

Notice of Receiver's Report

S67(1)

Pursuant to section 67(1) of the
Insolvency Act 1986(a) Insert names of
persons to whom
notice is to be given
under section 67(1)

To (a)

For official use

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Company Number

SC043035

Insert name of
company

Fernan (Sundries) Limited (In Receivership)

Insert name(s) and
address(es) of
receiver(s)I/We Laurie K Manson and Graham H Martinof PricewaterhouseCoopersKintyre House, 209 West George StreetGlasgow, G2 2LW

receiver(s) of the company attach a copy of my/our report to
creditors and a summary of the statement of affairs of the
company

Signed LM Manson Date 02/07/08Presenter's name
address and reference
(if any)

Catriona Lynch
PricewaterhouseCoopers
Erskine House
68 73 Queen Street
Edinburgh
EH2 4NH

SF3 5

For Official use

Receivers Section

Post Room

SATURDAY



SW1MG1JB

SCT

19/07/2008

1272

COMPANIES HOUSE

PricewaterhouseCoopers LLP
PO Box 90
Erskine House
68 73 Queen Street
Edinburgh EH2 4NH
Telephone +44 (0) 131 226 4488
Facsimile +44 (0) 131 260 4008
www.pwc.com/uk

To all Creditors of Fernan (Sundries) Limited

7 July 2008

When telephoning please ask for Catriona Lynch

Our ref LKM/AJ/Catriona Lynch/Fernan Sundries/R425A

Dear Sirs

Fernan (Sundries) Limited (in Receivership)('the Company')

On 13 May 2008 I wrote to creditors to advise them of my appointment as Joint Receiver of the Company and I explained in that letter that I am required to prepare a report for creditors and to call a meeting of creditors

I enclose the report to creditors, which contains the information which, under the provisions of the Insolvency Act 1986, I must give to creditors, a notice for a meeting of the Company's creditors and a proxy form for any creditor who wishes to be represented at the meeting

The purpose of this meeting is to receive the report of the Joint Receivers and if the creditors wish to do so, to appoint a committee of creditors. The purpose of the meeting is not to appoint a liquidator nor to question the directors, who are not required to attend. I will send a copy of the report to be presented to that meeting to any creditor who asks for one. Please make any request in writing.

It is unlikely that there will be a return to creditors. Creditors registered for VAT, who have not already done so, will be entitled to make a claim for VAT bad debt relief. If you require advice on how to do this, please contact your local VAT office.

Creditors wishing to vote at the meeting must complete and lodge with me, the enclosed form of proxy, unless they are individuals attending the meeting personally or are companies authorising a representative under the provisions of Section 375 of the Companies Act 1985.

Creditors who have not already done so should send details of their claim to the above address marked for the attention of Catriona Lynch.

Graham H Martin and Laune K Manson have been appointed as Joint Receivers of Fernan (Sundries) Limited. The Joint Receivers act as agents of the Company and act without personal liability. Both Graham H Martin and Laune K Manson are licensed to act as insolvency practitioners by the Institute of Chartered Accountants of Scotland.

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Services Authority for designated investment business.



A secured creditor is entitled to vote only in respect of the balance (if any) of their debt after deducting the value of their security as estimated by them

Yours faithfully
For and on behalf of
Fernan (Sundries) Limited

A handwritten signature in black ink, appearing to read 'L K Manson', with a horizontal line drawn underneath it.

L K Manson
Joint Receiver

Enclosures Report to creditors
 Notice for the meeting of creditors
 Proxy form

PricewaterhouseCoopers LLP
PO Box 90
Erskine House
68-73 Queen Street
Edinburgh EH2 4NH
Telephone +44 (0) 131 226 4488
Facsimile +44 (0) 131 260 4008
pwc.com/uk

To the Creditors of Fernan (Sundries) Limited

7 July 2008

Our ref LKM/AJ/Catriona Lynch/Fernan Sundries/SR420B

Dear Sirs

Fernan (Sundries) Limited (In Receivership) ('the Company')

I was appointed Joint Receiver of the Company on 12 May 2008, together with my colleague G H Martin. This is the report which I am obliged to prepare for creditors under the provisions of Section 67 of the Insolvency Act 1986. This report is to be given to the meeting of creditors to be held at PricewaterhouseCoopers LLP, Erskine House, 68-73 Queen Street, Edinburgh, EH2 4NH on 22 July 2008 at 2.30pm.

