



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

19 October 2011

**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 must send a report to all the creditors (and by that I mean everyone who is owed money including Agents, Customers, employees and suppliers) every year. The report must be sent within three months of 4 October, which is the anniversary of my appointment as Joint Liquidator. My last report was sent to you on 8 October 2010. This report covers what has been happening between 4 October 2010 and 3 October 2011.
- 1.2 This report is the shorter version which is sent to Agents only. The High Court has allowed me to send this shorter version to Agents only, rather than to all Customers, because the costs of sending the full report to every creditor of Farepak would be too expensive.
- 1.3 This report will not be sent to your Customers and I would be grateful if you could please share this shorter report with them. Both this shorter report and the full report can be seen on the Farepak website at [www.farepak.co.uk](http://www.farepak.co.uk).

## **2 LIQUIDATION COMMITTEE**

- 2.1 The Liquidation Committee represents all those who have lost money as a result of the collapse of Farepak. The Court directed that the Committee be made up of two Customers, an employee, a trade supplier and HM Revenue & Customs. All of these groups have lost money.
- 2.2 Since 4 October 2010, I have reported to the Committee three times on the steps that have been taken and will be taken in the Liquidation. Everything I have done as Liquidator has been discussed in detail with the Committee and has been approved by them.

Farepak Food & Gifts Limited  
Correspondence Address: Claims Management Team, PO Box 3404, Swindon, SN2 9EQ  
Registered Office: BDO LLP, Kings Wharf, 20-30 Kings Road, Reading, RG1 3EX  
Registered Number: 4740401

### **3 LEGAL PROCEEDINGS AGAINST THIRD PARTIES**

#### **Legal Proceedings Against Directors**

- 3.1 As you know from my last report, the action issued by the Joint Liquidators against the directors of Farepak has been settled with no admission of liability by the directors. An amount of £4 million (inclusive of costs) has been received by the Joint Liquidators. The terms of the settlement are confidential and the Liquidation Committee and the Joint Liquidators cannot say anything else about this.
- 3.2 You may also remember that in my letter to you in October 2007, I told you that I had submitted my report to the Department for Business, Innovation and Skills. On 26 January this year, the Government's Insolvency Service announced that it had begun legal proceedings in the High Court for disqualification orders to be made against the former directors of Farepak and its parent company.
- 3.3 The Joint Liquidators are not involved in this process. Therefore we are not able to comment or provide any further information on the progress of this action.

#### **Claims Against Other Parties**

- 3.4 I told you in my last report that the Liquidation Committee asked me to investigate whether there are any claims I can make against other parties. This is so I can try to recover more money for the benefit of the creditors of Farepak, including Agents and Customers.
- 3.5 Since that time I have worked with my solicitors and with my firm's forensic accounting team to carry out this investigation work. We analysed Farepak's records in detail and reported back to the Liquidation Committee so the Committee could decide whether they wanted me to continue my work on these claims.
- 3.6 The Committee told me that they wanted me to keep working towards taking legal proceedings against these other parties. The process can take a long time as I have to follow the rules laid down by the Court. This includes writing to these other parties setting out details of the claims that Farepak has against them and allowing them a lengthy period of time to respond before I can start any legal proceedings in Court.
- 3.7 As the work I am doing may lead to legal action, neither the Liquidators nor the members of the Liquidation Committee can say anything else about this now.

### **4 AGREEMENT OF CLAIMS**

- 4.1 As Liquidator, I have to agree the claims of trade suppliers and employees as well as Agents and Customers. All these parties have lost money and have unsecured claims against Farepak.

#### **Agents and Customers**

- 4.2 I continue to employ a Claims Management Team to deal with the claims of Agents and Customers. During the year I have worked with them to keep the database up to date and to resolve the queries I received from Agents and Customers.

