

# Joint Administrators' progress report from 14 April 2021 to 13 October 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 November 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
<b>CAPA</b>	CAPA UK
<b>Company</b>	Tomlinson's Dairies Limited
<b>DLA</b>	DLA Piper UK LLP
<b>Firm / PwC</b>	PricewaterhouseCoopers LLP
<b>FCR's</b>	Fixed Charge Receivers
<b>FWI</b>	Finance Wales Investments (14) Ltd, part of the Development Bank of Wales
<b>Hilco</b>	Hilco Europe
<b>Hilton Baird</b>	Hilton-Baird Group
<b>HMRC</b>	HM Revenue & Customs
<b>HSBC</b>	HSBC Bank Plc, HSBC Invoice Finance (UK) Ltd, HSBC Equipment Finance (UK) Ltd & HSBC Asset Finance (UK) Ltd
<b>HSBCEF</b>	HSBC Equipment Finance (UK) Ltd
<b>HSBCIF</b>	HSBC Invoice Finance (UK) Ltd
<b>IP</b>	Intellectual Property
<b>IA86</b>	Insolvency Act 1986
<b>IR16</b>	Insolvency (England and Wales) Rules 2016
<b>JLL</b>	Jones Lang LaSalle
<b>Joint administrators/we/us/our</b>	Peter Dickens and Alison Grant
<b>Minera</b>	Main Site, Five Crosses, Minera, Wales
<b>Old Road</b>	Minera Farm, Old Road, Bottling Site, Wales
<b>PHD</b>	PHD Property Advisory Limited
<b>preferential creditors</b>	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
<b>prescribed part</b>	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
<b>Proposals</b>	Joint administrators' proposals for achieving the purpose of administration dated 4 December 2019
<b>RPS</b>	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
<b>Sch B1 IA86</b>	Schedule B1 to the Insolvency Act 1986

<b>secured creditor</b>	A creditor with security in respect of their debt, in accordance with section 248 IA86
<b>SIP</b>	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.
<b>SIP 2</b>	Statement of Insolvency Practice 2: Investigations by office holders in administrations and insolvent liquidations and the submission of conduct reports by office holders
<b>SIP 9</b>	Statement of Insolvency Practice 9: Payments to insolvency office holders and their associates
<b>SoA</b>	Directors' Statement of Affairs dated 14 November 2019
<b>the lenders/secured creditors</b>	HSBC and FWI
<b>Units 10 &amp; 11</b>	Units 10 & 11 Vauxhall Industrial Estate, Ruabon, Wales
<b>unsecured creditors</b>	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>

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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 month period since our last report dated 12 May 2021.

You can still view our earlier reports on our website at <https://www.pwc.co.uk/tomlinsonsdairies>.

## 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 £)
<b>Secured creditors</b>		
HSBC	38-43	42-46
FWI	Nil	Nil
<b>Preferential creditors</b>	100p	100p
<b>Unsecured creditors</b>	<1p	up to 3p

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.

There will be insufficient fixed charge realisations to repay the first ranking secured creditor 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 £423k 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 £3.3m.

The total preferential claims are currently estimated at £342k. Based on the information currently available, we believe these will be paid in full. 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.

It is not yet certain whether the Company's unsecured creditors will receive a dividend from the prescribed part. This will depend on the level of final floating charge realisations and costs, which have been impacted by recent events (which are detailed below).

As provided for in our proposals, we've asked for outstanding claims from creditors so that these can be agreed in principle.

## **What you need to do**

If you haven't already done so, please send your claim to us so that it can be adjudicated. A claim form can be downloaded from our website at [www.pwc.co.uk/tomlinsonsdairies](http://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 we'll treat 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 object to a decision sought by deemed consent, you'll 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](http://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 [alex.ladell@pwc.com](mailto:alex.ladell@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 reports, Hilco was instructed to manage the sale of the Company's plant and machinery on behalf of the administrators. To date, a total of £1.29m has been received in respect of assets subject to HSBCEF's security and £781k has been realised in respect of unencumbered assets.

In addition to the amounts received and reflected on the receipts and payments account at Appendix A, Hilco is holding a further £55,915 in respect of fixed charge asset realisations and £58,100 in respect of unencumbered asset realisations. These amounts will be remitted to the administration shortly.