Statutory Information

Company Number: SC043035

Date of Incorporation: 5 May 1972

Registered Office: Borrowmeadow Road, Springkerse Industrial Estate, Stirling, FK7 7SW

Trading Address: 2-8 Telford Road, Lenziemill, Cumbernauld, G67 2AX

The Company's directors during the past three years were

Dorothy Wilson Ferguson appointed on 5 May 1972

Thomas Hardy Ferguson appointed on 5 May 1972

Kenneth Stewart Ferguson appointed on 17 January 1991

David Wilson Ferguson appointed on 17 January 1991

Events leading up to the appointment of Joint Receivers

The Company was incorporated in 1972, and supplied wholesale non pharmaceutical sundry products to independent pharmacies throughout the United Kingdom ("the Wholesale Business"). The Company had previously traded from owned premises at Springkerse Industrial Estate, Stirling and moved to Lenziemill, Cumbernauld following the acquisition referred to below.

In 2006, the Company bought the business and assets of Christies Wholesale Limited and Huia Limited from the Administrators of each company ("the Christies' Acquisition"). The stores acquired operated in the retail 99p sector, and were added to the existing four retail stores operated by Sundries under the "Value Stores" trading name (together these stores comprise "the Retail Business").

Graham H Martin and Laurie K Manson have been appointed as Joint Receivers of Fernan (Sundries) Limited. The Joint Receivers act as agents of the Company and act without personal liability. Both Graham H Martin and Laurie K Manson are licensed to act as insolvency practitioners by the Institute of Chartered Accountants of Scotland.

It had been the directors' intention to transfer the stores acquired in the Christies' Acquisition into a subsidiary company set up for that purpose, Fernan (Retail) Limited ("Retail"), which was incorporated on 24 August 2006

Whilst employee contracts and a number of leases were taken out in the name of Retail, the Retail Business and the associated trading assets were never transferred for example stock continued to be purchased by the Company

As part of the Christies' Acquisition, the Company acquired freehold warehouse and office premises at Cumbernauld, shops in Elgin and Inverness as well as 17 stores held under leases which were intended to be assigned to Retail at a later date

There is no value in any of the property leases held within the Retail Business and accordingly Fernan (Retail) Limited has no assets all stock located in the retail units trading is an asset of the Company The Company provided financial support to Fernan (Retail) Limited in order to meet those liabilities held in its name

The 99p shop industry proved to be a difficult market Attempts were made by the directors to improve trading performance whilst a sale of the Retail Business as a going concern was pursued However neither was achieved and, at the request of the directors, Clydesdale Bank plc ("the Bank") as floating charge holder, appointed Joint Receivers to the Company on 12 May 2008

On the same date, the Joint Receivers of the Company were also appointed as Joint Administrators of the wholly owned subsidiary, Fernan (Retail) Limited in order to allow the Retail Business to continue to trade whilst a going concern sale or an orderly wind down of that business was pursued, given that certain employee contracts and retail unit leases were in Retail's name

Receivership strategy

Wholesale Business

Upon the appointment of the Joint Receivers, the business and assets of the Wholesale Business were marketed for sale as a going concern whilst trading continued for a period of 10 days Fourteen expressions of interest were received, 8 confidentiality agreements were issued, 7 confidentiality agreements were returned and subsequently a closing date of 19 May 2008 was set for offers

At the closing date, only 1 offer of £85,000 had been received for the Company from Fernan Trading Limited Fernan Trading Limited is a recently incorporated company set up by 2 of the Company's directors, Kenneth and David Ferguson With the Bank's agreement this offer was accepted and the sale to Fernan Trading Limited was concluded on 22 May 2008 The sale did not include any freehold or leasehold properties

Retail Business

As noted above, the directors had attempted to sell the Retail Business in the months prior to the appointment of Receivers and immediately following their appointment, the Receivers continued to trade the 99p stores whilst marketing the business and assets of the Retail Business for sale as a going concern Any obligations of Retail in connection with the trading of the Retail Business of Sundries were met by the Receivers of Sundries to allow the business to operate as smoothly as possible in the circumstances of both companies' insolvency

