

Tomlinson's Dairies Limited - in administration

Remuneration Report: Initial Information to creditors
including Fees Estimate

22 December 2020

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1. Abbreviations and definitions

The following table shows the abbreviations and insolvency terms that may be used during this report:

Abbreviation or definition	Meaning
BEIS	Department for Business, Energy & Industrial Strategy
CAPA	CAPA UK
Company	Tomlinson's Dairies Limited
DLA	DLA Piper UK LLP
Firm / PwC	PricewaterhouseCoopers LLP
FWI	Finance Wales Investments (14) Ltd, part of the Development Bank of Wales
Hilco	Hilco Europe
HMRC	HM Revenue & Customs
HSBC	HSBC Bank Plc, HSBC Invoice Finance (UK) Ltd, HSBC Equipment Finance (UK) Ltd & HSBC Asset Finance (UK) Ltd
HSBCEF	HSBC Equipment Finance (UK) Ltd
HSBCIF	HSBC Invoice Finance (UK) Ltd
IP	Intellectual Property
IA86	Insolvency Act 1986
IR16	Insolvency (England and Wales) Rules 2016
JLL	Jones Lang LaSalle
Joint administrators/we/us/our	Michael Denny and Peter Dickens
PHD	PHD Property Advisory Limited
preferential creditors	Primarily employee claims for unpaid wages earned in the four months before the insolvency up to £800, holiday pay and unpaid pension contributions in certain circumstances
prescribed part	The amount set aside for unsecured creditors from floating charge funds in accordance with section 176A IA86 and the Insolvency Act 1986 (Prescribed Part) Order 2003
Proposals	Joint administrators' proposals for achieving the purpose of administration dated 4 December 2019
ROT claims	Claims to retention of title over goods supplied to the Company but not paid for before the Administrators' appointment
RPS	Redundancy Payments Service, part of the Insolvency Service, which is an executive agency sponsored by BEIS, and which authorises and pays the statutory claims of employees of insolvent companies under the Employment Rights Act 1996
Sch B1 IA86	Schedule B1 to the Insolvency Act 1986

secured creditor	A creditor with security in respect of their debt, in accordance with section 248 IA86
SIP	Statement of Insolvency Practice. SIPs are issued to insolvency practitioners under procedures agreed between the insolvency regulatory authorities. SIPs set out principles and key compliance standards with which insolvency practitioners are required to comply.
SIP 9	Statement of Insolvency Practice 9: Payments to insolvency office holders and their associates
SoA	Statement of Affairs dated 14 November 2019
the lenders/secured creditors	HSBC and FWI
unsecured creditors	Creditors who are neither secured nor preferential

Michael Denny and Peter Dickens have been appointed as joint administrators of Tomlinson's Dairies Limited to manage its affairs, business and property as its agents and act without personal liability. Both are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales. The joint administrators are bound by the Insolvency Code of Ethics which can be found at: <https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>

The joint administrators may act as controllers of personal data as defined by UK data protection law depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a processor on the instructions of the joint administrators. Personal data will be kept secure and processed only for matters relating to the joint administrators' appointment. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the joint administrators.

Changes of administrator

Michael Thomas Denny, one of the joint administrators, is due to leave the Firm on 4 January 2021. To make sure that outstanding issues in the administration continue to be pursued, an application was made to the Court to remove Michael Thomas Denny and appoint Alison Campbell Grant as joint administrator. Alison Campbell Grant is licensed in the United Kingdom to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales.

The application was granted and consequently Alison Campbell Grant is due to replace Michael Thomas Denny as joint administrator with effect from 4 January 2021. Michael Thomas Denny will be released from all liability in respect of his conduct as administrator with effect from 28 days from the date of the publication of the Gazette Advert. Creditors will have 28 days from the date of the advert to apply to Court to vary or discharge the Court order.

2. Background

2.1 Purpose of this initial advice to creditors

If a company or individual is facing financial difficulty they may enter a formal insolvency process under the control of an independent external person (an insolvency practitioner). The costs of the proceedings are paid out of the assets of the company or the individual's estate and include the insolvency practitioner's remuneration, which in this case would be our fees for acting as joint administrators.

We must seek approval on the basis of our remuneration before it is paid and provide the fee approving body with sufficient information for them to make a decision. Insolvency law determines who the fee approving body is (and it depends on the circumstances of the case), but it's usually those creditors who have a direct interest in the amount paid because it impacts on how much those creditors recover.

Changes to insolvency legislation on 1 October 2015 also now require us to give all known creditors details of the work we expect to carry out during the case and the expenses that are likely to be incurred. Also, if our fees are proposed to include remuneration calculated on a time costs basis, we must provide an estimate of those fees. This report provides all this information and details of where further information can be obtained.