The remaining plant and equipment comprises a number of refrigeration units and a large filling machine, known as an Ektam machine.

The remaining refrigeration units are anticipated to form part of the sale of the Minera property (discussed below).

During the period covered by this report, Hilco had agreed a sale of the Ektam machine to an overseas purchaser and the machine was being dismantled and packaged ready for shipping. Unfortunately, whilst this process was ongoing, the building where the machine was installed was broken into and a significant number of parts were stolen from the machine. This has rendered the machine inoperable and the parts to repair it are very expensive. Consequently, the purchaser has withdrawn from the sale.

Hilco is actively looking into alternative options to realise the value in the remaining parts of the machine, but the options are now extremely limited. It is therefore highly likely that the amount that is eventually received in respect of this machine will be significantly less than what would have been achieved prior to the damage being sustained.

We are in the process of liaising with insurers regarding a claim for the damage to the machine, but this matter is still ongoing and we have not yet had confirmation of the amount which will be recovered in respect of this loss.

## Property matters

As per our previous reports, you will be aware that JLL was engaged to sell the Company's freehold properties. Details of property realisations to date can be obtained from our previous progress reports and are not repeated below. Progress in respect of the remaining site is detailed below.

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

In our previous report, we advised that we had accepted an offer for the Minera site and it was anticipated that the sale would be completed within the following weeks.

Unfortunately, as referred to above, during the period covered by this report, there was a break in at the site which has resulted in a significant amount of damage being caused to the site and the remaining plant and machinery, including the site being left without power. This has caused a significant delay to the completion of the sale. Carrying out the required repairs to the site would cost a considerable amount and result in significant further delay, which ultimately would result in the purchaser withdrawing from the sale.

In order to preserve the sale to the purchaser, and prevent further deterioration in value, we have continued discussions with the purchaser to reach a commercial solution to enable both parties to complete the sale in as short a time as possible, thereby avoiding the loss of the sale and mitigating future holding costs. We therefore hope to complete the sale imminently. The sale is progressing at a lower value, reflecting the damage caused to the property.

An insurance claim is being made to recoup the loss, but this is still being considered by the loss adjusters and we are awaiting confirmation of the amount that will be recovered through the insurance policy. This confirmation is likely to take some time.



The Minera site is made up of several plots of land and the directors of the Company personally hold a number of freehold titles to three plots of land which make up the Minera site as a whole. In order to achieve a sale of the site, it is necessary to deliver all of the freehold titles to the purchaser. The relevant titles are secured by the Bank's lending and a letter of demand was issued resulting in the appointment of Chris Walker and John Wills of Avison Young as Fixed Charge Receivers on 11 May 2021.

## Debtors

The sum of £2.9m has been collected in respect of HSBCIF debtors, repaying its principle lend of £2.1m in full, including interest and charges and the ledger has subsequently been formally reassigned to the Company.

Debtor realisations subject to the Bank's floating charge total £617k, which includes a total of £584k received during the period of this report.

This leaves a remaining ledger balance of £233k to pursue, made up of seven customer accounts. 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.

## Extension

As a result of the delay to the sale caused by the break in on site, it was necessary to apply to court for a further extension to the period of the administration. A court application was therefore made to extend the period of the administration order which was due to expire on 13 October 2021. An order was granted extending the period of the administration to 13 October 2022.

## Connected party transactions

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

## Investigations and actions

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 April 2021 to 13 October 2021 and for the whole period of the administration.

Receipts in the period include:

- Debtors subject to the Bank's floating charge of £584,150
- Additional monies received by HSBCIF and transferred directly to HSBC on closure of the invoice finance facility of £14,044

Payments include:

- Property expenses - £25,211
- Insurance - £17,387
- Security - £86,809
- Utilities - £84,272
- Legal fees and expenses - £74,355
- Debt collection fees - £15,543

During the period covered by this report, an amount of £84,272 has been paid in respect of utilities. Previously, no electricity costs relating to the Minera site had been paid since January 2020, due to an ongoing dispute with the electricity supplier over certain billing charges on the invoices. This dispute is still in the process of being resolved, but in the meantime, the undisputed elements of the electricity invoices dating back to January 2020 have been paid.

