

Farepak

☆ Food & Gifts ☆

Martha H Thompson and Dermot Power of BDO LLP, Kings Wharf, 20-30 Kings Road, Reading, Berkshire, RG1 3EX were appointed Joint Liquidators on 4 October 2007.

14th October 2009

Our ref: MHT/BR/261536/MT/J6

All correspondence, including notice of change of address, should be sent to: Claims Management Team, P O Box 3404, Swindon, SN2 9EQ

Dear Sir/Madam

Farepak Food & Gifts Limited - In Creditors' Voluntary Liquidation ("Farepak")

1 INTRODUCTION

- 1.1 By law I have to report to the creditors (and by that I mean everyone who is owed money including agents, customers, employees and suppliers) within three months of each anniversary of my appointment as Joint Liquidator on 4 October 2007. I must report to all creditors every year in this way and my last report was dated 8 October 2008. This current report covers what has been happening between 4 October 2008 and 3 October 2009.
- 1.2 On 5 September 2008, the High Court made an Order allowing a simplified version of the full report to be issued and sent to agents only, which I shall call "the shorter report". The Court made the Order because the costs of printing and posting the full report to every creditor of Farepak would significantly reduce the funds available to share between creditors. The full report has been lodged with the Registrar of Companies and can be viewed on the internet at www.farepak.co.uk.
- 1.3 I would ask you to share this shorter report with your customers who can also view it at www.farepak.co.uk.

2 LIQUIDATION COMMITTEE

- 2.1 The Court directed that the Committee be made up of two customers, an employee, a trade supplier and HM Revenue and Customs. All of these groups have lost money.
- 2.2 Since 8 October 2008, I have reported to the Committee four times on the steps that have been taken and will be taken in the Liquidation. All of the things I have done as Liquidator have been discussed in detail with the Committee and been approved by them.

Farepak Food & Gifts Limited

Correspondence Address: Claims Management Team, P O Box 3404, Swindon, SN2 9EQ

Registered Office: BDO LLP, Kings Wharf, 20-30 Kings Road, Reading, RG1 3EX

Registered Number: 4740401

3 TRUST MONIES

- 3.1 As you are aware from my previous reports, shortly before Farepak went into Administration the directors of Farepak had tried to set up an arrangement (known as a "Trust") so that money paid into Farepak's bank account on 11 October 2006 or later could be returned to Customers who had paid that money. Unfortunately the Trust was not set up properly and the Administrators were advised by their lawyers that the Court would have to decide whether there was a Trust at all, and if so, to whom the monies should be paid.
- 3.2 There was a Court hearing in December 2006 where the Judge said that he thought only money handed over by Customers to Agents on or after 11 October 2006 which the Agents then paid to Farepak on 11 October 2006 or later could be in the Trust. The Judge also said that he needed information on when Customers made their last payment to their Agent and when the Agent made their last payment to Farepak.
- 3.3 Since then, the Liquidators' staff and the claims management team have built a database of Customers who paid money on or after 11 October 2006. All the forms submitted by Agents and Customers have been reviewed to find out when those monies were paid to the Agent by a Customer.
- 3.4 On 8 October 2008, I reported to you that the Court hearing was to be in 2009.
- 3.5 On 31 July 2009 the Judge made a final ruling ordering that payments should be made to various Customers and Agents after the Liquidators had carried out some final checks. Once these were completed, the Liquidators were in a position to send cheques to customers whose Trust claims have been accepted by the Court.
- 3.6 These cheques were sent out on 21 September 2009 to the Customers and Agents whose Trust claims had been accepted by the Court. These cheques are not dividend payments and the ruling will not affect the estimated dividend payment of 5p in the £1 but any Customer who receives a cheque will have their claim reduced to take into account that they have received a cheque from the Trust.

4 LEGAL PROCEEDINGS AGAINST THIRD PARTIES

- 4.1 As I reported on 8 October 2008, the Liquidation Committee approved my recommendation to issue proceedings against a number of parties to try to secure further monies for the benefit of creditors. The proceedings were issued in April 2008.
- 4.2 Since then, I have been working with my solicitors and barrister, and with my firm's forensic accounting team. Since my last report on 8 October 2008, we have carried on examining and analysing Farepak's records which date from before my appointment as Joint Administrator on 13 October 2006.
- 4.3 Because this is a legal action, neither the Liquidators nor the members of the Liquidation Committee are able to provide any further information or comment on the litigation whilst it continues, as this may prejudice the outcome of the case. The length of time this takes to resolve is in the hands of the Court. If the proceedings are successful, I hope that further monies will be made available for the creditors of Farepak, including Agents and Customers.

5 AGREEMENT OF AGENTS' AND CUSTOMERS' CLAIMS

- 5.1 As Liquidator I have continued to employ a claims management team to deal with the claims of agents and customers. I have worked with them on preparing the information which the Judge considered for the Trust ruling and on removing any duplicate claims, for example where the agent has received a refund from their credit card company. I have also worked with the claims management team to send out letters to agents where I have not been able to agree any claim.
- 5.2 At the moment, there are 119,297 customers on the database whose claims total £37.1 million. The total number of claims has reduced from my last report as we have removed duplicate entries and those who have received refunds or who have chosen not to claim.
- 5.3 I have reported to the Liquidation Committee on this work and they are happy with the work we have done. The claims management team will now help me reduce the claims of those who have received a cheque from the Trust.

