

Joint administrators' progress report from 14 October 2020 to 13 April 2021

Tomlinsons Dairies Limited
(in administration)

High Court of Justice, Business and Property Courts in
Manchester, Insolvency and Companies List (ChD)

Case no. 1046 of 2019

12 May 2021

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Abbreviations and definitions

The following table shows the abbreviations and insolvency terms that may be used in 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
Hilton Baird	Hilton-Baird Group
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	Peter Dickens and Alison Grant
Minera	Main Site, Five Crosses, Minera, Wales
Old Road	Minera Farm, Old Road, Bottling Site, Wales
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
SEJ	SEJ Assets Limited
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 2	Statement of Insolvency Practice 2: Investigations by office holders in administrations and insolvent liquidations and the submission of conduct reports by office holders
SIP 9	Statement of Insolvency Practice 9: Payments to insolvency office holders and their associates
SoA	Directors' Statement of Affairs dated 14 November 2019
the lenders/secured creditors	HSBC and FWI
Units 10 & 11	Units 10 & 11 Vauxhall Industrial Estate, Ruabon, Wales
unsecured creditors	creditors who are neither secured nor preferential

This report has been prepared by Peter Dickens and Alison Grant as Joint Administrators of the Company, solely to comply with the Joint Administrators' statutory duty to report to creditors under IR16 on the progress of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This report has not been prepared in contemplation of it being used, and it is not suitable to be used, to inform any investment decision in relation to the debt of or any financial investment in the Company.

Any estimated outcomes for creditors included in this report are illustrative only and cannot be relied upon as guidance as to the actual outcome for creditors.

Any persons choosing to rely on this report for any purpose or in any context other than under IR16 do so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any liability in respect of this report to any such person.

Please note you should read this report in conjunction with the Joint Administrators' previous reports issued to the Company's creditors, which can be found at <https://www.pwc.co.uk/tomlinsonsdairies>. Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

Peter Dickens and Alison Grant have been appointed as Joint Administrators of the Company 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.

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Key messages

Why we've sent you this report

We are writing to update you on the progress of the administration of the Company in the six months since our last report dated 10 November 2020.

You can view our earlier reports on our website at www.pwc.co.uk/tomlinsonsdairies. Please contact Alex La Dell at uk_creditors_tomlinsons@pwc.com if you need the password to access the reports.

How much creditors may receive

The following table summarises the possible outcome for creditors, based on what we currently know.

Class of creditor	Current estimate (p in £)	Previous estimate (p in £)
Secured creditors		
HSBC	42-46	42-46
FWI	Nil	Nil
Preferential creditors	100	100
Unsecured creditors	Up to 3	Up to 3

At the date of our appointment HSBC, the first ranking secured creditor, was owed £15.5m (including amounts owed to HSBCIF and HSBCEF) under fixed and floating charge debentures granted by the Company.

FWI, the second ranking secured creditor, was owed £1.8m under a fixed and floating charge debenture granted by the Company.

Based on information currently available we do not anticipate that the secured creditors will be fully repaid. We estimate that HSBC's debt will not be settled in full, and as such due to the order of priority between charge holders, FWI is not expected to recover any of its debt.

Since appointment, we have made distributions totalling £775k to HSBCEF, following the sale of the plant and machinery subject to its security and £407k to HSBC Bank plc in relation to property realisations. In addition, HSBCIF recovered book debts totalling c £2.1m, enabling the amount due to them to be settled in full. This brings total repayments to the secured creditor to date to £2.64m.

Preferential creditors

Immediately following our appointment, it was necessary to make 247 of the 331 staff redundant. Further redundancies have subsequently been made in stages and six employees were retained for a longer period in order to assist the administrators. These employees were made redundant in the period covered by this report and the Company no longer has any employees.

As HSBC funded the payment of all arrears of wages for the employees, it has a subrogated claim in respect of those arrears up to the statutory limits. The employees will still have preferential claims in relation to their holiday pay and unpaid pension contributions entitlements.

The total preferential claims are currently estimated at £342k as per the table below. Based on the information currently available, we believe these will be paid in full. We detail below a breakdown of the current preferential claims position. There has been little change in respect of preferential claims since our previous report as all claims received to date have been adjudicated. The remaining outstanding claims will be chased when we are in a position to issue our notice of intended dividend.

If you have not already, please return your statement of claim to us as soon as possible so we can adjudicate claims.

	Total Admitted	Agreed Nil	To be adjudicated	RPS Claim	HSBC Bank Subrogated claim	Total
Qty	89	47	196	1	1	334
Pref received (£)	-	-	55,263.14	62,760.55	-	118,024.00
Pref admitted (£)	39,454.16	-	-	-	184,724.33	224,178.00
Total						342,202.00

Unsecured creditors

We stated in our Proposals that we believed that there would be insufficient funds to distribute to the unsecured creditors other than by virtue of the prescribed part. The prescribed part fund is subject to a cap of £600k and we currently believe in this case that the prescribed part funds available to unsecured creditors are likely to be in the region of between Nil to £400k, depending on the final level of net floating charge realisations.

Based on the directors' Statement of Affairs, the Company's unsecured creditors were owed £11.9m and the estimated funds available from the prescribed part of up to £400k. The return to unsecured creditors is therefore currently estimated at up to 3p/£. The final level of dividend paid will depend on the level of realisations, costs in the administration and the total creditor claims received.

This is a brief summary of the possible outcome for creditors based on current estimates. It should not be used as the main basis of any bad debt provision or debt trading. Please read the rest of this document.

What you need to do

If you haven't already done so, please send your claim to us so that this can be adjudicated. A claim form can be downloaded from our website at www.pwc.co.uk/tomlinsonsdairies

We may decide that some or all creditors who are owed £1,000 or less by the Company won't be required to submit a proof of debt in order to receive the anticipated dividend payment.