An amount of £86,809 has been paid in respect of 24 hour manned guarding at the Company's Minera site (manned guarding is an insurance requirement). Following the break in on site, additional manned guarding resources have been deployed and consequently the monthly cost of the service has increased.

## Our expenses

We set out in Appendix B a statement of the expenses we've 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 about 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/2021/administration-creditor-fee-guide-1-april-2021.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 (and finalising insurance matters resulting from the Minera property break in);
- 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 (should there be sufficient funds to enable a prescribed part dividend to be paid)
- 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 have any questions, please contact Alex La Dell at alex.la.dell@pwc.com

Yours faithfully  
For and on behalf of the Company



Alison Grant  
Joint Administrator

# Appendix A: Receipts and payments

Directors' statement of affairs (£)	14 October 2019 to 13 April 2021 £	14 April 2021 to 13 October 2021 £	Total to 13 October 2021 £
<b>FIXED CHARGE ACCOUNT</b>			
<b>Receipts</b>			
Freehold Land & Property	1,345,000.00	-	1,345,000.00
Plant, Machinery and Vehicles	1,289,676.70	-	1,289,676.70
Intellectual Property	5,000.00	-	5,000.00
HSBCIF debtor receipts	2,277,709.57	1,572.94	2,279,282.51
Bank Interest Gross	1.33	-	1.33
<b>Total Receipts</b>	<b>4,917,387.60</b>	<b>1,572.94</b>	<b>4,918,960.54</b>
<b>Payments</b>			
Legal fees and disbursements	300.00	-	300.00
Agents fees and disbursements	23,593.90	-	23,593.90
Security	106,417.92	86,809.10	193,227.02
Utilities	443.83	84,271.85	84,715.68
Insurance	16,697.05	17,386.88	34,083.93
Property Expenses	18,347.66	25,211.17	18,347.66
<b>Total Payments</b>	<b>165,800.36</b>	<b>213,679.00</b>	<b>354,268.19</b>
<b>Distributions</b>			
HSBCIF	2,127,138.53	-	2,127,138.53
HSBC Bank Plc	407,459.00	15,617.44	423,076.44
HSBCEF	774,501.00	-	774,501.00
<b>Total Distributions</b>	<b>3,309,098.53</b>	<b>15,617.44</b>	<b>3,324,715.97</b>
VAT Control Account	(129,576.37)	(133,966.15)	(263,542.52)
<b>Balance of funds held</b>	<b>1,312,912.34</b>	<b>(361,689.65)</b>	<b>955,341.29</b>

**FLOATING CHARGE ACCOUNT****Receipts**

Sales	106,391.34	-	106,391.34
Plant & Machinery	780,680.37	-	780,680.37
Computers	745.83	-	745.83
Stock	37,952.00	-	37,952.00
Debtors	33,151.89	584,149.82	617,301.71
Pre-Appointment VAT refund	514,662.46	-	514,662.46
Sundry debts & refunds	30,713.77	-	30,713.77
Third Party Funds	1,777.03	14,044.50	15,821.53
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	485.22	-	485.22
<b>Total receipts</b>	<b>1,511,502.85</b>	<b>598,194.32</b>	<b>2,109,697.17</b>

**Payments**

Agents Fees and Expenses	13,900.00	-	13,900.00
Professional Fees	3,253.65	-	3,253.65
Legal Fees and Expenses	40,857.37	74,355.20	115,212.57
Debt collection fees	137,090.92	15,543.17	152,634.09
Insurance	23,928.49	-	23,928.49
Consultancy fees	19,190.14	-	19,190.14
Security	296,193.84	-	296,193.84
Fuel, Utilities, IT, Telephone & other	167,908.30	941.93	167,908.30
Lease/Hire/HP Payments	5,088.45	-	5,088.45
Decommission and maintenance	56,238.88	-	56,238.88
Wages & PAYE/NI/Pension Deductions	591,755.43	-	591,755.43
Employee expenses	382.61	-	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
<b>Total payments</b>	<b>1,379,651.62</b>	<b>90,840.30</b>	<b>1,469,549.99</b>
VAT Control Account	145,491.68	(27,227.18)	118,264.50
<b>Balance of funds held</b>	<b>277,342.91</b>	<b>480,126.84</b>	<b>758,411.68</b>

# Appendix B: Expenses

Expenses are amounts properly payable by us as administrators from the estate, but excludes our fees and distributions to creditors.