2.2 Action required by you

The following table gives our current estimates on the likely return for the various classes of creditors. We caution creditors against using data in this report as a basis for estimating the value of their claims or their likely eventual entitlement to payment from the Company's assets. The joint administrators, their firm, its members, partners and staff and advisers accept no liability to any party for any reliance placed upon this report.

Table 1 – Dividend prospects

Class of creditor	Current estimate (p in £)	Forecast timing
Secured creditors		
HSBC	42 - 46	> 12 months
FWI	Nil	N/A
Preferential creditors	100	6 months
Unsecured creditors	up to 3	> 12 months

We have stated in our proposals that we believe there will be no funds to distribute to unsecured creditors, other than via the prescribed part. We expect a dividend to be available for preferential creditors whereby we expect to be able to repay them in full.

Therefore if no committee is appointed, the secured creditors and the preferential creditors have the responsibility for fixing the basis of our fees and Category 2 disbursements (as defined in Section 4.1). We will seek such fee approval separately in due course.

This Remuneration Report is therefore for information purposes only and no action is required from unsecured creditors.

Creditors' rights

You can find information on the joint administrators' fees and your rights at:

<https://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2017/administration-creditor-fee-guide-6-april-2017>.

2.3 How fees are calculated

Insolvency law currently allows fees to be calculated in three ways:

- As a percentage of the value of the property which we deal with (often referred to as a “percentage basis”);
- By reference to the time properly given by us and our staff attending to the matters arising (“time costs basis”); or
- A set amount (a fixed fee).

The basis of our fees can be a combination of the above and different bases can be used for different parts of our work. The fee approving body decides which basis (or combination of bases) should be used to calculate fees, once it is satisfied that the fee basis proposed represents the most appropriate mechanism in the circumstances of the case.

In this case we are proposing that our remuneration is on a time cost basis only, for the following reasons:

- It ensures that creditors are only charged for work that is performed;
- We are required to perform a number of tasks which do not relate to the realisation of assets (for example: reporting to creditors, investigating the conduct of the directors and distributing surplus funds, if any); and
- We are unable to estimate with certainty the total amount of fees necessary to complete all tasks required in the administration.

In the next section, we include details of our fees estimate.

Insolvency law says that in determining the basis of our remuneration, regard must be had to the following:

- The complexity (or otherwise) of the case;
- Any exceptional responsibility falling on us;
- The effectiveness with which we are carrying out, or to have carried out, our duties; and
- The value and nature of the property with which we have to deal.

3. Our fees estimate

3.1 Summary

This section provides the following information:

- Details of the work we propose to undertake;
- The hourly rates we propose to charge for each part of that work;
- The time we anticipate each part of the work will take; and
- Whether we think it will be necessary to seek approval to exceed the amount of the estimate, and if so, why.

The total amount of our fees estimate is £1,833k. The following tables summarise our anticipated time costs and then provide more detail on each area of work. Time costs are shown at the hourly rates set out later. We haven't included an estimate of our fees and expenses for any subsequent liquidation.

In the period since our appointment to 27 November 2020, we have incurred time costs of £1,480k, representing 81% of the fees estimate.

The basis of the Administrators' remuneration is yet to be agreed by the approving body of creditors in this case being secured and preferential creditors. For information, we have provided an estimate based on time costs. Please note that this represents the estimated costs of what we will incur and approval for us to draw fees is still required from the relevant body of creditors.

Table 2 – Time costs

Category of work	Hours	Fees estimate (£k)	Average hourly rate (£/hour)	Hours incurred to 27 Nov 2020	Time costs incurred to 27 Nov 2020 (£k)	Average hourly rate for time costs incurred to 27 Nov 2020 (£/hour)
Accounting & Treasury	353	99	280	273	79	291
Assets	1,304	535	410	1,198	478	399
Creditors	405	125	309	189	54	287
Employees & Pensions	658	216	329	519	192	371
Investigations	17	5	276	17	5	276
Secured Creditors	129	41	315	62	18	296
Statutory & Compliance	969	332	343	811	310	382
Strategy & Planning	722	289	400	380	170	446
Tax & VAT	307	127	413	190	109	572
Trading	156	64	412	156	64	413
Total hours and fees estimate	5,020	1,833	365	3,796	1,480	390

Our total remuneration cannot exceed the total amount of this fees estimate without prior consent from the fee approving body.

The above table provides an estimate of the anticipated time likely to be required on the various areas of work and in future reports we will provide an update by reference to actual costs incurred. To facilitate such a comparison, we are likely to report costs on the same basis and using the same rates (our normal rates for this type of work).