A creditor who we decide is not required to submit a proof of debt will be notified when we deliver notice of our intention to pay a dividend of the amount that will be treated as their admitted debt for the purpose of the dividend, unless the creditor advises us that the amount is incorrect (in which case a proof of debt will be required) or not owed.

Please note that should you wish to vote in relation to any decision procedure during the administration (or any subsequent liquidation), or object to a decision sought by deemed consent, you will need to submit a proof of debt, even if one is not required for dividend purposes.

Overview of what we've done to date

For details of the work we have done to date, please refer to the Proposals and our previous progress reports, which can be found on our case website: www.pwc.co.uk/tomlinsonsdairies. If you would prefer a hard copy of any of the reports, please contact Alex La Dell by email at uk_creditors_tomlinsons@pwc.com.

When we last reported, the key outstanding matters in the administration were as follows:

- Progressing asset realisations in respect of the freehold properties and plant & machinery;
- Paying future distributions to HSBC;
- Agreeing preferential claims and preparing for and issuing the preferential creditor dividend;
- Agreeing the unsecured creditors claims and preparing and issuing the prescribed part distribution to unsecured creditors;
- Concluding statutory matters including tax and VAT matters on the case; and
- Winding down and ultimate dissolution of the Company.

This report provides an update on these key outstanding matters.

Progress since we last reported

Plant & Machinery

As per our previous report, the majority of the decommissioning and removal of the plant and machinery at the Company's main trading site at Minera has been completed. The remaining six employees (who were retained to assist with the site decommission) have now been made redundant. We have retained the services of a former employee on a consultancy basis to assist with the remaining decommissioning and removal of the remaining plant and machinery once the sales of these items have been completed.

Hilco was instructed to manage the sale of the Company's plant and machinery on behalf of the administrators. To date, a total of £781k has been realised in respect of unencumbered assets, of which £279k was received in the period of this report.

Sales of assets subject to HSBCEF's security total £1.29m, of which £251k was received in the period of this report.

Assets sales have been impeded by the recent lockdown restrictions, both on a national and global scale. Consequently, there remains a small number of assets which are yet to be realised, which includes refrigeration units and a large filling line at Minera.

A proportion of the refrigeration units are anticipated to form part of the sale of the Minera property (see the detail below). Hilco continued to actively market the remaining assets, which were placed into an online auction. The end date for the auction has very recently passed and we are awaiting the final outcome of this auction.

Property matters

JLL was engaged to sell the Company's freehold properties, the progress of which is detailed below.

Units 10 & 11 Vauxhall Industrial Estate, Ruabon, Wales ('Units 10 & 11')

The Company held a freehold interest in units 10 & 11. As per our previous report, a sale of this property was completed on 1 October 2020 for a total consideration of £1,115,000. This amount forms part of the £1.345m that can be seen on the receipts and payments account.

Minera Farm, Old Road, Bottling Site, Wales ('Old Road')

The Company held a freehold interest in the site at Old Road. At the time of our previous report, we had remarketed the property after the initial offer received failed to progress. I am pleased to confirm that we completed a sale of this property on 18 February 2021 for £230,000 (this amount forms part of the £1.345m which is shown on the receipts and payments account).

Main Site, Five Crosses, Minera, Wales ('Minera')

The Company holds a freehold interest in a site at Minera. At the time of our previous report, we had received and accepted an offer from one interested party via our agent, JLL. During the period of this report, protracted negotiations have taken place with a view to progressing the sale. However, during negotiations it became apparent that, despite best efforts, it would not be possible to reach a consensus with the prospective purchaser as to the terms of the sale. This ultimately resulted in the prospective purchaser withdrawing its offer for the property.

JLL continued to market the property and a second offer was received. We have accepted the offer from the second party and expect the sale of the property will be completed within the next couple of months. We will update you on this matter in our next report.

Debtors

As previously advised, at the date of our appointment, HSBCIF was owed £2.1m plus interest & costs. Hilton Baird were the collection agents instructed to collect these debts on their behalf. To date, the sum of £2.2m has been collected in respect of HSBCIF debtors, repaying them in full including interest and charges, and the ledger has been formally reassigned to the Company.

During the period of this report, a total of £33k has been received in respect of debtors subject to the Bank's floating charge. In addition, a settlement has recently been reached with one of the Company's debtors and the sum of £56.4k has been received in relation to this settlement. This amount will not show on the receipts and payments account as it was received after the period of this report.

In relation to the remaining debtor ledger, this includes c£130k due from insolvent companies (which is not considered collectible) and certain debts which are subject to ongoing disputes. Due to the commercial sensitivities and confidential nature around such disputed debts, we are unable to provide you with any update in relation to these debts at present.

Sundry debts & refunds

We have realised a total of c£30k in respect of sundry debts and refunds which consists of metal recycling receipts, DVLA car tax refunds and a business rates refund. Of this, £7.9k was realised in the period, relating to metal recycling receipts.

Connected party transactions

No assets of the administration have been disposed of to a director or other connected party.

Changes of administrator

Michael Denny, one of the previous joint administrators, has left the firm. To ensure that outstanding issues in the administration continue to be pursued, an application was made to the Court to remove Michael Denny and appoint Alison Grant as administrator. Alison 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 Alison Grant replaced Michael Denny as joint administrator with effect from 4 January 2021. The joint administrators arranged, as required by the Court order, to place an advert in the London Gazette, advertising that Michael Denny would be replaced by Alison Grant as joint Administrator of the Company. Michael Denny was released from all liability in respect of his conduct as administrator of the Company with effect from 28 days from the date of the advert. Creditors had 28 days from the publication of this advert to apply to Court to vary or discharge the Court order.