These include disbursements which are expenses met by and reimbursed to an office holder in connection with an insolvency appointment.

Expenses fall into two categories:

Expense	SIP 9 definition
Category 1	Payments to persons providing the service to which the expense relates who are not an associate of the office holder.
Category 2	Payments to our firm or our associates or which have an element of shared costs (for example, photocopying and mileage disbursements, or costs shared between different insolvent estates).

We don't need approval from creditors to draw Category 1 expenses as these have all been provided by third parties but we do need approval to draw Category 2 expenses. The body of creditors which approves our fees (in this case the secured and preferential creditors) also has the responsibility for agreeing the policies for payment of Category 2 expenses.

The following table provides a breakdown of the Category 2 expenses have been incurred by us as administrators or our associates, together with details of the Category 1 expenses that have been incurred by PwC and will be recharged to the case:

Category	Costs incurred by	Policy	Costs incurred £
2	PwC	<b>Photocopying</b> - up to 10 pence per side copied, only charged for circulars to creditors and other bulk copying.	13.13
2	PwC	<b>Mileage</b> - At a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc)	596.15
1	PwC	Other expenses reimbursed at cost	
		Postage	30.84
		Records storage and collection	1,993.35
		Bonding and costs associated with replacement of the Joint Administrator	609.73
		<b>Total</b>	<b>3,243.20</b>

The expense policy set out above has been approved by the secured and preferential creditors.

The table below provides details of the expenses incurred in the administration:

Nature of expenses	Brought forward from 14 April 2021 (£)	Incurred during period (£)	Total expenses incurred to date (£)	Estimate of future expenses (£)	Total expenses (£)	Initial estimate (£)	Variance (£)
Consultancy Fees	19,190	-	19,190	-	19,190	19,610	(420)
Agents' fees and expenses	23,594	-	23,594	-	23,594	2,500	21,094
Agents' fees and expenses	51,000	17,800	68,800	72,500	141,300	Uncertain	Uncertain
Property expenses	18,348	25,2117	43,559	3,000	46,559	10,175	36,384
Professional fees	3,254	-	3,254	-	3,254	3,212	42
Decommission & maintenance	61,039	35,000	96,039	5,000	101,039	85,882	15,157
Insurance	40,625	-	40,625	18,000	58,625	38,928	19,697
Legal fees and expenses	191,249	10,000	201,249	5,000	206,249	Uncertain	Uncertain
Office holders' fees	1,810,860	340,174	2,151,034	156,165	2,307,199	1,833,365	473,834
Office holders' disbursements	20,280	3,243	23,523	4,000	27,523	22,915	4,608
Pre-administration costs	81,427	-	81,427	-	81,427	81,427	-
Security costs	414,693	86,809	501,502	22,000	523,502	471,945	51,557
Statutory advertising	77	-	77	166	243	180	63
Petty cash	1,000	-	1,000	-	1,000	1,000	-
Storage costs	2,985	-	2,985	-	2,985	2,985	-
Fuel, Utilities, IT & Telephone (Note 1)	479,827	84,272	564,099	10,000	574,099	834,782	(260,683)
Other property costs	-	-	-	24,000	24,000	24,000	-
Lease/Hire/HP Payments	5,088	-	5,088	-	5,088	5,088	-
Irrecoverable VAT (Note 2)	3,838	-	3,838	Uncertain	3,838	Uncertain	Uncertain
Mail redirection costs	313	-	313	-	313	313	-
Wages & PAYE/NI/Pension Deductions	591,755	-	591,755	-	591,755	610,993	(19,238)
<b>Total expenses</b>	<b>3,814,378</b>	<b>602,510</b>	<b>4,416,888</b>	<b>Uncertain</b>	<b>4,736,719</b>	<b>Uncertain</b>	<b>Uncertain</b>

The table 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.

Our initial total expenses estimate was uncertain, but there are certain categories of expenses that have exceeded 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.
- Negotiations with the first interested party of the Minera site which became protracted. This sale ultimately fell away, requiring remarketing and discussions and negotiations with alternative interested parties. This has resulted in additional time costs and legal expenses.
- A significant amount of time has been incurred in dealing with the consequences of the break in at the Minera site. The break in has also delayed the property sale, resulting in additional holding costs (including security costs), as well as additional legal and agents fees incurred in dealing with plant and machinery, and lengthy negotiations with the prospective purchaser to avoid the property sale from falling away.