In total, 7 parties expressed an interest in the business and 7 confidentiality agreements were issued, signed and returned At the closing date, 2 offers were received for the Retail Business, the highest being in the region of £330,000 This interested party was afforded a 7 day period of exclusivity whilst limited due diligence was undertaken, after which its offer was reduced to only £50,000

It was the view of the Receivers that trading the Retail Business on in order to realise stock would provide a better overall realisations to creditors, The offer of £50,000 was therefore rejected

The Joint Receivers continued to trade the retail units until it became uneconomical to do so, with trading ceasing on 21 June 2008. A trading profit of approximately £171,000 was realised from trading the Retail Business in this way

Stock/Retention of Title

Wholesale Business

As part of the sale agreement to Fernan Trading Limited, all Retention of Title risk has been passed to it

Retail Business

The Joint Receivers are continuing to process claims for Retention of Title in respect of the retail stock. Any stock not subject to Retention of Title will be sold by private treaty At the cessation of trading, stock with a retail value of approximately £160,000 remains in the Cumbernauld warehouse. The stock remaining in the retail units following cessation of trade has little, if any, value once the cost of realisation are taken into account

Freehold property

The Company owns the following freehold properties

- Warehouse at Telford Road, Cumbernauld
- Warehouse at Springkerse Industrial Estate, Stirling
- Retail unit at 35 South Street, Elgin
- Retail unit at 4 6 Drummond Street, Inverness

These properties are currently being marketed for sale by my agents, DM Hall These assets are all secured to the Bank under standard securities dated either 28 April 2003 or 17 November 2006

Plant and machinery/Fixtures and fittings

Following the sale of the business and assets of the Wholesale Business to Fernan (Trading) Limited a number of items of plant and office furniture remain to be disposed of My agents, Thainstones Specialist Auctions, has advised that these items are not expected to realise significant amounts, but they are being offered for sale by private treaty

Claims by the floating charge holder

At the date of my appointment some £2,240,000 was owed to the Bank by the Company This sum was secured by a floating charge dated 5 May 1972 and by the standard securities dated 28 April 2003 and 17 November 2006 The outcome for the Bank is dependent on the level of realisations achieved from the property portfolio noted above it is too early to confirm whether the Bank will recover its lending in full or not

Preferential creditors

The claims of preferential creditors are estimated in the directors' Statement of Affairs at £nil As this Receivership commenced after 15 September 2003, the date of the introduction of the Enterprise Act 2002, there are no Crown preferential creditors in this case in respect of HM

Revenue & Customs for VAT, PAYE and NIC Any such claims will rank as ordinary unsecured creditors

Although the statement of affairs indicates there are no preferential creditors, the arrears of wages and salaries as at the date of our appointment was £19,000 and was paid as an expense of the Receivership to maintain employee goodwill to allow trading to continue whilst a sale was explored

Amounts available for the payment of unsecured creditors

Whilst the eventual outcome of the receivership will not be known until the sales of the various freehold properties are concluded, it is unlikely that there will be funds available for the unsecured creditors.

There has been some confusion amongst certain creditors as to whether their claim rests against Sundries or against its subsidiary, Retail For the avoidance of doubt, the only creditors of Retail can be certain landlords, and the rating authorities and utility companies in respect of those properties, together with those employees whose contract of employment was with Retail These creditors will receive a copy of this report together with the Proposals of the Joint Administrators of Fernan (Retail) Limited

VAT bad debt relief

VAT bad debt relief is available in accordance with Section 11 of the Finance Act 1990, as amended This requires the debt to be written off and be six months old before relief may be claimed Insolvency Practitioners have no involvement in this connection

Company Directors Disqualification Act 1986

Under the insolvency legislation, I have a duty to consider the conduct of those who have been directors of the Company at any time within the three years preceding the Receivership I also have a duty to consider whether any civil proceedings should be taken

If there is anything of which you think I should be aware, please complete and return the enclosed questionnaire This request for information forms part of my firm's usual investigation procedures.