Investigations and actions

We have complied with our duties under the Company Directors' Disqualification Act 1986 and SIP2, and three months following our appointment we filed our submission to the Insolvency Service as required. The contents of that submission are confidential. Nothing has come to our attention during the period under review to suggest that we need to do any more work in line with our duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice No.2.

Our receipts and payments account

We set out in Appendix A an account of our receipts and payments in the administration from 14 October 2020 to 13 April 2021 and for the whole period of the administration.

Our expenses

We set out in Appendix B a statement of the expenses incurred to the date covered by this report and an estimate of our future expenses.

The statement excludes any potential tax liabilities that we may need to pay as an administration expense in due course because amounts due will depend on the position at the end of the tax accounting period.

Our fees

We set out in Appendix C an update on our remuneration which covers our fees, disbursements and other related matters in this case.

Pre-administration costs

You can find in Appendix D information regarding the approval of the unpaid pre-administration costs previously detailed in our proposals.

Creditors' rights

Creditors have the right to ask for more information within 21 days of receiving this report as set out in Rule 18.9 IR16. Any request must be in writing. Creditors can also challenge fees and expenses within eight weeks of receiving this report as set out in Rule 18.34. This information can also be found in the guide to fees at:

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

You can also get a copy free of charge by emailing alex.la.dell@pwc.com

What we still need to do

The following is a summary of the key areas of work which we need to complete before the administration can be concluded:

- Finalising asset realisations in respect of the remaining freehold property and plant & machinery;
- Finalising book debt realisations;
- Paying future distributions to HSBC and HSBCEF;
- Preparing for and issuing the preferential creditor dividend;
- Agreeing the unsecured creditors claims and preparing and issuing the prescribed part distribution to unsecured creditors;
- Concluding statutory matters including Tax and VAT matters on the case; and
- Winding down and ultimate dissolution of the Company.

Next steps

We expect to send our next report to creditors at the end of the administration or in about six months, whichever is the sooner.

If you've got any questions, please get in touch with Alex La Dell on 0113 289 4000.

Yours faithfully
For and on behalf of the Company



Alison Grant
Joint administrator

Appendix A: Receipts and payments

	14 October 2019 to 13 October 2020	14 October 2020 to 13 April 2021	Total to 13 April 2021
	£	£	£
FIXED CHARGE ACCOUNT			
Receipts			
Freehold Land & Property	-	1,345,000.00	1,345,000.00
Plant, Machinery and Vehicles	1,038,555.20	251,121.50	1,289,676.70
Intellectual Property	5,000.00	-	5,000.00
HSBCIF debtor receipts	-	2,277,709.57	2,277,709.57
Bank Interest Gross	-	1.33	1.33
Total Receipts	1,043,555.20	3,873,832.40	4,917,387.60
Payments			
Legal fees and disbursements	-	300.00	300.00
Agents fees and disbursements	2,500.00	21,093.90	23,593.90
Security	21,750.96	84,666.96	106,417.92
Utilities	-	443.83	443.83
Insurance	-	16,697.05	16,697.05
Property Expenses	10,175.00	8,172.66	18,347.66
Total Payments	34,425.96	131,374.40	165,800.36
Distributions			
HSBCIF	-	2,127,138.53	2,127,138.53
HSBC Bank Plc	-	407,459.00	407,459.00
HSBCEF	672,000.00	102,501.00	774,501.00
Total Distributions	672,000.00	2,637,098.53	3,309,098.53
VAT Control Account	(4,350.19)	(125,226.18)	(129,576.37)
Balance of funds held	332,787.99	980,133.29	1,312,912.34

	14 October 2019 to 13 October 2020 £	14 October 2020 to 13 April 2021 £	Total to 13 April 2021 £
FLOATING CHARGE ACCOUNT			
Receipts			
Sales	106,391.34	-	106,391.34
Plant & Machinery	501,831.48	278,848.89	780,680.37
Computers	745.83	-	745.83
Stock	37,952.00	-	37,952.00
Debtors	-	33,151.89	33,151.89
Pre-Appointment VAT refund	514,662.46	-	514,662.46
Sundry debts & refunds	22,846.65	7,867.12	30,713.77
Third Party Funds	1,777.03	-	1,777.03
Cash in hand	707.94	-	707.94
Insurance settlement	3,695.00	-	3,695.00
Contribution to legal costs	540.00	-	540.00
Bank Interest Gross	476.28	8.94	485.22
Total receipts	1,191,626.01	319,876.84	1,511,502.85
Payments			
Agents Fees and Expenses	13,900.00	-	13,900.00
Professional Fees	2,961.30	292.35	3,253.65
Legal Fees and Expenses	40,857.37	-	40,857.37
Debt collection fees	-	137,090.92	137,090.92
Insurance	23,928.49	-	23,928.49
Consultancy fees	19,190.14	-	19,190.14
Security	291,843.65	4,350.19	296,193.84
Fuel, Utilities, IT & Telephone	163,104.90	4,803.40	167,908.30
Lease/Hire/HP Payments	5,088.45	-	5,088.45
Decommission and maintenance	48,467.94	7,770.94	56,238.88
Wages & PAYE/NI/Pension Deductions	521,683.49	70,071.94	591,755.43
Employee expenses	232.34	150.27	382.61
Statutory advertising	77.00	-	77.00
Storage costs	2,984.75	-	2,984.75
Mail redirection cost	313.00	-	313.00
Irrecoverable VAT	3,838.04	-	3,838.04
Third party funds	-	15,650.75	15,650.75
Petty Cash	1,000.00	-	1,000.00
Total payments	1,139,470.86	240,180.76	1,379,651.62
VAT Control Account	(20,486.21)	165,977.89	145,491.68
Balance of funds held	31,668.94	245,673.97	277,342.91