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 £2,151,034, but we are yet to draw any remuneration.

The time cost charges incurred in the period covered by this report are £340,174. This amount does not necessarily reflect how much we will eventually draw as fees for this period. To date no fees have been drawn.

Our time costs have exceeded our initial estimate of £1,833k, which is the amount that has been approved by the secured and preferential creditors (as the fee approving body). We are unable to draw fees in excess of our original fee estimate without prior approval from the fee approving body. We do not anticipate that we will seek to recover the full amount of costs incurred.

The reasons for exceeding our fee estimate are as follows:

- The Covid-19 pandemic had a significant impact on asset realisations. Local, national and global lockdowns severely impacted the administrators' ability to realise assets. 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 at the time.
- The sale of the Company's main trading facility became protracted and 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 protracted dealings in respect of the sale of the property resulted in additional time costs being incurred.
- A significant amount of time has been spent dealing with the consequences of the break in at the Company's site, including liaising with insurers, re-securing the site, liaising with contractors to ascertain the quantum of the damage sustained and in depth discussions with the prospective purchaser and the Bank to prevent the sale from falling through.

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, 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	Manager	Manager	Associate	Other	Hours	Cost/£	Hours	Cost/£	£/Hr
Accounting & treasury	-	0.10	0.00	5.40	35.50	10.55	51.55	20,292	438.80	138,925	317
Assets	0.00	14.90	2.00	122.47	76.48	0.65	216.50	107,606	1,568.90	655,649	418
Creditors	-	-	2.70	2.55	14.85	0.20	20.30	8,847	329.40	100,567	305
Employees & pensions	-	-	0.95	0.30	1.45	1.55	4.25	2,053	637.97	216,378	339
Investigations	-	-	-	-	-	-	-	-	17.45	4,824	276
Secured creditors	-	7.80	1.40	81.95	23.60	0.00	114.75	55,259	251.65	101,990	405
Statutory & compliance	13.75	7.95	1.85	106.86	124.95	6.35	261.71	108,341	1,528.35	657,899	430
Strategy & planning	-	0.00	0.00	2.40	7.70	0.00	10.10	4,373	169.00	49,822	295
Trading	-	-	-	-	-	-	-	-	95.40	39,868	418
Tax & VAT	1.50	0.00	11.95	10.30	15.60	7.05	46.40	33,402	\$308.70	185,112	600
<b>Total</b>	<b>15.25</b>	<b>30.75</b>	<b>20.85</b>	<b>332.23</b>	<b>300.13</b>	<b>26.35</b>	<b>725.56</b>	<b>340,174</b>	<b>5,345.62</b>	<b>2,151,034</b>	<b>402</b>



Work Type	Cumulative			Fees estimate			Variance		
	Hours	Cost	£/Hr	Hours	Cost	£/hr	Hours	Cost	£/hr
Accounting & treasury	439	138,925	317	353	99,000	280	(86)	(39,925)	(36)
Assets	1,569	655,649	418	1,304	535,000	410	(265)	(120,649)	(8)
Creditors	329	100,567	305	405	125,000	309	76	24,433	3
Employees & pensions	638	216,378	339	658	216,000	328	20	(378)	(11)
Investigations	17	4,824	276	17	5,000	294	(0)	177	18
Secured creditors	252	101,990	405	129	41,000	318	(123)	(60,990)	(87)
Statutory & compliance	1,528	657,899	430	969	332,000	343	(559)	(325,899)	(88)
Strategy & planning	169	49,822	295	722	289,000	400	553	239,178	105
Trading	95	39,868	418	156	64,000	410	61	24,132	(8)
Tax & VAT	309	185,112	600	307	127,000	414	(2)	(58,112)	(186)
<b>Total</b>	<b>5,346</b>	<b>2,151,034</b>	<b>402</b>	<b>5,020</b>	<b>1,833,000</b>	<b>365</b>	<b>(326)</b>	<b>(318,034)</b>	<b>(37)</b>

## 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. Anything complex or important matters of exceptional responsibility are handled by our senior staff or us.