Statement of Affairs

In accordance with their duties under the Insolvency Act 1986, the directors have submitted a statement of affairs in respect of the Company as at the date of receivership I enclose a summary copy of the directors' statement of affairs as Appendix A

Yours faithfully
For and on behalf of
Fernan (Sundries) Limited

LK Manson

LK Manson
Joint Receiver

FERNAN (SUNDRIES) LIMITED (IN RECEIVERSHIP)

NOTICE TO CREDITORS

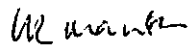
A meeting of the creditors of Fernan (Sundries) Limited is to be held at PricewaterhouseCoopers LLP, Erskine House, 68 73 Queen Street, Edinburgh, EH2 4NH at 2 30pm on 22 July 2008 under the provisions of Section 67 of the Insolvency Act 1986

The purpose of this meeting is to receive the report of the Joint Receivers and if the creditors wish to do so, to appoint a committee of creditors

Creditors who have not received notice of the meeting and wish to attend should contact the Joint Receivers' office on 0131 226 4488 and ask for Catriona Lynch

Any creditors requiring a copy of the report (which is available free of charge) should write to PricewaterhouseCoopers LLP, Erskine House, 68 73 Queen Street, Edinburgh, EH2 4NH

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting



L K Manson
Joint Receiver
7 July 2008

A Summary of the Statement of Affairs

Form 5 (Scot)

Pursuant to section 66(i) of the Insolvency Act 1986

Statement as to the affairs of Fernan (Sundries) Limited

as at the 12 May 2008 the date of the appointment of the Receiver

This affidavit must be sworn/affirmed before a Notary Public, Justice of the Peace or Commissioner for Oaths or other person duly authorised to administer oaths, when you have completed the rest of this form

1114 KENNETH JOHNSON
1 CHALTON ROAD
BRIDGE OF ALLAN
FK9 4DX

do swear/affirm that the statement set out overleaf and the lists A to G annexed and signed as relative hereto are to the best of my/our knowledge and belief a full true and complete statement as to the affairs of the above named company as at 12 May 2008 the date of the appointment of the Receiver

Sworn/Affirmed at GLASGOW

Signature(s)

Before me

Person administering the oath of ~~Johnston~~

The person administering the oath or affirmation is particularly requested, before swearing or affirming the affidavit, to make sure that the full name, address and description of the Deponent(s) are stated, and to initial any crossings out or other alterations in the printed form

This affidavit should be sworn/affirmed and the statement made out and submitted by any person required to do so under section 66 (3) of the Act by the Receiver

STATEMENT as to affairs of the company on the 12 May 2008

Please do not
write in this
margin
Please complete
legibly,
preferably in
black type, or
bold block
lettering

		Estimated Realisable Values £
ASSETS		
Assets not specifically secured (as per List A')		1,474,010
Assets specifically secured (as per List B')		
Estimated realisable value	£ 2,475,254	
Less Amount due to secured creditors	2,185,200	309,964
Estimated Surplus		
Estimated Total Assets available for preferential creditors, holders of floating charges and unsecured creditors		1,783,974
LIABILITIES		
Preferential creditors (as per List C')		NIL
Estimated balance of assets available for holders of floating charges and unsecured creditors		N/A
Estimated prescribed part of net property where applicable (to carry forward)		NIL
Holders of floating charges (as per List D')		NIL
Estimated surplus/deficiency as regards holders of floating charges		N/A
Estimated prescribed part of net property where applicable (brought down)		N/A
Unsecured Creditors		
Trade accounts (as per List E)	£ 3,041,613	
Bills payable (as per List F')	NIL	
Contingent or other liabilities (as per List G)	NIL	
Estimated deficiency after floating charge where applicable (brought down)		
Total unsecured creditors	3,041,613	3,041,613
Estimated Surplus/Deficiency as regards creditors		(1,257,639)
Issued and Called up Capital		1,260
Estimated Surplus/Deficiency as regards members		(1,258,379)

These figures must be read subject to the following

delete as appropriate

1 (a) There is no unpaid capital liable to be called up

1 (b) the nominal amount of unpaid capital liable to be called up is £

estimated to produce £

which is not

charged in favour of the holder of the floating charge(s)

The estimates are subject to the expenses of the receivership and to any surplus or deficiency on realising pending realisation of the Assets

Leave blank in this margin

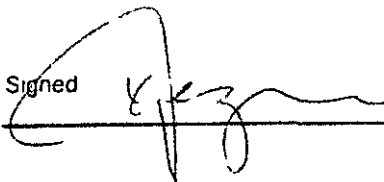
Statement of affairs LIST 'A'

