at 3pm on the 3<sup>rd</sup> of June 2009. Neither they nor their partners, firm, employees or agents shall incur any personal liability howsoever arising from their actions or under or in connection with any deed or other document or agreement entered into on behalf of Dairy Farmers of Britain Limited pursuant to or in connection with their appointment or the performance of their duties as Receivers and Managers. In particular (but without prejudice to the generality of the foregoing) no such personal liability shall arise by virtue of either Sections 37(1)(a) or 44(1)(b) Insolvency Act 1986 or otherwise*

**Dairy Farmers of Britain Limited (Receivers and Managers Appointed)**

**Meeting of members and creditors on 11.00am on 7 September 2009**

**at De Vere Whites Hotel, Bolton Wanderers Football Club, De Haviland Way, Bolton.**

**Instructions:**

To enable a speedy registration, if you are attending the meeting, please complete this form prior to the meeting and hand it to a representative of the Joint Receivers and Managers at the registration desk.

**Name of attendee(s):** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Representing:** \_\_\_\_\_  
(if not a private individual attending in person)

***Please tick***

Member

Ex-member

Creditor

Other  Please state: \_\_\_\_\_