3.2 Work we propose to undertake

The following table provides details of the work we propose to do (indicated by) , have already done (✓) or which is in progress (◻). It provides a brief summary for each category rather than an exhaustive list of all possible tasks. The fees estimate for each category is also shown, together with costs incurred to 27 November 2020.

Table 3 – Work we propose to do

Category of work	General description	Work included
Accounting and treasury Estimate: 353 hours £99k Incurred to date: 273 hours £79k	Accounting and treasury	<ul style="list-style-type: none"> Opening and closing bank accounts and arranging facilities ✓ Dealing with receipts, payments and journals not relating to trading ◻ Carrying out bank reconciliations and managing investment of funds ◻ Carrying out journal and maintenance of the case receipts & payments account on insolvency software ◻ Corresponding with bank regarding specific transfers ◻
Assets Estimate: 1,304 hours £535k Incurred to date: 1,198 hours £478k	Sale of business Property Sale & Management	<ul style="list-style-type: none"> Preparing an information memorandum ✓ Liaising with purchasers and solicitors ✓ Holding internal meetings to discuss/review offers received ✓ Pursuing break up scenario to realise the Company's assets once a sale of the business as a whole was not possible ◻ Carrying out title searches and securing relevant property records ✓ Understanding the Company's freehold property complex title position with solicitors ✓ Securing possession of property and assessing /maintaining security requirements to ensure the asset value is protected ✓ Undertaking a review of the utilities incurred on site and instructing agents to assist with the minimisation of costs ✓ Liaising with our insurers regarding the asset and ensuring appropriate cover is maintained ◻ Liaising with valuers, agents, landlords and solicitors ◻ Negotiating with third parties for property sales, transfer or surrender of lease agreement ◻
	Debtors	<ul style="list-style-type: none"> Corresponding with HSBCIF and Hilton Baird with regards to the collection of the factored debtor ledger ◻ Liaising with Hilton Baird regarding any debts received into the administration estate ◻ Reviewing and assessing the assigned debtor ledger following HSBCIF being repaid in full ◻ Pursuing the recovery of the remaining trade debtors on the assigned debtor ledger ◻ Liaising with solicitors regarding any disputed debts ◻ Preparing and submitting unsecured claims in insolvent debtor estates ◻ Concluding debtor realisations and assessment of whether any bad debt relief could be due to the Company ◻

Stock	<ul style="list-style-type: none"> ● Conducting stock takes ✓ ● Reviewing stock values ✓ ● Liaising with purchasers ✓ ● Completing any sales of stock on site ✓
Plant, Machinery & Vehicles	<ul style="list-style-type: none"> ● Liaising with valuers, auctioneers and interested parties □ ● Reviewing asset listings □ ● Maintaining records of progress made and funds received for file □
Other assets	<ul style="list-style-type: none"> ● Reviewing Company's affairs to understand if there could be any realisations from other assets ✓ ● Recovery of business rate refunds and other sundry debts such as car tax refunds and metal recycling □ ● Instructing CAPA to undertake review to assess whether any further refunds could be due in respect of business rates ✓
Retention of title claims	<ul style="list-style-type: none"> ● Arranging for the completion of retention of title claim forms ✓ ● Maintaining retention of title file □ ● Meeting claimants on site to identify goods ✓ ● Adjudicating retention of title claims ✓ ● Corresponding with claimants regarding outcome of adjudication □ ● Negotiating potential settlements and making payments to satisfy valid claims ✓
Intangible assets	<ul style="list-style-type: none"> ● Carrying out tasks associated with realising the Company's intellectual property with Hilco's assistance ✓
Insurance	<ul style="list-style-type: none"> ● Identifying potential issues requiring attention of insurance specialists ✓ ● Reviewing insurance policies ✓ ● Corresponding with insurers regarding initial and ongoing insurance requirements □
Third party assets	<ul style="list-style-type: none"> ● Reviewing leasing documents ✓ ● Liaising with owners/lessors □
Creditors Estimate: 405 hours £125k Incurred to date: 189 hours £54k	Creditor enquiries <ul style="list-style-type: none"> ● Setting up a dedicated website for delivery of initial and ongoing communications and reports ✓ ● Receiving and following up creditor enquiries via telephone, email and post □ ● Reviewing and preparing correspondence to creditors and their representatives □ ● Receiving and filing proofs of debt □
Preferential claims	<ul style="list-style-type: none"> ● Corresponding with employees regarding dividend □ ● Preparing, issuing employee preferential claim agreement forms ✓ ● Receiving and filing employee preferential claim agreement forms □ ● Corresponding with the RPS regarding proof of debt □ ● Calculating dividend rate and preparing dividend file □

