

2.24B**Administrator's progress report**

Name of Company.

Fonix Limited

Company number

05043319

In the
High Court Leeds District Registry

[full name of court]

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

19 January 2010

to

18 July 2010

Signed

Joint Administrator

Dated

26 July 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.

Michael Colquhoun
KPMG LLP
St James Square
Manchester
M2 6DS
United Kingdom

DX Number DX 724620 Manchester 42

Tel 0161 246 4038
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

FRIDAY



A20

AO4BNMI4

13/08/2010

163

COMPANIES HOUSE



Fonix Limited (in Administration)

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

KPMG LLP

12 August 2010

This report contains 7 Pages

Appendices contain 5 pages



Fonix Limited (in Administration)
Report to Creditors pursuant to Rule 2.47 of the Insolvency (Amendment) Rules 2003
KPMG LLP
12 August 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 the Insolvency Rules 1986, on the progress 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 the Insolvency Rules 1986 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	1
4	Progress of the Administration to 18 July 2010	2
4.1	Extension of the Administration Period	2
4.2	VAT refund	2
4.3	Investigations	2
5	Receipts and payments	2
6	Creditors	2
6.1	Secured creditors	2
6.2	Preferential creditors	3
6.3	Unsecured creditors	3
7	Joint Administrators fees	3
8	Outstanding matters	3
8.1	Matrad debt	3
8.2	VAT refund	4
9	Conclusion of the Administration	4
	Appendix 1 - Joint Administrators' Receipts and Payments account to 18 July 2010	5
	Appendix 2 - Joint Administrators' time costs and expenses to 18 July 2010	7
	Appendix 3 - Joint Administrators' charge out rates	8



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

**Appendix 4 – Form 2.31B – Notice of extension of the
Administration**

9



1 Glossary

Joint 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
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, 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, both or all of the Administrators

3 Introduction

Further to my report dated 5 February 2010, 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 January 2010 to 18 July 2010 is attached at Appendix 1 Funds held at 18 July 2010 total £20,888



4 Progress of the Administration to 18 July 2010

4.1 Extension of the Administration Period

The Administration has been extended to 18 July 2012 with the consent of the court, pursuant to paragraph 76(2)(a) of Schedule B1 of the Insolvency Act 1986. This is to allow several outstanding matters to be completed, as detailed in paragraph 8 below.

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 HMRC to disallow the input tax in relation to the VAT reclaims, and thereby recover some or all of the VAT. Further information on the progress of this matter is given in paragraph 8 below.

4.3 Investigations

As previously reported, 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 previously reported SYIDF have a fixed and floating charge over the assets of the Company.

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



6.2 Preferential creditors

As previously reported the recovery to the preferential creditors remains uncertain and is entirely dependant on the extent of realisations from the Matrad debt and outstanding VAT refund

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 creditor, as a distribution is entirely dependant on any significant recoveries from the VAT debt.

7 Joint Administrators fees

To date time costs incurred on this case total £234,569 representing 792 hours at an average rate of £296. Pursuant to Statement of Insolvency Practice 9, a detailed analysis of these costs is attached at Appendix 2

The Joint Administrators have instructed KPMG LLP RRG, Forensics, Tax, VAT and pensions specialists to carry out activities in the Administration. The charge out rates shown in Appendix 3 are also applicable to these departments within KPMG LLP

The Joint Administrators have drawn fees of £50,000 in a prior period

A creditors' guide to fees can be found at

[http://www.r3.org.uk/uploads/sip/SIP9_v5_April_2007\(1\).pdf](http://www.r3.org.uk/uploads/sip/SIP9_v5_April_2007(1).pdf),

However, if you are unable to access this guide and would like a copy please contact Michael Colquhoun.

8 Outstanding matters

8.1 Matrad debt

As previously reported, 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.



8.2 VAT refund

The appeal by the Joint Administrators against the decision of HMRC to disallow the input tax in relation to the VAT reclaims is proving to be protracted. Directions for the case now require HMRC to serve their supplemental witness statement by November this year with the Joint Administrators then having two months to respond. It would now seem unlikely that a tribunal hearing will be set for a date before early 2011.

In the event that the claim is unsuccessful, the Joint Administrators will consider the extent to which the loss of such monies was a result of breaches of duty by the directors and the prospects of recovering such losses.

