

The Insolvency Act 1986
**Administrative
 Receiver's Report**

S.48(1)

Pursuant to section 48(1) of the Insolvency
 Act 1986 and Rule 3.8(3) of the Insolvency
 Rules 1986

To the Registrar of Companies

For official use

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Company Number

3368265

Name of Company

Insert full name of
 company

Flowers Direct Limited

Limited

I/We Ian William Kings

of 19 Borough Road

Sunderland

SR1 1LA

administrative receiver(s) of the company attach a copy of my [our] report to
 creditors and a copy of the statement of affairs of the company.

Signed

Ian W. Kings

Dated

5/7/01

Presenter's name,
 address and reference
 (if any):

Tenon Jennings Johnson

19 Borough Road,

Sunderland

SR1 1LA

Insolv



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 COMPANIES HOUSE

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 06/07/01

**FLOWERS DIRECT LIMITED
IN ADMINISTRATIVE RECEIVERSHIP**

**REPORT BY THE
ADMINISTRATIVE RECEIVER
S.48 INSOLVENCY ACT 1986**

Jennings Johnson
Chartered Accountants
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Sunderland
SR1 1LA

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INTRODUCTION

I was appointed Administrative Receiver of the Company on 6 April 2001 by the Debenture Holder, Louvre Trustees Limited. I have compiled this report to creditors in accordance with S48 of the Insolvency Act 1986.

HISTORY

The Company was incorporated on 9 May 1997 as Flowers Direct Limited.

The Company number is 3368265.

SHARE CAPITAL AND SHAREHOLDERS

The authorised share capital of the Company is £1,000,000 comprising 1,000,000 ordinary shares of £1 each.

133,250 ordinary shares have been issued and are held as follows:-

Mr P J Calvert	60000
Louvre Trustees Limited	33440
Mr P Tomlin	34310
Mr R D Neville	2750
Mr J I Milnthorpe	<u>2750</u>
	133250 Shares

DIRECTORS

Mr P J Calvert
Mr S Calvert
Mr R D Neville

COMPANY SECRETARY

Mr S P Calvert

REGISTERED OFFICE

The registered office of the Company was previously Unit 2, Wandhill Road, Skelton Industrial Estate, Skelton, Cleveland, TS12 2LQ.

On 11 April 2001 the registered office was changed to 19 Borough Road, Sunderland, SR1 1LA the address of the office of the Administrative Receiver.

ACCOUNTS AND FINANCIAL INFORMATION

The accounting reference date is 31 July

The Company's auditors are Armstrong Watson, 77 High Street, Northallerton, DL7 8EG

The following financial information has been extracted from both audited and management accounts:-

Year ended 31 July	1998	1999	2000
	£	£	£
Turnover	138930	542925	972823
Gross Profit	35487	57617	226442
Operating (loss)	(46447)	(300503)	(111868)
Net Assets/liabilities	12793	18349	1588

MATTERS ARISING PRIOR TO THE RECEIVERSHIP

Background

Following a relatively successful start up the Company encountered difficulties during Christmas 1998 as a result of the failure of the Company's telephone system. This resulted in very poor sales during the Christmas period following an extensive and expensive advertising campaign.

Although an action was taken against the supplier of the system this simply resulted in extensive legal costs and an eventual compensation settlement which did not reflect the loss of profits incurred by the Company.

The Company expanded rapidly during 1999 concentrating efforts on establishing an internet service rather than the traditional telephone service. However the expansion proved costly with little additional capital investment and trading results for the year ending 31 July 1999 were poor.

The Company continued to expand and sales increased to almost £1,000,000 for the year ended 31 July 2000. By April of that year the Company had begun to break even and a business plan was established in order to generate investment to develop the Company further.

By November 2000 the Company had attracted a private investor who was willing to introduce funds in the region of £750,000. An initial investment of £400,000 was agreed and these funds were introduced into the Company prior to the busy Christmas trading period. However, sales generated for the Christmas period were lower than budgeted and further losses were incurred by the Company which obviously depleted the amount of funds available to meet the objectives set out in the business plan.

It became clear that no additional funding would be provided by the current private investor and following pressure from several creditors a review of the business was carried out by a Licensed Insolvency Practitioner. Following this review a strategy was agreed to market the Company for sale. However, following an extensive marketing campaign the directors were unable to secure a sale.

The pressure continued to mount from creditors and it became clear that the Company had no prospect of survival without additional funds being introduced. At this stage the debenture holder, Louvre Trust Limited, approached Jennings Johnson with a view to placing the Company into Administrative Receivership.

On 6 April 2001 at the request of the directors Ian William Kings of Jennings Johnson, 19 Borough Road, Sunderland, SR1 1LA was appointed Administrative Receiver of the Company.

THE RECEIVERSHIP

As stated above the Receivership took effect on 6 April 2001.

The Administrative Receiver, after discussions with the Company's Directors, decided that it was not prudent to continue to trade the business as April is a relatively quiet time in the flower industry. In addition, there were no funds available to enable trading of the business to continue.