Notes

1. All amounts shown exclude VAT unless otherwise stated. The VAT control accounts represent the amount payable / receivable at the period end.
2. The SoA did not include any figures for the estimated to realisable values of the assets as such no comparison to the SoA figures are shown on the receipts and payments account.
3. An exercise to re-allocate the costs incurred between the fixed and floating realisations will be required in due course.
4. The final irrecoverable VAT position will depend on the Option to Tax status of the Minera property.
5. Funds are held in interest bearing accounts

Appendix B: Expenses

The following table provides details of our expenses. Expenses are amounts properly payable by us as administrators from the estate and includes our fees, but excludes distributions to creditors. The table also excludes any potential tax liabilities that we may need to pay as an administration expense because amounts becoming 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 at Appendix A, which shows expenses actually paid during the period and the total paid to date.

Nature of expenses	Brought forward from 13 October 2020 (£)	Incurred during period (£)	Total expenses incurred to 13 April 2021 (£)	Estimate of future expenses (£)	Total expenses (£)	Initial estimate (£)	variance (£)
Consultancy Fees	19,190	0	19,190	0	19,190	19610	-420
Agents' fees and expenses	2500	21,094	23,594	-	23,594	2500	21,094
Agents' fees and expenses	30,625	20,375	51,000	106,000	157,000	Uncertain	Uncertain
Property expenses	10,175	8173	18,348	3,000	21,348	10,175	11,173
Professional fees	2,962	292	3,254	0	3,254	3,212	42
Decommission & maintenance	48,468	12,571	61,039	32,500	93,539	85,882	7,657
Insurance	23,928	16,697	40,625	0	40,625	38,928	1,697
Legal fees and expenses	124,249	67,000	191,249	24000	215,249	Uncertain	Uncertain
Office holders' fees	1,364,844	439,952	1,804,796	282,053	2,086,849	1,833,365	253,484
Office holders' disbursements	17,588	2,692	20,280	5,000	25,280	22,915	2,365
Pre-administration costs	81,427	-	81,427	-	81,427	81,427	0
Security costs	313,595	101,098	414,693	48,000	462,693	471,945	-9,252
Statutory advertising	77	-	77	166	243	180	63
Petty cash	1,000	-	1,000	-	1,000	1,000	0
Storage costs	2,985	-	2,985	-	2,985	2,985	0
Fuel, Utilities, IT & Telephone (Note 1)	331,555	148,272	479,827	98,848	578,675	834,782	-256,107
Other property costs	0	-	0	24,000	24,000	24,000	0
Lease/Hire/HP Payments	5,088	-	5,088	-	5,088	5,088	0
Irrecoverable VAT (Note 2)	3838	0	3,838	Uncertain	3,838	Uncertain	Uncertain
Tax liability	0	-	0	261,440	261,440	261,440	0
Mail redirection costs	313	-	313	-	313	313	0
Wages & PAYE/NI/Pension Deductions	521,683	70,072	591,755	0	591,755	610,993	-19,238
Total expenses	2,932,133	908,288	3,814,378	Uncertain	4,699,385	Uncertain	Uncertain

Our initial total expenses estimate was uncertain, but we anticipate that there will be certain categories of expenses that will exceed the original estimate. This is due in large part to the Covid-19 pandemic and lockdown restrictions which impacted asset realisations and resulted in additional fees and expenses.

The sale of the Minera property became protracted and necessitated lengthy negotiations with the prospective purchaser. This sale ultimately fell away, requiring negotiations with alternative interested parties. We anticipate that this will result in additional time costs and legal expenses over and above the original estimate.

Other comments on the statement of expenses are as follows:

- 1) The future estimate for Fuel, Utilities, IT & Telephone includes a provision for utility bills which are in dispute
- 2) The final irrecoverable VAT position will depend on the Option to Tax status of the Minera property.

Appendix C: Remuneration update

Our fees were approved on a time costs basis by the secured and preferential creditors on 22 January 2021. As per the SIP9 table below, we have incurred total time costs of £1,804,796, but we are yet to draw any remuneration.

The time cost charges incurred in the period covered by this report are £439,952. This amount does not necessarily reflect how much we will eventually draw as fees for this period.

It is likely that our time costs will exceed our initial estimate of £1,833k, the amount approved by the secured and preferential creditors as the fee approving body. However, we may not seek to recover the full amount of costs incurred.

The reasons that we anticipate exceeding the original fee estimate are as follows:

- The recent Covid-19 pandemic has had a significant impact on asset realisations. Local, national and global lockdowns have severely impacted the administrators' ability to realise assets in recent months. There has also been additional time and expense incurred in ensuring that the decommissioning of the Company's main trading site and any asset realisations were carried out in a Covid-secure manner and in line with government regulations.
- The sale of the Company's main trading facility has become protracted as there were a number of unforeseen issues that arose during negotiations with the original prospective purchaser. This entailed lengthy negotiations between the administrators, the prospective purchaser and the Bank in order to try and progress the sale of the property. After several months of negotiations it unfortunately became apparent that a consensus could not be reached between the parties and this subsequently resulted in the prospective purchaser withdrawing its offer for the property. The administrators have recently accepted an offer from another interested party and hope to achieve a sale of the property in the near future. The protracted dealings in respect of the sale of the property have resulted in additional time costs being incurred.

Should we decide to seek to increase the level of fees we will charge, we will write to creditors providing a revised fee estimate in due course and seek creditors' approval of this revised estimate. In addition to providing a revised estimate of our costs for completing the administration and any subsequent liquidation, we will set out in more detail the reasons for the increased costs.

