

19 October 2011

TO ALL KNOWN CREDITORS

Dear Sirs

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

In accordance with Section 105 of the Insolvency Act 1986, I attach herewith my account of the conduct of the Liquidation since my last report dated 8 October 2010.

1 REPORTS TO THE LIQUIDATION COMMITTEE

- 1.1 The Liquidation Committee is made up of two customers, HM Revenue & Customs, an employee and a trade creditor, representing those groups who have lost money. The members of the Committee have received comprehensive reports from me regarding the progress of the Liquidation and have also received reports from my solicitors and my firm's forensic accounting team.
- 1.2 In the last year, I have reported to the Liquidation Committee on three occasions, in October 2010, April 2011 and September 2011. All of my actions as Liquidator have been discussed in detail with the Committee and have been approved by them.

2 LEGAL PROCEEDINGS AGAINST THIRD PARTIES**Legal Proceedings Against Directors**

- 2.1 As I reported last year, with the recommendation of my solicitors and the agreement of the Liquidation Committee, 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.
- 2.2 The terms of the settlement are confidential and neither the Liquidation Committee nor the Joint Liquidators can provide further detail about this.
- 2.3 I confirmed in my report to creditors in October 2007 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.
- 2.4 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 Third Parties

- 2.5 As I reported in October 2010, the Liquidation Committee had asked me to investigate whether there are any further claims which can be progressed against third parties in order to increase the funds available for the benefit of all creditors.
- 2.6 Accordingly, I have been undertaking investigation work in conjunction with my solicitors and my firm's forensic accounting team. This has involved further detailed examination and analysis of Farepak's records.
- 2.7 I have reported to the Committee on the results of the investigation work, and the Committee has asked me to continue 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 the 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.
- 2.8 Because this work may lead to legal action, neither the Liquidators nor the members of the Liquidation Committee are able to provide any further information or comment at this time.

3 AGREEMENT OF CLAIMS**Trade Creditors**

- 3.1 I have agreed the claims of 66 trade creditors totalling approximately £4.1 million. There are 73 potential trade creditors with estimated claims of approximately £180,000 who have yet to submit claims.

Employees

- 3.2 Employees have preferential claims in respect of unpaid wages and holiday pay, which have been paid in full. They also have unsecured claims in respect of pay in lieu of notice and redundancy. Employee unsecured claims will total approximately £150,000.

Agents and Customers

- 3.3 I continue to retain the services of a claims management team to deal with the claims of agents and customers. I have co-ordinated the work of the team in keeping the database up to date and dealing with queries raised following my report to agents last year, which set out full details of the claims of each agent and their customers. The cost of the claims management team is kept under review to ensure that this is the most cost-effective manner of dealing with the large number of claims and maintaining the database of agents and customers.
- 3.4 I have agreed 116,439 agent and customer claims, which total approximately £37 million.

4 PROSPECTS FOR UNSECURED CREDITORS

- 4.1 I estimate that there will be sufficient funds available to enable a dividend in the region of 15p in the £ to be paid to unsecured creditors.
- 4.2 As set out in section 2 above, I am hoping to secure more money for the benefit of Farepak's creditors by progressing claims against other parties.

- 4.3 Because of the extremely large number of creditors, the costs of declaring and paying a dividend will be high. I am working to ensure 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 for creditors.
- 4.4 It is therefore not yet possible to confirm when a payment will be made to unsecured creditors, as I am seeking to realise additional funds for the benefit of creditors by progressing claims against third parties.
- 4.5 Any updates regarding the payment of any dividend will be posted to the Farepak website www.farepak.co.uk. I will also continue to update the Liquidation Committee regularly about this.

5 RECEIPTS AND PAYMENTS

- 5.1 I attach a summary of my Receipts and Payments during the Liquidation. The receipts and payments shown are largely self-explanatory or have been explained in my earlier reports. I would however comment specifically on the following items which have been applied since the date of my last report:

Bank Interest

- 5.2 All funds are held on interest-bearing accounts for the benefit of creditors. Since I last reported, further bank interest of £70,863 has been received.

Forensic Accounting Fees

- 5.3 As instructed by the Liquidation Committee, I have continued to work with my firm's specialist forensic accounting team to examine and analyse Farepak's records to investigate whether there are any further claims which can be progressed against third parties.
- 5.4 The fees of my firm's forensic accounting team have been approved on a time cost basis by the Liquidation Committee. Since the date of my last report, the Liquidation Committee has approved the forensic accounting team's fees in the sum of £229,447.

Legal Fees and Disbursements

- 5.5 Since my last report, fees and disbursements of £225,314 have been paid in respect of work carried out by my solicitors. The work done by my solicitors included assisting me with investigating whether claims could be brought against third parties and with progressing these claims as discussed above.
- 5.6 My solicitors' fees have been subject to a 10% discount and, although not specifically required by the Insolvency Act, all legal fees have been approved by the Liquidation Committee before payment.

Claims Management

- 5.7 Costs of £59,907 have been incurred during the year in relation to the management of agent and customer claims. These costs include wages, rent and postage.

Management of Media Enquiries

- 5.8 I continue to be assisted by a media agency in handling the ongoing level of press interest in Farepak, as well as enquiries from MPs and Government ministers. Since the date of my last report, £4,640 has been spent in dealing with these enquiries.

Postage Costs

- 5.9 Costs of £8,791 were incurred with regard to the printing and mailing of my report to Farepak's agents in 2010.

6 JOINT LIQUIDATORS' REMUNERATION

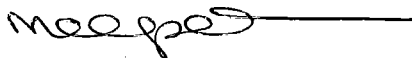
- 6.1 I am obliged to fix my remuneration in accordance with Rule 4.127(2) of the Insolvency Rules 1986. This permits my remuneration to be fixed either as a percentage of the assets realised and distributed or, alternatively, by reference to the time myself and my staff have spent attending to matters in this Liquidation.
- 6.2 Where a Liquidation Committee exists, it is for the Committee to determine how the remuneration is to be fixed.
- 6.3 Since the commencement of the Liquidation, the Liquidation Committee has approved the Liquidators' fees on a time cost basis in the sum of £1,128,805, which represents an increase of £306,360 since my last report. This figure does not correspond to the attached summary of Receipts and Payments as £322,747 has yet to be paid. My firm has agreed with the Liquidation Committee to discount its fees.
- 6.4 The Liquidation Committee has also approved the fees for taxation work of £9,050 and for the forensic work in the sum of £1,679,831.
- 6.5 Further details on Liquidators' fees are given in the Creditors' Guide to Liquidators' Fees and the document outlining my firm's policy in respect of fees, both of which can be found on the website www.farepak.co.uk.

7 ANNUAL MEETING

In accordance with a Court Order dated 5 September 2008, annual meetings will not be held in this Liquidation. This is to assist in reducing the costs of the Liquidation given the number of creditors.

I will continue to update the website www.farepak.co.uk with any relevant information.

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



Martha H Thompson
Joint Liquidator
Authorised by the Institute of Chartered Accountants in Ireland

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

	£
RECEIPTS	
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
PAYMENTS	
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

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Martha H Thompson & Dermot Power
Joint Liquidators
19 October 2011