It was agreed that the parties who had initially been approached with regard to the sale of the business prior to Receivership should be approached again to ascertain whether there was any interest in purchasing the Company as a going concern from the Administrative Receiver. As a result of this communication several interested parties requested additional information and some three parties expressed considerable interest.

It became clear that the potentially interested parties were concerned at the level of losses incurred by the Company over the previous three years and as such no party was prepared to purchase the Company as a going concern.

On the conclusion that there would be no sale as a going concern the assets of the Company were sold privately during May 2001.

STATEMENT OF AFFAIRS

A draft Statement of Affairs has been prepared by the directors of the Company. This requires some amendment prior to being lodged with the Registrar of Companies.

RECEIVERSHIP FUNDS

The Receivership funds at the present time are shown in Appendix I.

LOUVRE TRUSTEES LIMITED DEBENTURE

The Louvre Trustees Limited have a debenture dated 10 November 2000 registered with the Registrar of Companies on 1 December 2000.

The debenture entitles the holder to a fixed and floating charge over the majority of the assets of the business.

The sum due to Louvre Trustees Limited at the date of appointment was £188,900.

PREFERENTIAL CREDITORS

Whilst claims have not yet been agreed the current position in relation to the preferential creditors is estimated as follows:-

H M Customs & Excise – VAT	52100
Inland Revenue – PAYE)	
National Insurance Contributions Office – NIC)	587
DTI Redundancy Payments Service – Arrears of pay and holiday pay	<u>3400</u>
	£56087

The above claims are estimates, however it is unlikely that any funds will be available to enable a dividend to be paid to the preferential creditors in this case.

NON-PREFERENTIAL CREDITORS

NON-PREFERENTIAL CREDITORS

On 11 April 2001 the Administrative Receiver wrote to all known Company creditors to advise them of his appointment and inviting creditors to submit claims for inclusion in the list of creditors.

It is neither the function nor the duty of the Administrative Receiver to formally deal with such claims nor indeed to either admit or reject the claims, this will be a matter for any subsequent Liquidator.

Creditors must deal with their claims for VAT Bad Debt Relief direct with HM Customs and Excise under the appropriate Rules for VAT Bad Debt Relief. This is not a matter which concerns the Administrative Receiver.

DIVIDEND PROSPECTS

It is unlikely that any funds will be available to enable a dividend to be paid to either the preferential or non preferential creditors in this case.

COMPANY DIRECTORS DISQUALIFICATION ACT 1986

The Administrative Receiver has complied with Company Directors Disqualification Act 1986 with the submission of an interim report to the DTI Disqualification Unit and a final report will be submitted in due course. The Administrative Receiver is unable to provide any additional information with regard to this aspect of the Receivership.

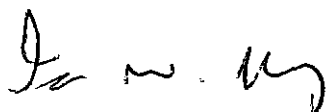
SECTION 48 MEETING

The purpose of the meeting of creditors convened under Section 48 of the Insolvency Act 1986 is simply for creditors to receive a further copy of this, the Administrative Receiver's report, and if thought fit to ask questions of the Administrative Receiver as regards his administration of the Receivership. In addition creditors may appoint a Creditors' Committee.

No information other than that contained in this report will be presented to the meeting of creditors, nor any report issued to creditors thereafter.

If creditors have any queries or require any further information would they please let me know.

Dated: 15 June 2001



IAN W KINGS
Administrative Receiver

IN THE MATTER OF THE INSOLVENCY ACT 1986

AND

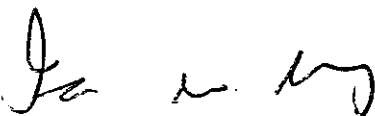
**IN THE MATTER OF FLOWERS DIRECT LIMITED
IN ADMINISTRATIVE RECEIVERSHIP**

Notice is hereby given pursuant to Section 48(2) of the Insolvency Act 1986 that a meeting of the unsecured creditors has been convened and will be held at 11.00 o'clock in the forenoon on Thursday, 5 July 2001, at the office of Tenon Jennings Johnson, 6 Foyle Street, Sunderland, SR1 1LB for the purposes laid down in Sections 48(2) and 49 of the said Act ie to receive a copy of the report prepared by the Administrative Receiver, and if they think fit, appoint a Creditors' Committee.

Creditors will only be entitled to vote if they have lodged full details of their claim and a completed Form of Proxy no later than 12.00 noon on Wednesday, 4 July 2001, the business day prior to the meeting of creditors.

In accordance with Rule 3.11(1) of the Insolvency Rules 1986 a creditor shall only be entitled to vote if details of any debt claimed are, or have been, submitted to the Administrative Receiver in writing, and the claim duly admitted, and if a completed Form of Proxy which the creditor intends should be used on his behalf has been lodged with the Administrative Receiver. Both the claim and the Proxy must be lodged with the Administrative Receiver at the offices of Tenon Jennings Johnson, Accountants & Business Advisers, 19 Borough Road, Sunderland, SR1 1LA no later than 12.00 noon on Wednesday, 4 July 2001 the last business day before the meeting of creditors.

Dated: 15 June 2001



IAN W KINGS
Administrative Receiver