

2.24B**Administrator's progress report**

Name of Company Fonix Limited	Company number 05043319
In the High Court Leeds District Registry <small>[full name of court]</small>	Court case number 70 of 2007

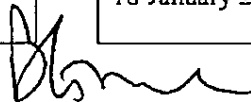
We
Kevin Roy Mawer
KPMG LLP
St James Square
Manchester
M2 6DS
United Kingdom

Brian Green
KPMG LLP
St James Square
Manchester
M2 6DS
United Kingdom

Administrators of the above company attach a progress report for the period

from	to
19 July 2009	18 January 2010

Signed


Joint Administrators

Dated

5 February 2010

Contact Details:

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.

Alice Thomson
KPMG LLP
St James Square
Manchester
M2 6DS
United Kingdom

DX Number DX 724620 Manchester 42

Tel 0161 246 4747
DX Exchange

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

Companies House, Crown Way Cardiff CF14 3UZ

DX 33050 Cardiff



PC1
PL84LHSG
24/02/2010
608
COMPANIES HOUSE

WEDNESDAY



Fonix Limited (in Administration)

**Report to Creditors pursuant
to Rule 2.47 of the
Insolvency (Amendment)
Rules 2003**

KPMG LLP
5 February 2010



Fonix Limited (in Administration)
Report to Creditors pursuant to Rule 2.47 of the Insolvency (Amendment) Rules 2003
KPMG LLP
5 February 2010

Notice About this Report

This Report has been prepared by Kevin Roy Mawer and Brian Green, the Joint Administrators of Fonix Limited, solely to comply with their statutory duty to report to members and creditors under Rule 2.47 of the Insolvency (Amendment) Rules 2003, and to provide an account of their acts and dealings and of the conduct of the Administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This Report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in Fonix Limited.

Any estimated outcomes for creditors included in this Report are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

Any person that chooses to rely on this Report for any purpose or in any context other than under Rule 2.47 of the Insolvency (Amendment) Rules 2003 does so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this Report to any such person.

Kevin Roy Mawer is authorised to act as an Insolvency Practitioner by the Institute of Chartered Accountants in England & Wales.

Brian Green is authorised to act as an Insolvency Practitioner by the Institute of Chartered Accountants in England & Wales.

The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this Report or the conduct of the Administration.



Contents

1	Glossary	1
2	Other information required by Rule 2.47 of the Insolvency (Amendment) Rules 2003	1
3	Introduction	2
4	Progress of the administration to 18 January 2010	2
5	Receipts	3
6	Creditors	3
7	Joint administrators fees	3
8	Future reporting	4
9	Outstanding matters	4

Appendices

1	Joint Administrators' abstract of receipts and payments account from 19 July 2009 to 18 January 2010
2	Joint Administrators' time costs to from 19 July 2009 to 18 January 2010
3	Joint Administrators' charge out rates



1 Glossary

Administrators	Kevin Roy Mawer and Brian Green of KPMG LLP, St James' Square, Manchester, M2 6DS
Administration	The Administration granted by the High Court of Justice, Chancery Division, Leeds District Registry in respect of Fonix Limited dated 19 January 2007 Court case number 70 of 2007
Company / Fonix	Fonix Limited (in administration)
SYIDF	South Yorkshire Investment Development Fund
Agents	Eddisons
Legal Advisors	Keeble Hawson
SIP	Statement of Insolvency Practice
Act	Insolvency Act 1986
HMRC	HM Revenue & Customs

2 Other information required by Rule 2.47 of the Insolvency (Amendment) Rules 2003

Date of appointment	19 January 2007
Company registered number	05043319
Company registered office	KPMG LLP Restructuring St James' Square, Manchester M2 6DS
Appointor	High Court of Justice

In accordance with Paragraph 100(2) of Schedule B1 Insolvency Act 1986 the functions of the Administrators are being exercised by either or both of the Administrators



3 Introduction

Further to my report to 18 July 2009, I write to provide an update on the progress of the Administration in accordance with Rule 2.47 of the Insolvency (Amendment) Rules 2003.

For your information an abstract receipts and payments account for the period 19 July 2009 to 18 January 2010 is attached at Appendix 1. Funds held at 18 January 2010 amounted to £22,385. Significant receipts and payments in the period are commented upon below.

4 Progress of the Administration to 18 January 2010

4.1 Extension of the Administration Period

The Administration had previously been extended to 18 July 2009 with the consent of the secured creditor and the preferential creditors, pursuant to paragraph 76(2)(b) of Schedule B1 of the Insolvency Act 1986. A further application to Court was submitted and an extension to 18 July 2010 has been granted, to allow several outstanding matters to be completed.

It is anticipated that once the outstanding matters have been finalised, funds in hand will be used to settle outstanding costs in the Administration. Following this the Joint Administrators will consider the most appropriate exit route from the Administration in line with the initial proposals.

4.2 VAT refund

As previously advised, at the date of my appointment, the principal asset of the Company was a VAT refund due from HMRC of circa £9m. I continue, with the assistance of the directors and my legal advisors, to challenge the decision of HM Revenue & Customs to disallow the input tax in relation to the VAT reclaims, and thereby recover some or all of the VAT.

4.3 Investigation

As detailed in my last report, and in accordance with my statutory duties, I have submitted my report on the conduct of the directors to the Department of Trade and Industry.

My investigations into the Company's affairs are ongoing and accordingly it is not in the best interests of creditors to disclose details of these at this time.