4.3 I have agreed the claims of 116,439 Agents and Customers, whose claims total approximately £37 million.

4.4 If you or your Customers have any queries about your claims, or want to tell me about a change of address, you can write to the Claims Management Team at P O Box 3404, Swindon SN2 9EQ.

### **Trade Suppliers**

4.5 I have agreed the claims of 66 trade suppliers who are owed a total of approximately £4.1 million. There are 73 trade suppliers who have not yet submitted a claim.

### **Employees**

4.6 By law, employees have unsecured claims for pay in lieu of notice (as they were dismissed with no notice when I was appointed Administrator) and redundancy. These claims will total approximately £150,000.

## **5 PROSPECTS FOR UNSECURED CREDITORS**

5.1 I estimate that there will be funds available so that the dividend (which is the amount that will be paid to the creditors, including Agents and Customers) will be in the region of 15p in the £.

5.2 As I told you earlier in this report, I am hoping to secure more money for the benefit of Farepak's creditors by working on claims against other parties.

5.3 Because there are over 116,000 creditors, including the Agents and Customers, it will be very expensive to pay a dividend. 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 and avoid reducing the amount of money available.

5.4 This means it is not yet possible to confirm when a dividend will be paid to creditors as the Liquidation Committee has asked me to continue to work on claims against other parties.

5.5 Any updates regarding the payment of a dividend will be posted to the Farepak website at [www.farepak.co.uk](http://www.farepak.co.uk). I will also continue to update the Liquidation Committee regularly about this.

## **6 RECEIPTS AND PAYMENTS**

I attach a summary of my Receipts and Payments showing the money I have received and the payments I have made during the Liquidation. More detail on these items can be found in the full report to all creditors at [www.farepak.co.uk](http://www.farepak.co.uk).

## **7 JOINT LIQUIDATORS' REMUNERATION**

7.1 By law, 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.

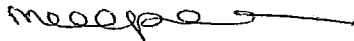
- 7.2 The Liquidation Committee has approved the Liquidators' fees from the start of the Liquidation in the sum of £1,128,805. £322,747 of this has yet to be paid. The Liquidation Committee has also approved the fees for taxation work in the sum of £9,050 and for the forensic work in the sum of £1,679,831. My firm has agreed with the Liquidation Committee to discount its fees.
- 7.3 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 with respect to fees on the website [www.farepak.co.uk](http://www.farepak.co.uk).

## 8 ANNUAL MEETING

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. 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](http://www.farepak.co.uk).

Yours faithfully  
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 2011**

	£
<b>RECEIPTS</b>	
Settlement from Directors	4,000,000
Administration Surplus transferred to Liquidation	3,784,589
Third Party Monies Received	2,150,329
VAT Refunds	683,475
Bank Interest	352,469
Sundry Receipts	3,590
VAT on Receipts	543
	10,974,995
	10,974,995
 <b>PAYMENTS</b>	
Forensic Accounting Fees	1,679,831
Legal Fees & Disbursements	1,139,257
Joint Liquidators' Fees	806,058
Customer Claims Management	505,405
Trust Monies to Customers	246,450
Third Party Monies Transferred	170,540
Corporation Tax	74,208
Management of Media Enquiries	54,479
Postage Costs	41,422
Legal Fees for Trust Application	24,371
Joint Liquidators' Disbursements	19,152
Taxation Fees	9,050
Tax on Bank Interest	4,498
Statutory Advertising	2,182
Liquidation Committee Expenses	1,496
Sundry Expenses	853
Bank Charges	769
Agent's Fees & Disbursements	498
Specific Bond	350
VAT on Payments	713,685
	5,494,554
Distribution to Preferential Creditors of 100p in the £	5,989
Balance In Hand	5,474,452
	10,974,995
	10,974,995

**BDO LLP**  
**Kings Wharf**  
**20-30 Kings Road**  
**Reading**  
**Berkshire**  
**RG1 3EX**

**Martha H Thompson & Dermot Power**  
**Joint Liquidators**  
**19 October 2011**