6 PROSPECTS FOR CREDITORS

Preferential Creditors

- 6.1 By law, Farepak's employees who were owed money for unpaid wages and holiday pay are preferential creditors. These claims totalled £13,076 and have been paid in full. Employees also have unsecured claims as discussed at Section 6.3 below.

Unsecured Creditors

- 6.2 As Liquidator I have to agree the claims of all the creditors, including trade suppliers. I have been working on this during the year and I have agreed the claims of trade suppliers who are owed just over £4 million. I am still in discussions with six creditors whose claims total £235,000.
- 6.3 By law, employees also have unsecured claims in respect of pay in lieu of notice (as they were dismissed with no notice when I was appointed Administrator) and redundancy. Not all claims have been received yet but I estimate that these will total approximately £150,000.
- 6.4 I still believe that there will be funds available to enable a small dividend of 5p in the £ to be paid to unsecured creditors, which includes agents and customers.
- 6.5 Because there are over 119,000 creditors, including the customers and agents, it will be very expensive to pay a dividend. Because of this, it will be most efficient for me to make sure that, as far as possible, all money that may be due to Farepak is received before paying a dividend. This will keep the costs associated with paying dividends as low as possible to avoid reducing the amount of money available for Customers and Agents. I should point out, that because the money paid to Farepak on or after 11 October 2006 was Trust money, the Liquidators had to pay this back to the Customers and Agents.
- 6.6 It is still not possible to confirm when a payment will be made to Agents and Customers. I am still pursuing monies for the benefit of creditors by way of the legal action I have started against third parties. The length of time this issue will take to resolve is in the hands of the Court.

6.7 I will continue to update the Liquidation Committee regularly about this.

7 RECEIPTS AND PAYMENTS

I attach a copy of my Receipts and Payments showing the money I have received in and the payments I have made during the course of the Liquidation. More detail on these items can be found in the full report at www.farepak.co.uk.

8 JOINT LIQUIDATORS' REMUNERATION

8.1 By law I must tell you that, where there is a Liquidation Committee, it decides how I should be paid. The Liquidation Committee has approved my fees on a time cost basis from the date of my appointment as Liquidator.

8.2 The Liquidation Committee has approved the Liquidators' fees from the start of the Liquidation in the sum of £609,561. £337,695 of this has yet to be paid. The Liquidation Committee has also approved the fees for taxation work in the sum of £9,050 and for the forensic work in the sum of £1,078,836. The total discount given by my firm on fees since the Liquidation began on 4 October 2007 is 6.9%.

8.3 If you want more detail on how Liquidators charge fees, there is a document called A Creditors' Guide to Liquidators' fees and a document outlining my firm's policy on the website www.farepak.co.uk.

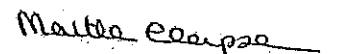
9 ANNUAL MEETING

9.1 By law, a Liquidator should hold a meeting of the creditors within three months of each anniversary of the Liquidators' appointment to present their annual report to the creditors. This would mean that I should hold a meeting by 4 January 2010.

9.2 I was concerned that agents and customers who had already suffered a loss might have to take time off work and spend money on travelling to a meeting and that the costs of hiring a venue large enough to hold the number of creditors would be significant. On 5 September 2008, the Court ordered that such meetings should not be held.

I should be grateful if you could share this shorter report with your customers. Extra copies can be printed from www.farepak.co.uk.

Yours sincerely
For and on behalf of
Farepak Food & Gifts Limited



Martha H Thompson
Joint Liquidator

Farepak Food & Gifts Limited
- In Creditors' Voluntary Liquidation -
Summary of the Joint Liquidators' Receipts and Payments
For the period from 4 October 2007 to 3 October 2009

	£
RECEIPTS	
Administration Surplus transferred to Liquidation	3,784,589
Third Party Monies Received	1,979,789
VAT Refunds	275,746
Bank Interest	250,819
Sundry Receipts	3,475
VAT on Receipts	543
	6,294,961
	6,294,961
 PAYMENTS	
Forensic Accounting Fees	1,078,836
Legal Fees & Disbursements	548,092
Customer Claims Management	370,544
Joint Liquidators' Fees	271,866
Trust Monies to Customers	243,240
Corporation Tax	54,662
Management of Media Enquiries	34,014
Postage Costs	24,244
Legal Fees for Trust Application	22,406
Joint Liquidators' Disbursements	12,316
Taxation Fees	9,050
Statutory Advertising	2,182
Liquidation Committee Expenses	1,127
Sundry Expenses	818
Agent's Fees & Disbursements	498
Tax on Bank Interest	422
Specific Bond	350
Bank Charges	187
VAT on Payments	390,100
	3,064,954
Distribution to Preferential Creditors of 100p in the £	5,989
Balance In Hand	3,224,018
	6,294,961
	6,294,961

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Martha H Thompson & Dermot Power
Joint Liquidators
14 October 2009