		<ul style="list-style-type: none"> Advertising dividend notice <input type="checkbox"/> Preparing and paying distribution <input type="checkbox"/> Ensuring PAYE/NIC on distributions is deducted and remitted to HMRC <input type="checkbox"/>
	Unsecured claims	<ul style="list-style-type: none"> Dealing with proofs of debt for dividend purposes <input type="checkbox"/> Preparing correspondence to potential creditors inviting lodgment of proof of debt <input type="checkbox"/> Receiving proofs of debt and maintaining register <input type="checkbox"/> Adjudicating claims, including requesting further information from claimants <input type="checkbox"/> Preparing correspondence to claimant advising outcome of adjudication and advising of intention to declare dividend <input type="checkbox"/> Advertising intention to declare dividend <input type="checkbox"/> Calculating dividend rate and preparing dividend file <input type="checkbox"/> Preparing correspondence to creditors announcing declaration of dividend <input type="checkbox"/> Preparing and paying distribution <input type="checkbox"/>
	Shareholder enquiries	<ul style="list-style-type: none"> Responding to any shareholder queries <input type="checkbox"/>
Employees and pensions Estimate: 658 hours £216k Incurred to date: 519 hours £192k	Communications with employees	<ul style="list-style-type: none"> Setting up a dedicated employee query mailbox and telephone line ✓ Maintenance of employee query mailbox <input type="checkbox"/> Drafting, issuing and delivering initial communications and announcements ✓ Preparing letters to employees advising of their entitlements and options available ✓ Receiving and following up employee enquiries via telephone, post and email <input type="checkbox"/>
	Payroll	<ul style="list-style-type: none"> Reviewing employee files and company's books and records ✓ Reviewing awards and payroll structure ✓ Liaising with the Company's pre appointment payroll provider. Reviewing and paying periodic payroll <input type="checkbox"/> Deducting and paying over PAYE/NIC to HMRC and other deductions to relevant agencies and third parties <input type="checkbox"/>
	Redundancy related work	<ul style="list-style-type: none"> Commencing / continuing a consultation process ✓ Selecting and making redundancies as per the Company's requirements <input type="checkbox"/> Liaising with the RPS and external agencies <input type="checkbox"/>
	Other employee matters	<ul style="list-style-type: none"> Undertaking work relating to the furlough of staff during the COVID19 lockdowns, upon government advice <input type="checkbox"/> Assessment of any health & safety matters affecting employees <input type="checkbox"/>
	Pensions	<ul style="list-style-type: none"> Reviewing insurance policies ✓ Issuing statutory notices ✓ Dealing with general pension scheme issues and the Pension Protection Fund <input type="checkbox"/> Calculating contributions and requesting payments to the relevant scheme or policy <input type="checkbox"/>
Investigations Estimate: 17 hours	Conducting investigations	<ul style="list-style-type: none"> Collecting the Company's books and records where related to investigatory work and reviewing where appropriate ✓

£5k Incurred to date: 17.45 hours £5k		<ul style="list-style-type: none"> • Preparing investigation file and lodging findings with the Department for Business, Innovation and Skills ✓
Secured creditors Estimate: 129 hours £41k Incurred to date: 62 hours £18k	Secured creditors	<ul style="list-style-type: none"> • Notifying secured creditors of appointment ✓ • Preparing regular reports to the secured creditors □ • Responding to secured creditors' queries □ • Making distributions in accordance with security entitlements □
Statutory and compliance Estimate: 969 hours £332k Incurred to date: 811 hours £310k	Initial letters and notifications	<ul style="list-style-type: none"> • Preparing and issuing all necessary initial letters and notices regarding the administration and our appointment ✓ • Ensuring all notices and certificates of delivery are saved on the file ✓
	Remuneration report	<ul style="list-style-type: none"> • Collating a detailed case budget, consulting with specialist teams within PwC to ensure its accuracy ✓ • Preparing and circulating to creditors a report giving details of the work we expect to carry out during the case, our fees estimate and the expenses that are likely to be incurred. □
	Case reviews	<ul style="list-style-type: none"> • Conducting case reviews after the first month, then every six months □
	Proposals	<ul style="list-style-type: none"> • Drafting and reviewing a statement of proposals to creditors including preparing receipts and payments accounts and statutory information. ✓ • Circulating notice of the proposals to creditors, members and the Registrar of Companies. ✓
	Progress reports and extensions	<ul style="list-style-type: none"> • Preparing and issuing periodic progress reports to creditors and the Registrar □ • Making applications to creditors or court for the extension of the administration and filing relevant notices □
	Other meetings / resolutions	<ul style="list-style-type: none"> • Preparing documents and information for the purpose of obtaining approval to fees, Category 2 disbursements and other matters in the administration ✓ • Issuing notices and associated documentation for seeking decisions of creditors □
	Books and records	<ul style="list-style-type: none"> • Collecting the Company's books and records where not related to investigatory work ✓ • Dealing with records in storage □ • Sending job files to storage □
	Health & Safety	<ul style="list-style-type: none"> • Regular calls with the key staff on site to check on progress and understand any potential Health and Safety risks □ • Fortnightly attendance on the Company's site to check on status of work on all three of the Company's sites □ • Liaising with the appropriate authority to arrange a surrender of the environmental permit □ • Attendance at Construction (Design and Management) Regulations meetings ✓

