



Martha H Thompson and Shagun Dubey of BDO Stoy Hayward LLP, Kings Wharf,  
20-30 Kings Road, Reading, Berkshire, RG1 3EX appointed Joint Administrators on 13 October 2006

15 October 2007

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

**ALL CORRESPONDENCE, INCLUDING NOTICE OF CHANGE OF ADDRESS,  
SHOULD BE SENT TO: CLAIMS MANAGEMENT TEAM, FAREPAK HOUSE,  
WESTMEAD DRIVE, WESTLEA, SWINDON SN5 7YZ**

To All Known Agents and Customers

Dear Sir/Madam

**Farepak Food and Gifts Limited – In Administration (“Farepak”)**

## **1. INTRODUCTION**

- 1.1 This report is addressed to agents and customers of Farepak Food and Gifts Limited (“Farepak”) and follows on from my proposals dated 18 January 2007 (a copy is available on the website [www.farepak.co.uk](http://www.farepak.co.uk)). 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 four weeks of the six month anniversary of my appointment on 13 October 2006. However, because I had written to everyone in January 2007, the Court allowed me to delay sending out my second report until the time when the Administration ended.
- 1.2 By law, I have to send you details of my appointment and these are included as Appendix 1.

## **2. EVENTS SINCE MY LAST REPORT AND PROPOSALS**

In February 2007, 98% of the creditors voted in favour of my proposal for the future of the Administration. According to that proposal I would continue to realise Farepak's assets in order firstly to make a distribution to preferential creditors (that is for certain amounts owed to Farepak's employees) and secondly, to pay a dividend to the unsecured creditors (including the agents and customers). I am continuing to work towards this.

## **3. REALISATION OF ASSETS**

- 3.1 At Appendix 2 is my Receipts and Payment account for the Administration. This lists the money I have made from selling the things that Farepak owned and the expenses I have had to pay out.

Farepak Food & Gifts Limited

Correspondence Address: Claims Management Team, Farepak House, Westmead Drive, Westlea, Swindon, SN5 7YZ

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

Registered Number: 4740401

- 3.2 I have sold Farepak's shares and related assets in another company, Home Farm Hampers Limited. I have collected money which Farepak was owed of £383,000 (included in the Receipts and Payments account as book debts). I was also able to charge Home Farm Hampers Limited for work carried out on its behalf after my appointment.
- 3.3 I have also collected cash totalling £1.7 million which was in Farepak's bank account at my appointment.
- 3.4 When I was appointed Farepak was owed £904,000 for work it had carried out for other companies. I have collected £886,026 of this (including the £383,000 owed by Home Farm Hampers Limited). The balance of £18,000 was disputed and will not be collected.
- 3.5 Farepak had one contract to pack hampers for a large retailer using stock supplied by that retailer. The total charge for the contract was £793,552. The profit that is made (once all the costs have been paid) will be subject to tax but will then increase the money available to share amongst the creditors.
- 3.6 I have sold hamper stock to the Farepak Response Fund ("the Fund"). Following the winding up of the Fund, I have received the Gift Aid rebate (which is a tax reclaim). I have also sold Farepak's small stock of vouchers which was used to supply orders from other companies (and not the Autumn mailing to agents and customers). I have sold stationery, hamper baskets and packing materials and anything else which was of value.
- 3.7 I have now sold everything that the Company owned.

#### **4 CUSTOMER AND AGENT CLAIMS**

- 4.1 When I was appointed Administrator, I discovered that Farepak did not have a list of its customers because Farepak did not deal directly with its customers; it dealt with agents only. For this reason, I immediately put steps in place to help customers send in their claims to us.
- 4.2 I set up a call centre and arranged for forms to be put on the website. I published a postal address and set up an email address to help customers register their claims.
- 4.3 I then established a claims management team using some of the Farepak employees. Because the Farepak employees were used to working with the agents and knew how Farepak had worked in the past, this has helped reduce the costs of creating the claims database and dealing with the customers and agents. I have also used the 26,000 names and addresses which were already on the agents' database which reduced costs. The claims management team have now put all the customer claims that we have received into a database.
- 4.4 We are now reviewing the claims to remove any mistakes made when claiming. The work that has been done to date has reduced claims by just over £2 million. When the claims management team have a query they are either writing to or telephoning the agent. It would be very helpful if any agent who receives a letter or telephone call could get back to the claims management team as quickly as possible as this will help reduce costs.

4.5 At the present time, the claims management team is **not** acknowledging the claims received. They are only contacting agents or customers when there is a query on the account. This is because of the cost involved in writing to each of the 122,000 customers. I hope that you understand that, by doing this, I am trying to keep the costs as low as possible so that there is more money available to pay as a dividend.

4.6 At the moment, the database holds 122,114 customer claims totalling £38.1 million.

## **5 OTHER CREDITORS**

### **Secured Creditors**

5.1 On 17 October 2003, Farepak granted security (this is like a mortgage that you might have over your house) to EHR's bankers. Since my appointment, I have negotiated with the Bank, which has agreed to release this security over Farepak's assets. This means that after paying for the costs of the Administration, all funds received by me from 13 October 2006 will be available firstly for a small number of preferential creditors (who are employees) and then for the unsecured creditors, which include agents and customers.