Our hours and average rates

Work Type	Grade						Total for period		Cumulative		
	Partner	Director	Senior Manager	Manager	Senior Associate/ Associate	Other	Hours	Cost/£	Hours	Cost/£	£/Hr
Accounting & treasury	-	-	-	14.60	29.35	27.55	71.50	21,733	387.25	114,176	295
Assets	3.50	22.30	-	168.25	81.60	28.50	304.15	136,888	1,352.40	566,384	419
Creditors	-	-	4.50	1.40	19.30	3.05	28.25	12,722	309.10	93,347	302
Employees & pensions	-	-	2.20	24.20	5.80	22.80	55.00	23,385	633.72	211,788	334
Investigations	-	-	-	-	-	-	-	-	17.45	4,826	277
Secured creditors	-	7.75	0.70	17.20	22.65	15.55	63.85	30,673	136.90	56,110	410
Statutory & compliance	19.00	7.45	4.60	92.90	173.75	46.25	343.95	133,318	1,266.64	513,272	405
Strategy & planning	-	11.75	0.50	18.70	1.90	41.15	74.00	24,786	158.90	53,897	339
Trading	-	-	-	-	-	-	-	-	95.40	39,198	411
Tax & VAT	-	-	16.25	27.60	13.55	35.15	92.55	56,448	262.30	151,799	579
Total	22.50	49.25	28.75	364.85	347.90	220.00	1,033.25	439,952	4,620.06	1,804,796	391

Work Type	Cumulative			Budget			Variance		
	Hours	Cost	£/Hr	Hours	Cost	£/hr	Hours	Cost	£/hr
Accounting & treasury	387	114,176	295	353	99,000	280	(34)	(15,176)	(14)
Assets	1,352	566,384	419	1,304	535,000	410	(48)	(31,384)	(9)
Creditors	309	93,347	302	405	125,000	309	96	31,654	7
Employees & pensions	634	211,788	334	658	216,000	328	24	4,212	(6)
Investigations	17	4,826	277	17	5,000	294	(0)	174	18
Secured creditors	137	56,110	410	129	41,000	318	(8)	(15,110)	(92)
Statutory & compliance	1,267	513,272	405	969	332,000	343	(298)	(181,272)	(63)
Strategy & planning	159	53,897	339	722	289,000	400	563	235,103	61
Trading	95	39,198	411	156	64,000	410	61	24,803	(1)
Tax & VAT	262	151,799	579	307	127,000	414	45	(24,799)	(165)
Total	4,620	1,804,796	391	5,020	1,833,000	365	400	28,205	(26)

Our time charging policy and hourly rates

We and our team charge our time for the work we need to do in the administration. We delegate tasks to suitable grades of staff, taking into account their experience and any specialist knowledge that is needed and we supervise them properly to maximise the cost effectiveness of the work done. Any complex or important matters of exceptional responsibility are handled by our senior staff or by the administrators themselves.

All of our staff who work on the administration (including our cashiers, support and secretarial staff) charge time directly to the case and are included in any analysis of time charged. Each grade of staff has an hourly charge out rate which is reviewed from time to time. Work carried out by our cashiers, support and secretarial staff is charged for separately and isn't included in the hourly rates charged by partners or other staff members. Time is charged in six minute units. The minimum time chargeable is three minutes (i.e. 0.05 units). We don't charge general or overhead costs.

We set out below the maximum charge-out rates per hour for the grades of our staff who already or who are likely to work on the administration.

Grade	Up to 30 June 2020 Maximum rate per hour (£)	From 1 July 2020 Maximum rate per hour (£)
Partner	910	955
Director	800	840
Senior Manager	605	665
Manager	525	575
Senior Associate	435	465
Associate	270	297
Support Staff	140	155
Offshore professionals	210	245

We call on colleagues in our Tax, VAT, Real Estate and Pensions departments where we need their expert advice. Their specialist charge-out rates vary but the following are the maximum rates by grade per hour.

Grade	Up to 31 August 2020 Specialist maximum rate per hour (£)	From 1 September 2020 Specialist maximum rate per hour (£)
Partner	1,520	1,600
Director	1,395	1,465
Senior Manager	1,290	1,355
Manager	775	815
Senior Associate/Consultant	575	605
Associate/Assistant Consultant	305	325
Support Staff	250	230

In common with many professional firms, our scale rates may rise to cover annual inflationary cost increases.

Payments to associates

We have not made any payments to associates in the period of this report.

Our work in the period

Earlier in this section we have included an analysis of the time spent by the various grades of staff. Whilst this is not an exhaustive list, in the following table we provide more detail on the key areas of work