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 2021 £	From 1 July 2021 £
<b>Partner</b>	955	980
<b>Director</b>	840	865
<b>Senior Manager</b>	665	685
<b>Manager</b>	575	595
<b>Senior Associate</b>	465	480
<b>Associate</b>	297	350
<b>Support Staff</b>	155	160
<b>Offshore professionals</b>	245	280

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.

<b>Grade</b>	<b>Up to 30 June 2021 £</b>	<b>From 1 July 2021 £</b>
<b>Partner</b>	1,600	1,680
<b>Director</b>	1,465	1,540
<b>Senior Manager</b>	1,355	1,425
<b>Manager</b>	815	860
<b>Senior Associate/Consultant</b>	605	640
<b>Associate/Assistant Consultant</b>	325	345
<b>Support Staff</b>	180	190
<b>Offshore professionals</b>	180	190

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

## **Payments to associates**

No payments have been made to associates or any party who could reasonably be perceived as an associate during the period of this report. Relevant parties have been chosen due to their specific area of expertise or technical knowledge and payments to those parties based on standard commercial terms.

## 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
<b>Strategy and planning</b>	<ul style="list-style-type: none"> <li>• Various case team strategy meetings and update calls to discuss progress of the case and outstanding matters to be dealt with</li> </ul>	<ul style="list-style-type: none"> <li>• For efficient management of the administrations</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> </ul>
<b>Debtors</b>	<ul style="list-style-type: none"> <li>• Correspondence with the debt collection agency instructed to act on behalf of the administrators;</li> <li>• Reconciliation of amounts received from the debt collection agency;</li> <li>• Lengthy negotiations with various debtors to reach settlement in respect of outstanding amounts;</li> <li>• Coding up debtor receipts onto the system</li> </ul>	<ul style="list-style-type: none"> <li>• To maximise realisations for the benefit of creditors</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> </ul>
<b>Accounting and treasury</b>	<ul style="list-style-type: none"> <li>• Entering receipts and payments into the accounting system;</li> <li>• Authorising and processing receipts, payments and journals;</li> <li>• Reconciliation of transactions through bank accounts;</li> </ul>	<ul style="list-style-type: none"> <li>• For the proper and secure stewardship of funds</li> </ul>	<ul style="list-style-type: none"> <li>• Statutory requirement</li> </ul>
<b>Property</b>	<ul style="list-style-type: none"> <li>• Corresponding with the alternative prospective purchaser and liaising with the secured creditor concerning the property sale; including agreeing heads of terms and reviewing draft contracts;</li> <li>• Dealing with the consequences of the break in at site, including re-securing the property, liaising with the security company, contractors and insurance brokers;</li> <li>• Liaising with the prospective purchaser in respect of damage caused to the property, renegotiating terms of sale and liaising with the secured creditor for approval of revised property offer</li> </ul>	<ul style="list-style-type: none"> <li>• To maximise realisations for the benefit of creditors</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> </ul>

<b>Plant &amp; machinery</b>	<ul style="list-style-type: none"> <li>• Liaising with agents regarding the sale of plant and machinery;</li> <li>• Site attendance by administrators' health and safety representatives to ensure safe removal of plant and machinery;</li> <li>• Reconciling receipts to schedules provided by Hilco;</li> <li>• In depth discussions with agents regarding options for realisation of remaining P&amp;M following site break in and damage caused to Ektam machine</li> <li>• In depth discussions with insurance brokers regarding the insurance claim for damage to P&amp;M</li> </ul>	<ul style="list-style-type: none"> <li>• To maximise realisations for the benefit of creditors</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> </ul>
<b>Statutory and compliance</b>	<ul style="list-style-type: none"> <li>• Reviewing, allocating and filing case post as appropriate;</li> <li>• Appointee statutory reviews;</li> <li>• Health and safety checks and site visits to ensure compliance with regulations,</li> <li>• Drafting and issuing the 6 monthly progress report</li> </ul>	<ul style="list-style-type: none"> <li>• To ensure the efficient management of the administration;</li> <li>• To ensure that all regulations were complied with and to ensure the safety of individuals on site;</li> <li>• To keep stakeholders informed of the progress of the administration</li> </ul>	<ul style="list-style-type: none"> <li>• This work was necessary for administrative purposes and/or complying with statutory requirements.</li> </ul>
<b>Employees and pensions</b>	<ul style="list-style-type: none"> <li>• Dealing with employee queries regarding claim/timing of preferential dividend</li> </ul>	<ul style="list-style-type: none"> <li>• To discharge our duties in relation to employees</li> </ul>	<ul style="list-style-type: none"> <li>• This work was necessary for administrative purposes and/or complying with statutory requirements.</li> </ul>
<b>Creditors</b>	<ul style="list-style-type: none"> <li>• Dealing with and responding to creditor correspondence;</li> <li>• Adjudicating employee claims;</li> <li>• Drafting and issuing bank reports and regular updates/correspondence with the Bank in light of the break in on site and revised property offer from prospective purchaser;</li> <li>• Updating Estimated Outcome Statement;</li> <li>• Responding to queries from HSBCEF regarding asset sales and distributions;</li> <li>• Adjudicating unsecured creditor claims</li> </ul>	<ul style="list-style-type: none"> <li>• To keep creditors informed of the progress of the administration;</li> <li>• To ensure creditor claims properly accounted for;</li> <li>• To enable distributions to the secured creditor</li> </ul>	<ul style="list-style-type: none"> <li>• This work was necessary for administrative purposes and/or complying with statutory requirements.</li> </ul>