Assets not specifically secured

Please complete legibly, preferably in black type, or bold block lettering

Particulars of assets	Book value £	Estimated to produce £
Balance at bank		
Cash in hand (Appendix I)	14,959	
Marketable securities (as per schedule I)	-	
Bills receivable (as per schedule II)	-	
Trade debtors (as per schedule III)	230,295	
Loans and advances (as per schedule IV)	250	
Unpaid calls (as per schedule V)	-	
Stock in trade		
<u>RETAIL STOCK</u>	629,161	
<u>WHOLESALE STOCK</u>	483,514	
Work in progress		

Heritable property	-	
Leasehold property (Appendix 2)	3,111	
Plant, machinery and vehicles (Appendix 3)	111,415	
Furniture and fittings etc	(incl above)	
Patents, trade marks, etc	-	
Investments other than marketable securities	-	
Other property	-	
Total	1,474,010	

Signed 

Date 2/6/08

PROXY

Pursuant to Rules 7 14 and 7 15 of the Insolvency (Scotland) Rules 1986

(a) insert name
of the company

Fernan (Sundries) Limited

(a) _____

(b) Insert nature of
the insolvency
proceedings

Receivership

(b) _____

Name of Creditor _____

Address _____

(hereinafter called "the principal")

(c) Insert the name
and address of
the proxy holder
and of any
alternatives A
proxy holder must
be an individual
aged over 18

Name of Proxy holder (c) 1 _____

Address _____

whom failing 2 _____

whom failing 3 _____

* Delete as
appropriate

I appoint the above person to be the principal's proxy holder at

*[all meetings in the above insolvency proceedings relating to the above company]

*[the meeting of *creditors/members of the above company to be held on 22 July 2008 or at any adjournment of that meeting]

Voting instructions

The Proxy holder is authorised to vote or abstain from voting in the name, and on behalf, of the principal in respect of any matter*/s, including resolution*/s, arising for determination at said meeting*/s and any adjournment*/s thereof and to propose any resolution*/s in the name of the principal, either

(i) in accordance with the instructions given below or,

(ii) if no instructions are given, in accordance with his/her own discretion

- (d) complete only if you wish to instruct the appointment of proxy holder to vote for a specific person as liquidator
- (d) 1 To *propose/support a resolution for the _____

 whom failing _____
- (e) Delete if the proxy holder is only to vote as directed in (1)
- (e) [in the event of a person named in paragraph (1) withdrawing or being eliminated from any vote the proxy holder may vote or abstain in any further ballot at *his/her discretion]
- (f) Set forth any voting instructions for proxy holder
 If more room is required attach separate sheet
- 2 (f) _____

- Signed _____ Date _____
- Name in BLOCK LETTERS _____
- Position of signatory in relation to the *creditor/or member or other authority for signing _____

NOTES FOR THE PRINCIPAL AND PROXY-HOLDER

- 1 The chairman of the meeting who may be nominated as proxy-holder, will be the insolvency practitioner who is presently *liquidator/receiver/administrator/nominee under the voluntary arrangement or a director of the company
- 2 All proxies must be in this form or a form substantially to the same effect with such variations as circumstances may require (Rules 7 15(3) and 7 30)
- 3 To be valid the proxy must be lodged at or before the meeting at which it is to be issued (Rule 7 16(2))
- 4 Where the chairman is nominated as proxy holder he cannot decline the nomination (Rule 7 14(4))
- 5 The proxy holder may vote for or against a resolution for the appointment of a named person to be liquidator jointly with another person, unless the proxy states otherwise (Rule 7 16(4))
- 6 The proxy holder may propose any resolution in favour of which he could vote by virtue of this proxy (Rule 7 16(5))
- 7 The proxy holder may vote at his discretion on any resolutions not dealt with in the proxy, unless the proxy states otherwise (Rule 7 16(6))
- 8 The proxy holder may not vote in favour of any resolution which places him, or any associate of his, in a position to receive remuneration out of the insolvent estate unless the proxy specifically directs him so to vote (Rule 7 19(1))
- 9 Unless the proxy contains a statement to the contrary the proxy holder has a mandate to act as representative of the principal on the creditors' or liquidation committee (Rule 4 48)