5 Receipts and payments

There have been no significant receipts or payments in the period

6 Creditors

6.1 Secured creditors

As mentioned in my previous report SYIDF have a fixed and floating charge over the assets of the company

Our legal advisors have confirmed that the security held by SYIDF is valid

To date, pending developments as regards the potential VAT refund, no distributions have been made to SYIDF under its security

6.2 Preferential creditors

At present the recovery to the preferential creditors remains uncertain and is dependant on the extent of realisations from the Matrad debt and outstanding VAI refund. Further information on the Matrad debt is given below in section 9

6.3 Unsecured creditors

At present it is still anticipated that there will be insufficient funds available to enable a distribution to be paid to the unsecured creditors via the prescribed part

As mentioned in my last report, it is likely that the unsecured creditors will only receive a dividend if there are significant recoveries from the VAT debt.

7 Joint Administrators fees

To date time costs incurred on this case total £217,546 representing 758 hours at an average rate of £287. Pursuant to Statement of Insolvency Practice 9 a detailed analysis of these costs is attached at Appendix 2. No fees have been drawn in the period

The Joint Administrators have instructed KPMG LLP RRG, Forensics, Tax, VAT and pensions specialists to carry out activities in the Administration. The time costs shown in Appendix 2 include those departments within KPMG LLP



8 **Future reporting**

In accordance with Rule 2.47 of the Insolvency (Amendment) Rules 2003, I intend to provide the creditors with my next report in July 2009 should the Administrators' proposals not have been completed prior to that time

9 **Outstanding matters**

9.1 **Matrad debt**

At the time of the appointment of the Joint Administrators, Matrad Limited was a debtor of the Company in the sum of £524,000. Matrad Limited subsequently went into administration and is now in Liquidation. Realisations from Matrad Limited remain uncertain, however the Joint Administrators continue to monitor the progress of the Liquidation.

9.2 **Conclusion of the Administration**

The Administrators' proposals have yet to be fully completed, and consequently the Administrators are not in a position to conclude the Administration at this time. The Administrators must deal with the following issues before they pursue an exit of the Administration:

- collection of Matrad book debt realisations,
- recovery of VAT debt,
- possible distributions to creditors, and
- conclusion of other investigation matters

K R Mawer
Joint Administrator



Fonix Limited (in Administration)
Report to Creditors pursuant to Rule 2.47 of the Insolvency (Amendment) Rules 2003
KPMG LLP
5 February 2010

Appendix 1
Joint Administrators' abstract of Receipts and Payments account to 18 January 2009.

Fonix Limited
(In Administration)
Administrators' Abstract of Receipts & Payments

Statement of Affairs	From 19/07/2009 To 18/01/2010	From 19/01/2007 To 18/01/2010
ASSET REALISATIONS		
Furniture & equipment	NIL	2,150.00
Petty cash received	NIL	102.71
Cash at bank	NIL	26,098.91
Rests Refund	NIL	957.00
	<u>NIL</u>	<u>29,308.62</u>
OTHER REALISATIONS		
Bank interest, gross	0.11	1,509.54
Contribution to Meeting Costs	NIL	9,800.00
Contribution to Fees	NIL	50,000.00
Stamps refunds	NIL	4,169.83
	<u>0.11</u>	<u>65,479.37</u>
COST OF REALISATIONS		
Administrators' fees	NIL	50,000.00
	<u>NIL</u>	<u>(50,000.00)</u>
Cost of Realisations		
Agents' Valuers Expenses	NIL	1,252.10
	<u>NIL</u>	<u>(1,250.19)</u>
COST OF REALISATIONS		
Agents' Valuers fees	NIL	2,240.00
Professional fees	NIL	523.31
Legal fees	NIL	12,075.00
Legal expenses	NIL	5,643.06
Corporation tax	NIL	290.30
Stationery advertising	NIL	122.48
Insurance of assets	NIL	255.91
	<u>NIL</u>	<u>(21,152.76)</u>
UNSECURED CREDITORS		
Trade Expenses	NIL	NIL
	<u>NIL</u>	<u>NIL</u>
(1,555,195.83)	0.11	22,355.14
REPRESENTED BY:		
Floating charge receivable		1,758.76
Floating charge current		27,002.73
Floating charge AT payable		376.27
		<u>29,137.76</u>
		<u><u>22,355.14</u></u>

Kevin P. Mawer
Administrator

RECEIPTS		£
Brought forward from previous Abstract (if Any)		92,256 20
Bank interest, gross		0 11
Carried forward to * continuation sheet / next abstract		92,256 31
PAYMENTS		£
Brought forward from previous Abstract (if Any)		74,253 58
Carried forward to * continuation sheet / next abstract		74,253 58

* Delete as appropriate

* Delete as appropriate



Fonix Limited (in Administration)
Report to Creditors pursuant to Rule 2.47 of the Insolvency (Amendment) Rules 2003

KPMG LLP

5 February 2010

Appendix 2

Joint Administration time costs and expenses to 18 January 2010 including costs in relation to tax, VAT and RRG

[illegible]



Appendix 3

Joint Administrators' charge out rates

	Restructuring	Tax	VAT	Pensions
	£	£	£	£
Partner	515	595	865	745
Director	440	535	775	670
Senior Manager	405	375-470	545-680	470-590
Manager	320	255-305	370-435	320-385
Administrator	225	185-220	270-315	235-275
Assistant administrator	165	85-185	120-235	110-235