<b>Tax and VAT</b>	<ul style="list-style-type: none"> <li>• Dealing with terminal loss relief claim;</li> <li>• Updates to the tax team regarding the progress of the administration and asset sales;</li> <li>• Preparing and submitting tax computations and VAT returns;</li> <li>• Liaising with HSBCEF regarding submission of Error Correction Notice</li> </ul>	<ul style="list-style-type: none"> <li>• To discharge tax and VAT obligations</li> </ul>	<ul style="list-style-type: none"> <li>• This work was necessary for administrative purposes and/or complying with statutory requirements.</li> </ul>
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## 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
<b>Assets</b>	<ul style="list-style-type: none"> <li>• Carry out periodic health &amp; safety/insurance visits;</li> <li>• Achieve a sale of the Company's remaining property at MInera;</li> <li>• Complete the sale and removal of remaining plant and machinery;</li> <li>• Realise the Company's remaining book debts</li> </ul>	<ul style="list-style-type: none"> <li>• 39,950</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> </ul>
<b>Preferential creditors and unsecured creditors</b>	<ul style="list-style-type: none"> <li>• Finalise employee/pension matters;</li> <li>• Agree preferential claims and distribute the preferential dividend;</li> <li>• Adjudicate unsecured creditor claims;</li> <li>• Issue a notice of intended dividend (if there are sufficient funds to enable a prescribed part distribution);</li> <li>• Pay a dividend to the unsecured creditors (if there are sufficient funds to enable a prescribed part distribution)</li> </ul>	<ul style="list-style-type: none"> <li>• 43,589</li> </ul>	<ul style="list-style-type: none"> <li>• This work is necessary for administrative purposes and/or complying with statutory requirements.</li> </ul>
<b>Secured creditors</b>	<ul style="list-style-type: none"> <li>• Liaise with the secured creditor regarding remaining asset sales</li> <li>• Update the estimated outcome statement;</li> <li>• Make distributions to the secured creditor following completion of asset sales</li> </ul>	<ul style="list-style-type: none"> <li>• 20,110</li> </ul>	<ul style="list-style-type: none"> <li>• This work is necessary for administrative purposes and/or complying with statutory requirements.</li> </ul>

<b>Accounting &amp; treasury</b>	<ul style="list-style-type: none"> <li>Account for receipts following asset realisations;</li> <li>Settle expenses of the administration;</li> <li>Reconcile bank accounts</li> </ul>	<ul style="list-style-type: none"> <li>10,696</li> </ul>	<ul style="list-style-type: none"> <li>This work is necessary for administrative purposes and/or complying with statutory requirements.</li> </ul>
<b>Tax and VAT</b>	<ul style="list-style-type: none"> <li>Complete VAT returns;</li> <li>Complete tax computations;</li> <li>Deal with queries from HMRC;</li> <li>Reconcile VAT position;</li> <li>Obtain tax clearance from HMRC</li> </ul>	<ul style="list-style-type: none"> <li>18,394</li> </ul>	<ul style="list-style-type: none"> <li>This work is necessary for administrative purposes and/or complying with statutory requirements.</li> </ul>
<b>Statutory and compliance</b>	<ul style="list-style-type: none"> <li>6 monthly file reviews;</li> <li>Ensure health &amp; safety compliance in respect of property an asset realisations;</li> <li>Deal with insurance matters;</li> <li>Issue a final report to creditors;</li> <li>Dissolve company</li> </ul>	<ul style="list-style-type: none"> <li>23,426</li> </ul>	<ul style="list-style-type: none"> <li>This work is necessary for administrative purposes and/or complying with statutory requirements.</li> </ul>