Area of work	Work undertaken	Why the work was necessary	What, if any, financial benefit the work provided to creditors OR whether it was required by statute
Strategy and planning	<ul style="list-style-type: none"> • Various case team strategy meetings and update calls to discuss progress of the case and outstanding matters to be dealt with 	<ul style="list-style-type: none"> • For efficient management of the administrations 	<ul style="list-style-type: none"> • This work was necessary for administrative purposes and whilst it did not add financial value to the estate, it added value to the insolvency process
Debtors	<ul style="list-style-type: none"> • Dealing with reassignment of the debtors ledger from HSBCIF; • Engagement and correspondence with the debt collection agency instructed to act on behalf of the administrators; • Reconciliation of amounts received from the debt collection agency; • Lengthy negotiations with various debtors to reach settlement in respect of outstanding amounts; • Coding up debtor receipts onto the system 	<ul style="list-style-type: none"> • To maximise realisations for the benefit of creditors 	<ul style="list-style-type: none"> • This work is necessary to realise financial value to the estate and for a distribution to one or more classes of creditors should sufficient funds become available
Accounting and treasury	<ul style="list-style-type: none"> • Entering receipts and payments into the accounting system; • Authorising and processing receipts, payments and journals; • Reconciliation of transactions through bank accounts; • Correspondence with Bank following change of administrator 	<ul style="list-style-type: none"> • For the proper and secure stewardship of funds 	<ul style="list-style-type: none"> • Statutory requirement
Property	<ul style="list-style-type: none"> • Liaising with interested parties regarding the sale of the Bottling Plant and Minera; • Liaising with agents and solicitors to progress property sales, including reviewing contracts and heads of terms; • Dealing with the completion of the Bottling Plant sale and receipt of sales proceeds; • Lengthy and protracted negotiations during the whole reporting period with the prospective purchaser of Minera, including various amendments to the Heads of Terms and contract discussions; • Corresponding with alternative prospective purchaser and liaising with the secured creditor concerning the property sale 	<ul style="list-style-type: none"> • To maximise realisations for the benefit of creditors 	<ul style="list-style-type: none"> • This work is necessary to realise financial value to the estate and for a distribution to one or more classes of creditors should sufficient funds become available

Plant & machinery	<ul style="list-style-type: none"> ● Liaising with agents regarding the sale of plant and machinery; ● Site attendance by administrators' health and safety representatives to ensure safe removal of plant and machinery (particularly in light of Covid-19 restrictions); ● Reconciling receipts to schedules provided by Hilco; ● Undertaking reconciliation of funds relating to fixed charge assets and reporting to HSBCEF and reconciling those relating to unencumbered assets 	<ul style="list-style-type: none"> ● To maximise realisations for the benefit of creditors 	<ul style="list-style-type: none"> ● This work is necessary to realise financial value to the estate and for a distribution to one or more classes of creditors should sufficient funds become available
Statutory and compliance	<ul style="list-style-type: none"> ● Reviewing, allocating and filing case post as appropriate; ● Appointee statutory reviews; ● Health and safety checks and site visits to ensure compliance with regulations, particularly in respect of Covid-19 regulations; ● Drafting and issuing of 6 monthly progress report and remuneration report 	<ul style="list-style-type: none"> ● To ensure the efficient management of the administration; ● To ensure that all regulations were complied with and to ensure the safety of individuals on site; ● To keep stakeholders informed of the progress of the administration 	<ul style="list-style-type: none"> ● This work was necessary for administrative purposes and/or complying with statutory requirements.
Employees and pensions	<ul style="list-style-type: none"> ● Processing payroll payments; ● Making final redundancies and issuing redundancy letters; ● Dealing with employee queries regarding claim/payments from the Redundancy Payments Service; ● Corresponding with the Company's pension provider to resolve outstanding matters; ● Creating and submitting contribution schedules; 	<ul style="list-style-type: none"> ● To discharge our duties in relation to employees 	<ul style="list-style-type: none"> ● This work was necessary for administrative purposes and/or complying with statutory requirements.
Creditors	<ul style="list-style-type: none"> ● Dealing with and responding to creditor correspondence; ● Adjudicating employee claims; ● Dealing with HMRC correspondence in relation to PAYE payments; ● Drafting and issuing bank reports; ● Updating Estimated Outcome Statement; ● Responding to queries from HSBCEF regarding asset sales and distributions; ● Dealing with distributions to secured creditors; ● Adjudicating unsecured creditor claims 	<ul style="list-style-type: none"> ● To keep creditors informed of the progress of the administration; ● To ensure creditor claims properly accounted for; ● To enable distributions to the secured creditor 	<ul style="list-style-type: none"> ● This work was necessary for administrative purposes and/or complying with statutory requirements.
Tax and VAT	<ul style="list-style-type: none"> ● Dealing with terminal loss relief claim; ● Updates to the tax team regarding the progress of the administration and asset sales; ● Preparing and submitting tax computations and VAT returns;; ● Preparation of error correction notice ● Consideration of Option to Tax and preparation of Option to Tax documents; 	<ul style="list-style-type: none"> ● To discharge tax and VAT obligations 	<ul style="list-style-type: none"> ● This work was necessary for administrative purposes and/or complying with statutory requirements.

Our previous work

As this progress report is the first to be issued following the approval of the basis of our fees, below are details of things done by the administrators in previous periods.

