

Dairy Farmers of Britain[®]



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

To All Members

3 June 2009

Our ref: SMO/CA

Dear Sirs

Dairy Farmers of Britain Limited (Receivers and Managers Appointed) (known as the "Company" or "Dairy Farmers").

Appointment of Receivers and Managers

I was appointed joint Receiver and Manager of the Company at 3pm on 3rd of June 2009 together with my colleagues Ian Green and David Kelly. The joint Receivers and Managers, as agents of the Company and without personal liability, are continuing to trade the Company whilst we attempt to sell it.

A dedicated website www.pwc.co.uk/dfob and telephone number 08700 108181 has been set up to provide updates to milk suppliers and provide answers to frequently asked questions. Under our appointment, and as agents of the Company, all milk supplied **after** the date and time of our appointment as Receivers and Managers will be paid for by the Company. The Receivers and Managers are currently ascertaining the exact financial position of the Dairy Farmers Group. The Company will pay for all milk supplied since the date and time of my appointment; however, given the present circumstances, the price (in pence per litre) for the supply of milk cannot be guaranteed.

In recognition of the hardship the appointment places on suppliers, all milk will be paid for on a twice monthly basis. The first payment will be on 19th June 2009 for all milk supplied in the initial two week period.

Initial Two Week Trading Period

The Receivers and Managers will continue to order milk and request that you deliver milk to the requisite quality standard for an initial two week period.

The price paid to you for the supply of milk will be calculated after deducting Dairy Farmers' trading costs from trading receipts in the ordinary course of business and apportioned between all the Members who have supplied milk based on volume and assuming the requisite quality standards are met. Please note that the costs and expenses of the Receivers and Managers will be paid for separately and will not be included in this calculation.

With reference to the Agreement that governed the supply and purchase of milk between you and Dairy Farmers, this has ceased to be operational following the appointment of the Receivers and Managers.

A purchase order is attached which sets out terms on which Dairy Farmers will purchase your milk for the initial two week period.

Opportunity to Terminate Supply

Given the financial predicament of the Company, I write to offer you the opportunity to terminate your supply to Dairy Farmers immediately. Should you elect to supply to a different purchaser you will not be required to give any notice. However, **if you choose to change purchaser this must be communicated in writing to Nantwich within ten days of the receivership appointment and prior to any such purchaser commencing collections of your milk.** Please continue to use your usual methods of communication with Nantwich i.e. telephone followed by facsimile, email or letter confirmation.

Please note that if you do not advise us of a change of purchaser in writing, Dairy Farmers will continue to collect your milk and you will not be able to sell it to your new purchaser. You will still be obliged to inform the relevant authorities of any change in purchaser.

Rolling Four Week Contracts

After the initial two week period it is our intention to establish rolling four week contracts with those farm suppliers that do not change purchaser.

We expect to place on the dedicated website the terms which will apply to those rolling four week contracts within the next seven days. We expect those terms will draw upon earlier best practice and take into consideration the views of Members' representatives. We also hope to provide you with more clarity around raw milk prices the Company will pay you at that time. So as to give you as much certainty as possible and in order to assist you in making a decision it is our intention to provide you with a minimum base price for Conventional, Organic and Channel Island milk in respect of the future four week periods, in addition to which there will be a trading margin to be calculated and paid out accordingly at the end of each period.



Amounts owed prior to my Appointment

Any amounts owing to you as at the date of my appointment will rank as unsecured claims in the receivership. It is highly unlikely that there will be any funds available for the unsecured creditors and, therefore, we expect that you will not be paid by the Company for any milk you have already supplied to the Company and which remains unpaid as at the date and time of my appointment.

Please note that as joint Receivers and Managers we act as agents of the Company without any personal liability.

Yours faithfully

For and on behalf of the Company as its agent and without personal liability¹

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

Stephen Oldfield
Joint Receiver and Manager
Dairy Farmers of Britain Limited

¹ 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 DFB 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 DFB 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.