	<p>Closure & other statutory and compliance</p>	<ul style="list-style-type: none"> ● Withdrawing undertakings not relating to trading and obtaining clearances from third parties <input type="checkbox"/> ● Preparing and issuing final account to the creditors of the Company <input type="checkbox"/> ● Completing checklists and diary management system <input type="checkbox"/> ● Closing down internal systems <input type="checkbox"/> ● Filing the final return and account with the Registrar prior to the dissolution of the Company <input type="checkbox"/> ● Filing of documents <input type="checkbox"/> ● Updating checklists and diary management system <input type="checkbox"/>
<p>Strategy & planning Estimate: 722 hours £289k</p> <p>Incurred to date: 380 hours £170k</p>	<p>Strategy & planning</p>	<ul style="list-style-type: none"> ● Completing tasks relating to job acceptance ✓ ● Preparing fee budgets & monitoring cost <input type="checkbox"/> ● Holding team meetings not relating to trading and discussions regarding status of administration <input type="checkbox"/> ● General case strategy work, progression and review <input type="checkbox"/>
<p>Tax & VAT Estimate: 308 hours £127k</p> <p>Incurred to date: 190 hours £109k</p>	<p>Tax</p>	<ul style="list-style-type: none"> ● Gathering information for the initial tax review ✓ ● Carrying out tax review and subsequent enquiries ✓ ● Liaising with specialist internal tax team in respect of complex property sale tax considerations <input type="checkbox"/> ● Preparing tax computations <input type="checkbox"/> ● Liaising with HMRC <input type="checkbox"/>
	<p>VAT</p>	<ul style="list-style-type: none"> ● Gathering information for the initial VAT review ✓ ● Carrying out VAT review and subsequent enquiries ✓ ● Preparation and submission of the Company's pre appointment VAT return ✓ ● Preparing and submitting monthly then quarterly VAT returns <input type="checkbox"/> ● Liaising with HMRC <input type="checkbox"/> ● Undertake a review of any additional realisations, including the possibility of a bad debt relief claim <input type="checkbox"/>
<p>Trading Estimate: 156 hours £64k</p> <p>Incurred to date: 156 hours £64k</p>	<p>Trading management</p>	<ul style="list-style-type: none"> ● Liaising with suppliers ✓ ● Liaising with management and staff ✓ ● Attending on site ✓ ● Authorising purchase orders and other commitments ✓ ● Maintaining purchase order registry ✓ ● Preparing and authorising receipt and payment vouchers ✓ ● Reviewing company's budgets and financial statements ✓ ● Entering receipts and payments into the accounting system. ✓

Included in the above table are tasks that we must perform that may not directly benefit creditors financially. These typically relate to fulfilling obligations imposed by statute or regulatory bodies. Other workstreams such as asset realisations, dealing with creditor claims and paying dividends provide a financial benefit to creditors.

3.3 Our time charging policy and hourly rates

The time we charge to the administration is by reference to the time properly given by our staff and us in attending to matters arising in the case.

It is our policy to delegate tasks to appropriate members of staff considering their level of experience and any requisite specialist knowledge, supervised accordingly, so as to maximise the cost effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by senior staff or the joint administrators personally.

Set out below are the relevant maximum charge-out rates per hour worked for the grades of staff actually, or likely to be involved on this assignment.

All staff who work on this assignment (including cashiers, support and secretarial staff) charge time directly to the assignment and are included within any analysis of time charged. Time is charged by reference to actual work carried out on the assignment in six minute units. The minimum time charged is three minutes (i.e. 0.05 hours). There has been/will be no allocation of any general costs or overhead costs. These rates will apply to each part of our work. Specialist departments with our firm, such as Tax, VAT, Property and Pensions are also used where their expert advice and services are required. Such specialist rates do vary but the figures below provide an indication of the maximum rate per hour.