Area of work	Work undertaken	Why the work was necessary	What, if any, financial benefit the work provided to creditors OR whether it was required by statute
Strategy and planning	<ul style="list-style-type: none"> • Completing task relating to job acceptance; • Preparation of fee budgets and monitoring costs 	<ul style="list-style-type: none"> • To ensure compliance with job take on procedures; • To enable effective monitoring of costs 	<ul style="list-style-type: none"> • This work was necessary for administrative purposes and/or complying with statutory requirements.
Accounting and treasury	<ul style="list-style-type: none"> • Opening bank accounts and arranging facilities; • Dealing with receipts, payments and journals; • carrying out bank reconciliation and managing investment of funds; • Corresponding with the Bank regarding specific transfers 	<ul style="list-style-type: none"> • To ensure the proper stewardship of funds and to ensure that all receipts and payments are accounted for 	<ul style="list-style-type: none"> • This work was necessary for administrative purposes and/or complying with statutory requirements.
Sale of business	<ul style="list-style-type: none"> • Preparation and distribution of an information memorandum; • Liaising with prospective purchasers and solicitors; • Reviewing offers received; • Pursuing a break up basis to realise assets once it was apparent that a sale of the business could not be achieved; 	<ul style="list-style-type: none"> • To help achieve a sale of the business as a going concern 	<ul style="list-style-type: none"> • This work was necessary for administrative purposes and whilst it did not add financial value to the estate, it added value to the insolvency process
Property sale and management	<ul style="list-style-type: none"> • Carrying out title searches and securing property records; • Securing possession of the property and maintaining security requirements to ensure protection of the asset; • Undertaking a review of utilities and instructing agents with a view to minimising costs; • Liaising with insurers, agents, valuers and solicitors; • Completed the sale of the Ruabon property 	<ul style="list-style-type: none"> • To understand the Company's assets and ensure they were properly secured/protected • To realise assets for the benefit of creditors 	<ul style="list-style-type: none"> • This work was necessary to realise financial value to the estate and for a distribution to one or more classes of creditors should sufficient funds become available
Debtors	<ul style="list-style-type: none"> • Corresponding with HSBCIF and Hilton Baird regarding collection of factored debts 	<ul style="list-style-type: none"> • To realise assets for the benefit of creditors 	<ul style="list-style-type: none"> • This work was necessary to realise financial value to the estate and for a distribution to one or more classes of creditors should sufficient funds become available
Stock	<ul style="list-style-type: none"> • Conducting stock takes; • Reviewing stock values; • Liaising with purchasers; • Completing sales of stock on site; 	<ul style="list-style-type: none"> • To realise assets for the benefit of creditors 	<ul style="list-style-type: none"> • This work was necessary to realise financial value to the estate and for a distribution to one or more classes of creditors should sufficient funds become

			available
Plant, machinery & vehicles	<ul style="list-style-type: none"> • Liaising with valuers, auctioneers and interested parties; • Reviewing asset listings; • Maintaining records of progress 	<ul style="list-style-type: none"> • To realise assets for the benefit of creditors 	<ul style="list-style-type: none"> • This work was necessary to realise financial value to the estate and for a distribution to one or more classes of creditors should sufficient funds become available
Other Assets	<ul style="list-style-type: none"> • Recovery of business rates refunds and other sundry assets such as car tax refunds and metal recycling 	<ul style="list-style-type: none"> • To realise assets for the benefit of creditors 	<ul style="list-style-type: none"> • This work was necessary to realise financial value to the estate and for a distribution to one or more classes of creditors should sufficient funds become available
Retention of title claims	<ul style="list-style-type: none"> • Adjudicating retention of title claims • Negotiating settlements and making payments to satisfy valid claims 	<ul style="list-style-type: none"> • To discharge the administrators obligations in respect of retention of title creditors 	<ul style="list-style-type: none"> • This work was necessary for administrative purposes and/or complying with statutory requirements.
Intangible assets	<ul style="list-style-type: none"> • Carrying out tasks associated with realising the Company's intellectual property 	<ul style="list-style-type: none"> • To realise assets for the benefit of creditors 	<ul style="list-style-type: none"> • This work was necessary to realise financial value to the estate and for a distribution to one or more classes of creditors should sufficient funds become
Insurance	<ul style="list-style-type: none"> • Corresponding with insurers regarding initial and ongoing insurance requirements 	<ul style="list-style-type: none"> • To ensure assets are appropriately insured 	<ul style="list-style-type: none"> • This work was necessary for administrative purposes and whilst it did not add financial value to the estate, it added value to the insolvency process
Creditor enquiries and claims	<ul style="list-style-type: none"> • Setting up dedicated website for delivery of reports; • Dealing with creditor enquiries; • Preparing and issuing correspondence to creditors; • Filing of proof of debt forms; • Preparing and issuing employee preferential claim agreement forms; • Preparing regular reports to the secured creditors 	<ul style="list-style-type: none"> • To ensure that creditors are kept informed of the progress of the administration; • To ensure that creditor claims and accounted for 	<ul style="list-style-type: none"> • This work was necessary for administrative purposes and/or complying with statutory requirements.
Statutory & compliance	<ul style="list-style-type: none"> • Preparation and issuing of initial notifications to creditors; • Preparation and issuing of administrators' proposals; • Preparation and issuing of administrators' remuneration report and fees estimate 	<ul style="list-style-type: none"> • To discharge the administrators' obligations 	<ul style="list-style-type: none"> • This work was necessary for administrative purposes and/or complying with statutory requirements.
Tax & VAT	<ul style="list-style-type: none"> • Carrying out an initial tax review; • Liaising with HMRC; • Preparation and submission of tax and VAT returns 	<ul style="list-style-type: none"> • To comply with tax regulations 	<ul style="list-style-type: none"> • This work was necessary for administrative purposes and/or complying with statutory requirements.

Our future work

We still need to do the following work to achieve the purpose of administration.