### **Preferential Creditors**

5.2 By law, the preferential creditors (who are employees) are entitled to be paid before other creditors. I estimate that employee preferential claims will total approximately £16,000. Of that, £7,000 has already been paid out to employees who have worked for the Company after my appointment.

### **Unsecured Creditors**

5.3 There will be funds available to enable a small dividend to be paid to unsecured creditors, which includes agents and customers. My current estimate, given the unsecured creditors are owed approximately £43 million, is that the dividend is likely to be in the region of 5p in the £.

## **6 TRUST MONIES**

6.1 As I previously reported, the directors of Farepak had tried to establish a Trust so that money paid by Farepak's customers after 11 October 2006 could be returned to customers if Farepak went into an insolvency process. Because the Trust was not set up correctly, I had to apply to Court to help me sort out what amounts, if any, should be paid to which customers.

6.2 The Judge formed an initial view that the agents were agents of Farepak, so before deciding on what monies could be returned, I would need to investigate when the monies were paid to the agent by the customer as well as when they reached Farepak's bank account.

6.3 I have been working with the claims management team, my computer department and my solicitors to find out when the monies were paid to the agent by the customer. Because not all of those who are owed money by Farepak will gain from this work, I have to be careful how much money I spend sorting this out.

- 6.4 I have completed much of the work necessary and I am now talking to my barrister and several other interested parties who were represented at the Court hearing in December 2006. I hope that by discussing things in this way it will reduce the costs when we go back to Court.

## 7 INVESTIGATION INTO THE CONDUCT OF THE DIRECTORS

- 7.1 I have to send a report to the Secretary of State for Business, Enterprise and Regulatory Reform ("the Secretary of State"), formerly the Department of Trade and Industry, on the conduct of the directors. By law, the submission that I make to the Secretary of State is not made public. I can confirm that the submission has been made.
- 7.2 The Secretary of State has also appointed investigators and I have been working closely with them.

## 8 FUTURE OF THE ADMINISTRATION

- 8.1 As you know, 97% of the creditors voted that Farepak should go into Creditors' Voluntary Liquidation when the Administration finishes and that Dermot Power and I should be the Liquidators. I have filed Form 2.34B at Companies House (Appendix 3) and we will become Liquidators on the date that the Form is registered at Companies House. **By law, I have to send you a copy of the form. It is for information only; you do not have to do anything with it.**
- 8.2 A Liquidator has much wider powers of investigation than an Administrator. A Liquidator will look in greater detail at the way agents' and customers' money was lent by Farepak to EHR and never repaid. A Liquidator can investigate when Farepak should have ceased trading and why Farepak collapsed. A Liquidator can consider whether to take legal action against any third party or individual if this is appropriate and they may have to pay money to Farepak which can then be paid to the creditors.
- 8.3 Once I am Liquidator, I will be carrying out more detailed investigation work.

## 9 CREDITORS' COMMITTEE

- 9.1 The creditors voted for the appointment of a committee of creditors to help the Joint Administrators.
- 9.2 The Court directed that the creditors' committee should be made up of two customers, an employee, a trade supplier and HM Revenue & Customs. All of these groups have lost money.
- 9.3 Since the vote in February 2007, the Committee has met twice. The same Committee will now work with me in the Liquidation. The discussions of the Committee are confidential but I can tell you some of what has been considered.
- 9.4 The Committee has voted in favour of beginning some work on the investigation and my forensic department has been working with me on this. The Committee has so far approved fees for this work of £85,492.

- 9.5 The Committee has also considered my fees for the Administration. As you are aware, the creditors voted to approve my fees from 13 October 2006 to 31 December 2006 which totalled £395,202 after I wrote off £100,000 which had been spent on dealing with the Minister for Trade Investment and Foreign Affairs, the Family Fund and in responding to MPs' correspondence. Once appointed, the Committee has the power to approve my fees and they agreed that I could draw the £395,202.
- 9.6 Since 1 January 2007, as agreed by the Committee I have drawn a further £237,768 against my time costs. I have discounted all of my fees since 1 January 2007 by 10% in order to ensure the costs are kept as low as possible.
- 9.7 A Creditors' Guide to Administrators' Fees and a document which outlines the policy of BDO Stoy Hayward LLP in respect of fees is available on the website, [www.farepak.co.uk](http://www.farepak.co.uk).

## 10 COURT ORDER AND INSOLVENCY LAW

- 10.1 The High Court has made an Order allowing this report to be issued as a simplified version of the full report and sent to agents only. The full report has been lodged at Court and with the Registrar of Companies. The full report can be viewed on the internet at [www.farepak.co.uk](http://www.farepak.co.uk). 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.
- 10.2 I hope that you will share this report with your customers who can print off extra copies at [www.farepak.co.uk](http://www.farepak.co.uk).