Table 4 – Charge-out rates

Up to 30 June 2020 Grade	Maximum rate per hour (£)	Specialist maximum rate per hour (£)
Partner	690	1,520
Director	595	1,465
Senior Manager	515	1,290
Manager	405	775
Senior Associate	310	575
Associate	210	305
Support staff	120	250

With effect from 1 July 2020 Grade	Maximum rate per hour (£)	Specialist maximum rate per hour (£)
Partner	850	1,600
Director	720	1,465
Senior Manager	585	1,355
Manager	775	815
Senior Associate	575	605
Associate	305	325
Support staff	205	250
Offshore professionals	210	245

In common with all professional firms, hourly rates increase from time to time over the period of the administration (for example to cover annual inflationary cost increases). Any material amendments to these rates will be advised to the fee approving body when seeking fee approval, and to creditors in our next statutory report.

3.4 Further approval

Creditors should be assured that the provision of a fees estimate will not affect the proper conduct of the administration. If the necessary work exceeds (or is likely to exceed) that included in the fees estimate, we can seek consent, usually from the fee approving body, for our fees to exceed the fees estimate.

Our fees estimate is based on a number of assumptions, which are explained in Section 5. In broad terms and in our experience, the key issues likely to affect the level of costs are:

- Continuity of key staff;
- Level of interest in the assets and speed of any sale;
- Support from external stakeholders, eg. suppliers; and
- Any changes to our strategy that might be necessary as a result of the above.

In our periodic progress reports, we will keep creditors updated on how our fees are comparing to the fees estimate. If fees are likely to exceed this fees estimate we will need further approval to draw those fees. However, at this stage we do not think it will be necessary to seek further fee approval.

4. Expenses

4.1 What is an expense?

Expenses are defined in SIP9 as amounts properly payable by the office holder from the estate which are not office holders' remuneration or a distribution to creditors. These include disbursements, which are expenses met by and reimbursed to an office holder in connection with an insolvency appointment. They fall into two categories: Category 1 and Category 2:

Disbursement	SIP9 definition
Category 1	Payments to independent third parties where there is specific expenditure directly referable to the appointment in question.
Category 2	Costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that may be incurred by the office holder or their firm, and that can be allocated to the appointment on a proper and reasonable basis.

Our firm's disbursements policy allows for all properly incurred expenses to be recharged to the case. We don't need approval from creditors to draw Category 1 disbursements as these have all been provided by third parties, but we do need approval to draw Category 2 disbursements as these are for services provided by our firm.

The body of creditors who approve our fees also have responsibility for agreeing the policies for the payment of Category 2 disbursements, which in this case are shown in the table below.

The following disbursements arose in the period since the beginning of the administration to 27 November 2020.

Category	Policy	Costs incurred £
2	Photocopying – At 10 pence per sheet copied, only charged for circulars to creditors and other bulk copying.	1,669
2	Mileage – At a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc)	5,419
1	Travel & subsistence	5,011
1	Postage	1,999
1	Records storage & collection	3,592
1	Specific Bond	225
Total		17,915

4.2 Our expenses estimate

The following table shows expenses incurred to date and an estimate of further expenses we consider will be (or are likely to be) incurred.

The total expenses estimate for the case is uncertain. The estimate includes an initial indication of the potential tax liabilities that may be payable in respect of the property sales however the final amount due will depend on the position at the end of the tax accounting period. The table should be read in conjunction with the receipts and payments account in our second progress report, which shows expenses actually paid during the period and the total paid to date.

Our expenses estimate includes pre-administration costs that would, if approved, be payable as an expense of the administration and which are explained in more detail separately in the proposals. Whilst pre-administration costs are subject to approval in the same manner as our remuneration, they do not form part of our remuneration in relation to our work as joint administrators following our appointment.