9 Conclusion of the Administration

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

- Receipt of a possible dividend from the liquidation of Matrad Limited
- Pursuing the recovery of the VAT debt,
- Possible distributions to secured and preferential creditors,
- Conclusion of other investigation matters,
- The submission of final tax and VAT returns
- The settlement of outstanding costs, including the Joint Administrators' fees

K R Mawer
Joint Administrator



Appendix 1 - Joint Administrators' Receipts and Payments account to 18 July 2010

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

Statement of Affairs	From 19/01/2010 To 18/07/2010	From 19/01/2007 To 18/07/2010
ASSET REALISATIONS		
Furniture & equipment	NIL	2150.00
Perishable received	NIL	102.71
Cash at bank	NIL	26098.91
Rates Refund	NIL	957.00
	<u>NIL</u>	<u>29308.62</u>
OTHER REALISATIONS		
Bank interest & divs	0.07	1509.61
Contribution to Meeting Costs	NIL	9800.00
Contribution to Fees	NIL	50000.00
Sundry refunds	NIL	4169.93
	<u>0.07</u>	<u>65479.54</u>
COST OF REALISATIONS		
Administrators' fees	NIL	50000.00
	<u>NIL</u>	<u>(50000.00)</u>
COST OF REALISATIONS		
Agents' Valuers' Expenses	NIL	1250.19
	<u>NIL</u>	<u>(1250.19)</u>
COST OF REALISATIONS		
Agents' Valuers' fees	NIL	2240.00
Professional fees	NIL	52.51
Legal fees	NIL	12075.00
Fees & expenses	NIL	5645.06
Corporation tax	107.92	397.92
Corporation tax penalty	7.08	7.08
Sundry advertising	NIL	122.48
Insurance of assets	NIL	258.91
	<u>(115.00)</u>	<u>(21267.96)</u>
UNSECURED CREDITORS		
Trade Expenses	NIL	NIL
	<u>NIL</u>	<u>NIL</u>
(1858195.83)	<u><u>(114.93)</u></u>	<u><u>22,270.21</u></u>
REPRESENTED BY		
Floating charge VAT receivable		1758.78
Floating charge current		20687.80
Floating charge VAT payable		(576.27)
		<u><u>22,270.21</u></u>

Kevin Roy Minter
 Administrator

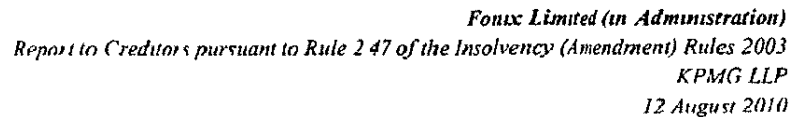


Fonix Limited (in Administration)
Report to Creditors pursuant to Rule 2.47 of the Insolvency (Amendment) Rules 2003
KPMG LLP
12 August 2010

ABSTRACT OF RECEIPTS AND PAYMENTS 19.01.2010 to 18.07.2010 Appendix to Form 2.24
Fonix Limited Page 1

RECEIPTS		£
Brought forward from previous Abstract (if Any)		92,256.11
Bank interest gross		0.00*
Carried forward to * continuation sheet / next abstract		92,256.11
PAYMENTS		£
Brought forward from previous Abstract (if Any)		74,253.58
Corporation tax Corporation tax penalty		107.92 - 0.00
Carried forward to * continuation sheet / next abstract		74,361.58

Note: The receipts and payments must generally be added up at the foot of each sheet and the totals carried forward from one abstract to another without any intermediate balance so that the gross totals shall represent the total amounts received and paid by the administrator since he was appointed.



FOR LIMITED ADMINISTRATION

Reporting period 10 January 2016 to 15 July 2016

SIP • Compliance worksheet

143

2. *Exposure to a chemical agent is not sufficient to cause a disease.* The chemical must reach a certain exposure level, be absorbed, and be metabolized. The chemical exposure in a rural school, for example, is not enough directly to cause a given type of cancer (e.g., leukemia).



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

Source: KPMG fees at 1 July 2009



Appendix 4 – Form 2.31B – Notice of extension of the Administration

Rule 2.31B

The Insolvency Act 1986

Form 2.31B

2.31B

Notice of extension of period of Administration

Name of Company Fonix Limited	Company number 05043319
In the High Court / Leeds District Registry (full name of court)	Court case number 70 of 2007

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

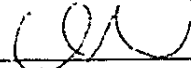
Brian Green
KPMG LLP
St James Square
Manchester
M2 6DS
United Kingdom

Having been appointed Joint Administrators of Fonix Limited
KPMG LLP, St James Square, Manchester M2 6DS (the Company)

on 19 January 2007 by High Court / Leeds District Registry

hereby give notice that the Administration has been extended by order of the court until 18 July 2012

Signed


Joint Administrator

Dated

26 July 2010

Contact Details

Any notice given to any interested party must be given to the Company Secretary or to the Joint Administrators. The Company Secretary or the Joint Administrators must be given notice of the notice. The Company Secretary or the Joint Administrators must be given notice of the notice.

Michael Colquhoun KPMG LLP St James Square Manchester M2 6DS United Kingdom	
TX Number TX 724620 Manchester 42	TX 1 change

Tel: 044161 2164034

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

Companies House, 200 Broad Street, Birmingham B1 2AA

Companies House, 200 Broad Street, Birmingham B1 2AA

TX 1 change