Yours faithfully  
for and on behalf of  
Farepak Food and Gifts Limited



Martha H Thompson  
Joint Administrator

## APPENDIX 1

### FAREPAK FOOD & GIFTS LIMITED - IN ADMINISTRATION ("FAREPAK")

#### STATUTORY INFORMATION

Court:	High Court of Justice, Companies Court
Court reference number:	Case Number 7476 of 2006
Company registered number:	04740401
Registered office address:	c/o BDO Stoy Hayward LLP, Kings Wharf, 20-30 Kings Road, Reading, Berks, RG1 3EX
Names of joint administrators:	Martha H Thompson and Shagun Dubey of BDO Stoy Hayward LLP, Kings Wharf, 20-30 Kings Road, Reading, Berks, RG1 3EX
Date of administrators' appointment:	13 October 2006
Person(s) making appointment/ application:	The directors of Farepak
Changes in office holder (if any):	N/A
Acts of the joint administrators:	The joint administrators act as officers of the court and as agents of Farepak without personal liability. Any act required or authorised under any enactment to be done by an administrator may be done by any one or more persons holding the office of administrator from time to time.
Extensions to initial period of appointment (if any):	None

**Farepak Food & Gifts Limited**  
**- In Administration -**  
**Summary of the Joint Administrators' Receipts and Payments**  
**For the Period from 13 October 2006 to 28 September 2007**

APPENDIX 2

**RECEIPTS**

Home Farm Hampers	2,481,465
Cash at Bank	1,669,860
Book Debts	886,026
Sales - Packing Contract	793,552
Sale of Stock	553,613
Bank Interest Gross	221,296
Furniture & Equipment	85,156
Sundry Receipts	12,344
Rates Refund	5,135
VAT on Receipts	13,125

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6,721,572

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**PAYMENTS**

Employment Costs (including claims management team)	671,925
Joint Administrators' Fees	632,970
Legal Fees	457,068
Rent paid	169,750
Security Costs	113,830
Storage Costs (including warehouse liens)	87,632
Forensic Accounting Fees & Disbursements	85,492
Photocopying and Postage	72,658
Material Purchases	55,806
Utilities	49,666
Management of Media Enquiries	45,186
ROT Stock	43,500
Agents' Fees & Disbursements	37,469
Insurance	25,474
Joint Administrators' Disbursements	21,956
Sundry Expenses	10,271
Hire of Equipment	5,785
Debt Collection Costs	2,445
Car Park Rental	2,000
Statutory Advertising	1,776
Specific Bond	1,600
Bank Charges & Interest	1,524
Creditors' Committee Expenses	113
VAT on Payments	119,443

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2,715,339

**Paid to Preferential Creditors**

Employee Claims - Preferential Holiday Pay	7,087
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Balance in Hand *	3,999,146
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6,721,572

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\* Please note that the balance in hand includes £1.7 million which is subject to Court proceedings (see Section 6).

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

**Martha H Thompson & Shagun Dubey**  
**Joint Administrators**  
**28 September 2007**

The Insolvency Act 1986

**Notice of move from administration to  
creditors' voluntary liquidation**

**2.34B**

Name of Company <b>Farepak Food &amp; Gifts Limited</b>	Company number <b>04740401</b>
In the <b>High Court of Justice, Companies Court</b> <small>[full name of court]</small>	Court case number <b>7476 of 2006</b>

(a) Insert name(s) and address(es) of administrator(s) We (a) Martha H Thompson and Shagun Dubey of BDO Stoy Hayward LLP, Kings Wharf, 20-30 Kings Road, Reading, Berks, RG1 3EX

(b) Insert name and address of registered office of company having been appointed Joint Administrators of (b) Farepak Food & Gifts Limited whose registered office is situated at BDO Stoy Hayward LLP, Kings Wharf, 20-30 Kings Road, Reading, Berkshire, RG1 3EX.

(c) Insert date of appointment of (d) Insert name of applicant / appointor On (c) 13 October 2006 by (d) the directors of the company

Hereby give notice that:

(e) Insert name(s) and address(es) of liquidator(s) The provisions of paragraph 83(1) of Schedule B1 to the Insolvency Act 1986 apply, and it is proposed that (e) Martha H Thompson and Darnot Power of BDO Stoy Hayward LLP, Kings Wharf, 20-30 Kings Road, Reading, Berks, RG1 3EX

will be the Joint Liquidators of the company (IP No(s) 8678/01 and 6006/01 )

We attach a copy of the first progress report.

Signed [Signature]  
Joint Administrator

Dated 28/9/06

FOR INFORMATION ONLY

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record

BDO Stoy Hayward LLP, Kings Wharf, 20-30 Kings Road,	
Reading, Berks, RG1 3EX	
Our Ref <b>MHT/MG/BRS/C15</b>	Tel <b>0118 925 4400</b>
DX Number	DX Exchange

Companies House receipt date barcode

When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, Crowa Way, Cardiff, CF14 3UZ

DX 33050 Cardiff