



Dairy Farmers of Britain Limited
Alpha Building
London Road, Stapeley
Nantwich, Cheshire
CW5 7JW

«Member_Name»
«Address_1»
«Address_2»
«Address_3»
«Address_4»
«Postcode»

Dear «Saluation»

6 July 2009

Dairy Farmers of Britain "DFB" (Receivers and Managers appointed)

Letter to members and ex-members

As you are aware, I was appointed receiver and manager of DFB on 3 June 2009.

Supplying Members

Since my appointment I have focused on keeping "the wheels turning and the milk flowing" for those c1,800 members who were supplying DFB at the date of my appointment. At the date of writing and following the Milk Link contract offer at the end of June only c.10 members remain and these are likely to retire from dairy farming in the coming weeks.

Businesses sold or closed

Over the past month I have also either sold or closed the various businesses within DFB. In summary the 'going concern' sales were:

- Llandrynog – sold to Milk Link 10 June 2009
- Lubborn –sold to Lactalis 6 June 2009
- 5 Liquid Depots 13 – 15 June 2009
- Hillsborough, Newark, Pinchbeck and Skegness – sold to The Capital Dairy Company
- Cheshunt – sold to Braeforge Limited
 - 3 Liquid Depots 23 June 2009
- Dalton, Four Crosses and Wrexham - sold to Lloyd Fraser (Bulk Liquids) Limited

Note: Nene Valley Foods Limited was sold prior to my appointment to Meadow Foods Limited on 20/05/09

As you may be aware I was unable to sell the main 'liquids' dairies in Blaydon, Bridgend and Lincoln and these were closed during the week ending 12 June 2009. These dairies remain for sale 'in situ' and details can be found on my website www.pwc.co.uk/dfob. The other dairies and depots have either been returned to landlords or held for subsequent sale. The



vast majority of DFB's plant, equipment and vehicles are still to be sold and details of these will be available on the same website once they have been catalogued.

Dividend Prospects

For those who viewed my webcast at the outset of my appointment you will know that I do not believe there will be any money available to return to the members and ex-members from DFB in receivership. The Bank, as mortgage holder, is in negative equity. For clarification, whilst there is no money available to members and ex-members, there is no further money due from members towards the debts of DFB (save for those who provided members guarantees – see below).

I attach a summary from DFB's records of your Members Investment Account (MIA) as the accounts office will be closing. This reflects the amount you invested in shares (£1) rather than the nominal value of the shares (10p) purchased. You should retain this summary for your own tax and accounting purposes.

Switch to Equity

You will be aware there was a switch to equity in March 2009. This was proposed by the Co-op Board to the Co-op Member Council and was 'passed' by resolution. This affected those members with Members Investment Accounts, Members Capital Accounts and Preference Shares. The attached now shows those as ordinary A shares.

Tax

I have discussed with my advisors the position regarding the tax relief that may be available in respect of the A ordinary shares received on 27 March 2009 in consideration for your Members Investment Accounts.

My advisors are seeking to approach HMRC and agree the taxation treatment for you in this respect. I hope that an agreement can be reached prior to the creditors meeting in September, but because of the complexity of the situation we have no guarantee of this. I will write to you once I have further news.

There has also been some confusion regarding the tax relief available for other types of holdings in DFB. I encourage you to seek your own advice in this respect.

Members Guarantees

A number of members and ex-members provided guarantees to DFB. We understand that members were given a choice between either providing a loan or a guarantee when signing their initial Member Financial Agreement (MFA). We are also aware that there was an agreement to cancel the guarantees of those members who signed 12 month contracts in 2006/07, and DFB's records reflect this.

The position on these guarantees is not yet clear. I am collating information on the guarantees from DFB records and taking legal advice. I expect to be in a position to write to all those who provided guarantees by no later than mid-August.

Members and Creditors Meeting: 7 September 2009

In the first week of receivership I met nearly 1,200 DFB members face to face. Although much of those meetings were focused on my arrangements to collect the milk there were many questions as to why DFB had gone into receivership.



In view of the strength of feeling amongst members I committed during those meetings to hold a further members and creditors meeting. This letter confirms your invitation to that meeting which will be held at the following time and location:

11.00am - De Vere Venues Whites at Bolton Wanderers Football Club, De Havilland Way, Bolton, Greater Manchester, BL6 6SF – 7 September 2009

I have consulted with the Financial Services Authority, which is the regulatory authority for Industrial and Provident Societies (of which DFB is one), and agreed that I will present a receivers report. This will detail my actions as receiver, including business sales and closures, the calculation of my milk cheques and the facts relating to the events leading up to my appointment as receiver and manager. If any member or ex-member has any information on the events leading up to my appointment which they believe may assist me in preparing my report please would they send it to me at the following address:

PricewaterhouseCoopers LLP, Benson House, 33 Wellington Street, Leeds, LS1 4JP

This request forms a normal part of my work in a receivership and does not imply any wrong doing by DFB in the period leading up to my appointment.

There will be no resolutions put forward for voting at the meeting – it is for me to present my report and to conduct a question and answer session. Therefore, you do not have to attend if you do not want to. The receivers report and further details of the meeting will be sent out to all members, ex-members and creditors in mid-August i.e. 2 to 3 weeks before the meeting.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S Oldfield'.

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.