Area of work	Work to be undertaken	Estimated cost	What, if any, financial benefit the work provided to creditors OR whether it was required by statute
Assets	<ul style="list-style-type: none"> Carry out periodic health & safety/insurance visits; Achieve a sale of the Company's remaining property asset at MInera; Complete the decommissioning and removal of remaining plant and machinery; Realise the Company's remaining plant and machinery assets; Realise the Company's remaining book debts 	<ul style="list-style-type: none"> 73,563 	<ul style="list-style-type: none"> This work is necessary to realise financial value to the estate and for a distribution to one or more classes of creditors should sufficient funds become available
Preferential creditors and unsecured creditors	<ul style="list-style-type: none"> Finalise employee/pension matters; Agree preferential claims and distribute the preferential dividend Adjudicate unsecured creditor claims; Issue a notice of intended dividend; Pay a dividend to the unsecured creditors 	<ul style="list-style-type: none"> £52,436 	<ul style="list-style-type: none"> This work is necessary for administrative purposes and/or complying with statutory requirements.
Secured creditors	<ul style="list-style-type: none"> Liaise with the secured creditor regarding remaining asset sales Update estimated outcome statement; Make distributions to the secured creditor following completion of asset sales 	<ul style="list-style-type: none"> £6,317 	<ul style="list-style-type: none"> This work is necessary for administrative purposes and/or complying with statutory requirements.
Accounting & treasury	<ul style="list-style-type: none"> Account for receipts following asset realisations; Settle expenses of the administration; Reconcile bank accounts 	<ul style="list-style-type: none"> £30,988 	<ul style="list-style-type: none"> This work is necessary for administrative purposes and/or complying with statutory requirements.
Tax and VAT	<ul style="list-style-type: none"> Complete VAT returns; Complete tax computations; Deal with queries from HMRC; Reconcile VAT position; Obtain tax clearance from HMRC 	<ul style="list-style-type: none"> £51,796 	<ul style="list-style-type: none"> This work is necessary for administrative purposes and/or complying with statutory requirements.
Statutory and compliance	<ul style="list-style-type: none"> 6 monthly file reviews; Ensure health & safety compliance in respect of property an asset realisations; Deal with insurance matters; Issue a final report to creditors; Dissolve company 	<ul style="list-style-type: none"> £66,953 	<ul style="list-style-type: none"> This work is necessary for administrative purposes and/or complying with statutory requirements.

Disbursements

We don't need to get approval to draw expenses or disbursements unless they are for shared or allocated services provided by our own firm, including room hire, document storage, photocopying, communication facilities, or paid to associates of the administrators' firm. These types of expenses are called "Category 2" expenses and they must be directly incurred in relation to the case, subject to a reasonable method of calculation and allocation and approved by the same party who approves our fees.

Our expenses policy allows for all properly incurred expenses to be recharged to the administration and has been approved by the secured and preferential creditors where required.

The following disbursements arose in the period of this report.

Category		Costs incurred £
2	Photocopying – At 10 pence per sheet copied, only charged for circulars to creditors and other bulk copying.	11.13
2	Mileage – At a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc)	596.15
1	Other disbursements reimbursed at cost:	
	Postage	30.84
	Records storage and collection	1,444.35
	Bonding and costs associated with replacement of the Joint Administrator	609.73
Total		2,692.20

Our relationships

We have no business or personal relationships with the parties who approve our fees or who provide services to the administration where the relationship could give rise to a conflict of interest.

Details of subcontracted work

We have engaged the services of Hilton Baird to assist with book debt collections, as it is more cost effective to use the services of a collection agency for the routine debt collections, rather than this work being undertaken in its entirety by our staff. £137k has been paid to Hilton Baird for their services in collecting book debts.

Legal and other professional firms

We've instructed the following professionals on this case:

Service provided	Name of firm / organisation	Reason selected	Basis of fees
Legal services, including: Appointment related matters; Advice on ROT claims; and Sales contracts.	• DLA Piper	• Insolvency knowledge	• Time costs
Chattel agents and valuers	• Hilco	• Expertise	• % of realisations
Property valuation and sale agents	• JLL	• Expertise and industry knowledge	• Fixed fee and % of realisations
Rates refund and collection	• CAPA	• Expertise	• % of realisations

Payroll services	<ul style="list-style-type: none"> • Hazlewoods 	<ul style="list-style-type: none"> • Expertise 	<ul style="list-style-type: none"> • Fixed fee
Consultancy Services	<ul style="list-style-type: none"> • Faenol Services 	<ul style="list-style-type: none"> • Prior involvement and Company specific knowledge 	<ul style="list-style-type: none"> • Time cost
Property marketing agent	<ul style="list-style-type: none"> • SJC 	<ul style="list-style-type: none"> • Expertise and industry sector knowledge 	<ul style="list-style-type: none"> • Fixed fee
Property management advisory	<ul style="list-style-type: none"> • PHD 	<ul style="list-style-type: none"> • Specialist property management advisors regarding the management of utility bills 	<ul style="list-style-type: none"> • Fixed fee
Security Services	<ul style="list-style-type: none"> • GMS Security Services 	<ul style="list-style-type: none"> • Expertise and industry sector knowledge 	<ul style="list-style-type: none"> • Time cost

Appendix D: Pre-administration costs

The following costs were incurred before our appointment with a view to the Company going into administration. £72,783 of fees charged by the administrators-in-waiting were paid prior to the Company entering administration.

The unpaid pre-administration costs incurred were approved for payment by the secured and preferential creditors on 22 January 2021, although to date, these amounts have not been paid.

Nature of costs	Paid amount (£)	Unpaid Amount (£)
Fees charged by the administrators-in-waiting	£72,783.00	£6,250
Expenses incurred by the administrators	Nil	£75,126.82
- DLA		plus disbursements of £50
Total	£72,783.00	£81,426.82

Appendix E: Other information

Court details for the administration:	High Court of Justice, Business and Property Courts in Manchester, Insolvency and Companies List (ChD)
Company's registered name:	Tomlinson's Dairies Limited
Trading name:	Tomlinson's
Registered number:	03882919
Registered address:	Level 8, Central Square, 29 Wellington Street, Leeds, LS1 4DL
Date of the joint administrators' appointment:	14 October 2019
Joint administrators' names, addresses and contact details:	Alison Grant, PricewaterhouseCoopers LLP, Central Square, 29 Wellington Street, Leeds, LS1 4DL Peter Dickens, PricewaterhouseCoopers LLP, No 1 Spinningfields 1 Hardman Square Manchester M3 3EB Contact details: uk_creditors_tomlinsons@pwc.com
Extension(s) to the initial period of appointment:	Extension of 12 months to 13 October 2021, granted by the secured creditors and preferential creditors.
