

Private and Confidential Urgent
DFB Guarantors

21 August 2009

Dear Sirs

Dairy Farmers of Britain (DFB) – Receivers and Managers appointed (“the Receivers”)

As you may be aware from member meetings and subsequent update communications, the Receivers have been considering the status of the DFB Members guarantees. I undertook to update guarantors on the position in mid-August.

Background

When DFB was formed, members were asked to sign Members Financial Agreements, and for any new members this was a condition of joining. Under the Members Financial Agreement members provided a guarantee to DFB equivalent of 5p per litre based on their annual milk production.

In 2006/2007, DFB introduced a new milk supply agreement. Members who signed this contract were released from their member guarantee or could have their Member Liability Loan repaid or transferred into a Member Investment Account.

For members who had not signed the new milk supply agreement the guarantee, subject to the rules of the Members Financial Agreements, remained in place until the member retired or resigned.

Upon retirement or resignation any guarantees were released in two equal amounts on the first and second anniversary of the end of the milk year in which the member retired or resigned.

Receivership

From DFB's records, 336 guarantees from members would appear to remain in place at the date of the receivership.

We have looked at the status of members who have provided guarantees and they can be split into three groups:

1. Members of DFB at 3 June 2009 who will have lost significant sums of money from the non payment of the milk cheque in respect of milk supplied in May and early June 2009;
2. Members who have retired from farming altogether; and
3. Members who left DFB but are still dairy farming elsewhere.

Decision Outcome

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.

Yours faithfully

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 3rd 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