Nature of expenses	Total expenses incurred to date (£)	Estimate of future expenses (£)	Total expenses (£)
Consultancy Fees	19,190	420	19,610
Agents' fees and expenses IP costs	2,500	-	2,500
Agents' fees and expenses	30,625	Uncertain	Uncertain
Property expenses	10,175	-	10,175
Professional fees	2,962	250	3,212
Decommission & maintenance	48,468	37,414	85,882
Insurance	23,928	15,000	38,928
Legal fees and expenses (Note 1)	124,249	Uncertain	Uncertain
Office holders' fees (Note 2)	1,479,602	353,763	1,833,365
Office holders' disbursements	17,915	5,000	22,915
Pre-administration fees	6,250	-	6,250
Pre-administration expenses	75,127	-	75,127
Security costs	313,595	158,350	471,945
Statutory advertising	77	83	160
Petty cash	1,000	-	1,000
Storage costs	2,985	-	2,985
Fuel, Utilities, IT & Telephone (Note 3)	331,555	503,227	834,782
Other property costs	-	24,000	24,000
Lease/Hire/HP Payments	5,088	-	5,088
Irrecoverable VAT (Note 4)	3,838	Uncertain	Uncertain
Tax liability	-	261,440	261,440
Mail redirection costs	313	-	313
Wages & PAYE/NI/Pension Deductions	521,683	89,310	610,993
General Provision	-	20,000	20,000
Total expenses	3,021,125	Uncertain	Uncertain

Notes

- 1) We are currently liaising with DLA regarding the structure of their future fees and we will provide details on this in our next report.
- 2) The basis of the Administrators' remuneration is yet to be agreed by secured and preferential creditors. For information, we have provided an estimate based on time costs. Please note that this represents the estimated costs of what we will incur as opposed to what we are seeking approval for from the relevant creditors.
- 3) The future estimate for Fuel, Utilities, IT & Telephone includes a provision for the holding period of 3 years which we have assumed given the specialist nature of the property, uncertain buyer appetite post COVID and in order to reflect a prudent position.
- 4) As the properties are not currently Opted To Tax, there are certain costs for which we are unable to recover the VAT. We are in the process of reconciling the Irrecoverable VAT position and updating our R&P. This will be an expense of the administration. We are exploring the option of Opting to Tax the Main Site therefore allowing the recovery of costs associated directly to this site.

5. Professionals and subcontractors

The following table gives details of the professionals and subcontractors used in this administration.

Table 6 – Professionals and subcontractors

Service provided	Name of firm / organisation	Reason selected	Basis of fees
Legal services, including: Appointment related matters; Advice on ROT claims; and Sale of business contracts.	DLA Piper	Expertise	Time costs
Chattel agents and valuers	Hilco	Expertise	% of asset realisations
Rates refund collection	CAPA	Expertise/cost	% of asset realisations
Property valuation and sale agents	JLL	Expertise	Fixed fee plus % of asset realisations
Payroll services	Hazelwoods	Expertise/cost and prior involvement	Fixed fee
Consultancy services	Faenol Services	Prior involvement and company specific knowledge	Hourly cost
Property marketing agent	SJC	Expertise and industry sector knowledge	Fixed fee
Property management advisory	PHD	Specialist property management advisors regarding the management of utility bills.	Fixed fee

We require all third party professionals to submit time costs analyses and narrative or a schedule of realisations achieved, dependent on their fee basis, in support of invoices rendered. All invoices are reviewed before being approved for payment. We are satisfied that the level of legal and professional costs is appropriate.

6. Notes and assumptions

6.1 Fees estimate

- We have assumed the administration will last three years.
- Two extensions will be required to the statutory one year period of the administration. The first extension has already been approved by the appropriate classes of creditors (preferential and secured). The second extension will need to be approved by the Court.
- We have made reasonable assumptions regarding the extent of our future work, based on present information, status of the administration and expectation on the level of cooperation from third parties.
- We have assumed that our hourly charge out rates will increase by up to 5% per year, with increases likely to happen on 1 July.
- We have assumed that no further time is spent on investigatory work.

6.2 Expenses

- We have assumed that it may take up to two years to sell the site at the Main Dairy in Minera. Therefore, the expense estimate reflects a maximum holding period of 2 years; and
- With the exception of the property sales we have assumed that there are no other matters that will require any further significant legal or professional help in the administration.

6.3 Business relationships

We have no business or personal relationships with parties responsible for approving remuneration or who provide services to us in respect of the appointment, where the relationship could give rise to a conflict of interest.

6.4 Associates

The joint administrators have no business or personal relationships with parties responsible for approving remuneration or who provide services to the joint administrators in respect of the appointment where the relationship could give rise to a conflict of interest.