## 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

The following work, which we or our staff would normally do, has been done by subcontractors. 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. £153k 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
<b>Legal services, including:</b> Appointment related matters; Advice on ROT claims; and Sales contracts.	<ul style="list-style-type: none"><li>DLA Piper</li></ul>	<ul style="list-style-type: none"><li>Insolvency knowledge</li></ul>	<ul style="list-style-type: none"><li>Time costs</li></ul>
<b>Chattel agents and valuers</b>	<ul style="list-style-type: none"><li>Hilco</li></ul>	<ul style="list-style-type: none"><li>Expertise</li></ul>	<ul style="list-style-type: none"><li>% of realisations</li></ul>
<b>Property valuation and sale agents</b>	<ul style="list-style-type: none"><li>JLL</li></ul>	<ul style="list-style-type: none"><li>Expertise and industry knowledge</li></ul>	<ul style="list-style-type: none"><li>Fixed fee and % of realisations</li></ul>
<b>Rates refund and collection</b>	<ul style="list-style-type: none"><li>CAPA</li></ul>	<ul style="list-style-type: none"><li>Expertise</li></ul>	<ul style="list-style-type: none"><li>% of realisations</li></ul>
<b>Payroll services</b>	<ul style="list-style-type: none"><li>Hazlewoods</li></ul>	<ul style="list-style-type: none"><li>Expertise</li></ul>	<ul style="list-style-type: none"><li>Fixed fee</li></ul>
<b>Consultancy Services</b>	<ul style="list-style-type: none"><li>Faenol Services</li></ul>	<ul style="list-style-type: none"><li>Prior involvement and Company specific knowledge</li></ul>	<ul style="list-style-type: none"><li>Time cost</li></ul>
<b>Property marketing agent</b>	<ul style="list-style-type: none"><li>SJC</li></ul>	<ul style="list-style-type: none"><li>Expertise and industry sector knowledge</li></ul>	<ul style="list-style-type: none"><li>Fixed fee</li></ul>
<b>Property management advisory</b>	<ul style="list-style-type: none"><li>PHD</li></ul>	<ul style="list-style-type: none"><li>Specialist property management advisors regarding the management of utility bills</li></ul>	<ul style="list-style-type: none"><li>Fixed fee</li></ul>
<b>Security Services</b>	<ul style="list-style-type: none"><li>GMS Security Services</li></ul>	<ul style="list-style-type: none"><li>Expertise and industry sector knowledge</li></ul>	<ul style="list-style-type: none"><li>Time cost</li></ul>

# 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.

<b>Nature of costs</b>	<b>Paid amount (£)</b>	<b>Unpaid Amount (£)</b>
Fees charged by the administrators-in-waiting	£72,783.00	£6,250
Expenses incurred by the administrators	£75,126.82	-
- DLA	plus disbursements of £50	
<b>Total</b>	<b>£147,959.82</b>	<b>£6,250</b>



# Appendix E: Other information

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<b>Court details for the administration:</b>	High Court of Justice, Business and Property Courts in Manchester, Insolvency and Companies List (ChD)
<b>Company's registered name:</b>	Tomlinson's Dairies Limited
<b>Trading name:</b>	Tomlinson's
<b>Registered number:</b>	03882919
<b>Registered address:</b>	Level 8, Central Square, Wellington Street, Leeds, LS1 4DL
<b>Date of the joint administrators' appointment:</b>	14 October 2019
<b>Joint administrators' names, addresses and contact details:</b>	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
<b>Extension(s) to the initial period of appointment:</b>	Extension of 12 months to 13 October 2021, granted by the secured creditors and preferential creditors Extension of 12 months to 13 October 2022, granted by the Court

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