7. Notice to preferential creditors seeking decisions by correspondence & voting form

Notice to preferential creditors seeking decisions by correspondence

In accordance with rules 3.54 and 15.8 of the Insolvency (England and Wales) Rules 2016

Name of Company Tomlinson's Dairies Limited	Company Number 03882919
In the High Court of Justice, Business and Property Courts in Manchester, Insolvency and Companies List (ChD) (full name of court)	Court case number 1046 of 2019

(a) Insert full names of administrators

We (a) Michael Denny and Peter Dickens, the joint administrators of the company give notice to preferential creditors that we are seeking a decision by correspondence on the following resolutions (b)

(b) Insert resolutions

1. THAT in relation to the pre-administration costs details at Appendix A of the administrators' proposals dated 4 December 2019, £81,427 plus VAT is approved for payment as an expense of the administration (split £75k legal fees & expenses and £6k fees for administrators- in- waiting).
2. THAT the joint administrators be authorised to draw remuneration by reference to the time properly give by the administrators and the various grades of their staff according to their firm's usual charge out rates for work of this nature and that the administrators be authorised to draw such fees from time to time.
3. THAT the joint administrators be authorised to draw disbursements from time to time for services provided by their own firm (Category 2 disbursements) as follows:
 - Photocopying- charged for circulars to creditors and other bulk copying only at 10p per sheet;
 - Mileage- at a maximum of 71p per mile (up to 2,000 cc) or 93p per mile (over 2,000cc).These rates may periodically rise (for example to cover annual inflationary cost increases) over the period of the administration. All other disbursements to be charged at cost.
4. THAT the joint administrators be discharged from liability in respect of any action of theirs as administrators when their appointment as administrators ceases to have effect.

(c) Insert date

We therefore invite you to vote on the above. To submit your vote please indicate below whether you are voting for or against each resolution and whether or not you want a committee to be established and return this notice to us by post at the address below, to be received by us by 23.59 hrs on (c) **22 January 2021** (the decision date).

In order to be entitled to vote we must receive from you by 23.59 hrs on the decision date, a proof in respect of your claim in accordance with the Insolvency (England and Wales) Rules 2016 (IR16), failing which your vote will be disregarded. A proof of debt form which you can use is available at www.pwc.co.uk/tomlinsonsdairies.

If your debt is treated as a small debt in accordance with rule 14.31(1) IR16 (creditors with claims of £1,000 or less), you must still deliver a proof to us by 23.59 hrs on the decision date if you wish to vote.

If you have opted out from receiving notices you may nevertheless vote if you provide a proof as set out above.

Creditors who meet one of the thresholds in section 246ZE of the Insolvency Act 1986 may, within five business days from the date of delivery of this notice, require a physical meeting to be held to consider the matter(s) set out above. The relevant thresholds are 10% in value of creditors, 10% in number of creditors, or 10 creditors.

A creditor may appeal a decision in accordance with rule 15.35 IR16 by applying to court not later than 21 days after the decision date.



Peter Dickens
Joint administrator

22 December 2020

Address for correspondence

Administrators' postal address: PwC LLP, Central Square, 29 Wellington Street, Leeds, LS1 4DL

Administrators' contact telephone number: 0113 289 4742

In accordance with rule 15.9 of the Insolvency (England and Wales) Rules 2016

Name of Company Tomlinson's Dairies Limited	Company Number 03882919
In the High Court of Justice, Business and Property Courts in Manchester, Insolvency and Companies List (ChD) (full name of court)	Court case number 1046 of 2019

To be completed by creditor and returned to the postal address above if you wish to vote

Insert creditor's name and address, and registered number if a company

I/We

Company number (if creditor is a company) _____

of _____

vote as follows:

	Delete as applicable *
<p>Resolution (1) THAT in relation to the pre-administration costs details at Appendix A of the administrators' proposals dated 4 December 2019, £81,427 plus VAT is approved for payment as an expense of the administration (split £75k legal fees & expenses and £6k fees for administrators- in- waiting).</p>	* for / against
<p>Resolution (2) THAT the joint administrators be authorised to draw remuneration by reference to the time properly give by the administrators and the various grades of their staff according to their firm's usual charge out rates for work of this nature and that the administrators be authorised to draw such fees from time to time.</p>	* for / against
<p>Resolution (3) THAT the joint administrators be authorised to draw disbursements from time to time for services provided by their own firm (Category 2 disbursements) as follows:</p> <ul style="list-style-type: none"> • <i>Photocopying- charged for circulars to creditors and other bulk copying only at 10p per sheet;</i> • <i>Mileage- at a maximum of 71p per mile (up to 2,000 cc) or 93p per mile (over 2,000cc).</i> <p>These rates may periodically rise (for example to cover annual inflationary cost increases) over the period of the administration. All other disbursements to be charged at cost.</p>	* for / against

Resolution (4) THAT the joint administrators be discharged from liability in respect of any action of theirs as administrators when their appointment as administrators ceases to have effect.	* for / against

I/we enclose my/our proof of debt (if not previously submitted).

Signature of creditor or person authorised to act on behalf of the creditor:

Name in block capitals:

Position with or relation to the creditor (e.g. director, company secretary, solicitor):

Date: _____