

The Insolvency Act 1986

# Notice of move from administration to dissolution

Name of Company
Fonix Limited

Company number
05043319

In the High Court Leeds District Registry
--

Court case number
70 of 2007

(a) Insert name(s) and address(es) of administrator(s)

I/We (a)

David John Standish  
KPMG LLP  
8 Salisbury Square  
London  
EC4Y 8BB

Brian Green  
KPMG LLP  
St James' Square  
Manchester  
M2 6DS

(b) Insert name and address of the registered office of company

having been appointed Joint Administrators of (b) Fonix Limited, KPMG LLP, 8 Salisbury Square, London, EC4Y 8BB

(c) Insert date of appointment

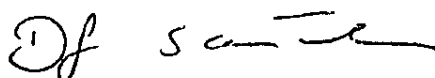
on (c) 19 January 2007 by (d) South Yorkshire Investment Development Fund

(d) insert name of applicant/appointer

hereby give notice that the provisions of paragraph 84(1) of Schedule B1 to the Insolvency Act 1986 apply

~~I/We~~ attach a copy of the final progress report

Signed



Joint Administrator

Dated

18 February 2015

## 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.

James Rivers  
KPMG LLP  
St James' Square  
Manchester  
M2 6DS

DX 724620 Manchester 42

020 73118091

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

MONDAY



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23/02/2015

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COMPANIES HOUSE



**Fonix Limited - in Administration**

Report to creditors pursuant to Rules 2.47,  
2.110 and 2.118 of the Insolvency Rules  
1986 (as amended)

KPMG LLP  
18 February 2015



*Fonix Limited - in Administration  
Final Progress Report  
KPMG LLP  
18 February 2015*

## **Notice: About this report**

This report has been prepared by Brian Green and David John Standish, the Joint Administrators of Fonix Limited ("the Company"), solely to comply with their statutory duty to report to 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 the Company.

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.

Brian Green is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England & Wales

David John Standish is authorised to act as an insolvency practitioner by the Insolvency Practitioners Association

The Joint Administrators act as agents for the Company and contract without personal liability. 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.



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*Fonix Limited - in Administration*  
*Report to creditors pursuant to Rules 2.47, 2.110 and 2.118 of the Insolvency Rules 1986 (as amended)*  
*KPMG LLP*  
*18 February 2015*

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## **1 Introduction**

As previously advised, on 30 September 2013 an Order was made in the High Court appointing David John Standish as Joint Administrator of the Company in place of Kevin Roy Mawer, following Mr Mawer's resignation from KPMG LLP. In accordance with the Order, creditors and members were given notice of the Order by advertisement in the London Gazette on 7 October 2013.

Further to the Joint Administrators' report dated 15 August 2014, we have completed all matters in the administration and consider that the Company move from administration to dissolution. Therefore, in accordance with Rules 2 47, 2 110 and 2.118 of the Insolvency Rules 1986 (as amended), below is our final progress report which follows on from our previous reports and covers the periods from 19 July 2014 to 18 January 2015 and 19 January 2015 to 30 January 2015.

Please find attached my receipts and payments accounts for the periods covered by this report up to 30 January 2015. These figures are shown net of VAT.

## **2 Outcome of the administration**

### **2.1 Cash at bank**

The Administrators identified five bank accounts that held funds in the sum of £26,099. These accounts were closed and the funds transferred into the administration bank account.

### **2.2 Petty cash**

Petty cash, in the sum of £103, was found on the Company's premises and banked in the administration bank account.

### **2.3 Bank interest**

Interest in the sum of £1,547 has been received on the monies held in the administration bank account.

### **2.4 Rates refund**

A refund in the sum of £957 has been received from Sheffield City Council in relation to an overpayment of business rates.

### **2.5 Contribution to meeting costs**

Pursuant to Paragraph 52(1)(b) of Schedule B1 of the Insolvency Act 1986 (as amended), creditors making up more than 10 percent of the debts outstanding requested that a meeting of creditors be convened. Meetings were subsequently convened and held on 23 April 2007 and 11 May 2007. A sum of £9,800 was received from these creditors to contribute to the cost of these meetings.



## **2.6 Contribution to Fees**

A contribution of £50,000 was made by South Yorkshire Investment Development Fund to cover costs incurred by the Joint Administrators and their staff, in dealing with all statutory matters in relation to the administration and investigation work carried out by KPMG LLP Forensic department, in respect of the VAT refund investigation (detailed below)

## **2.7 Furniture and equipment**

Funds in the sum of £2,150 were received in respect of the realisation of the remaining business equipment and office furniture of the Company.

## **2.8 Sundry refunds**

A refund of £4,170 was received from the Company's former solicitors in respect of monies pre-paid to them prior to the Company being placed into administration. Additional, small, sundry refunds totalling £639 were also received during the course of the administration.

# **3 Joint Administrators' remuneration**

Time costs incurred on this case for the period 19 July 2014 to 18 January 2015 total £22,096 representing 37 hours at an average rate of £605, together with costs of £2,282 representing 6 hours at an average rate of £380 for the period 19 January 2015 to 30 January 2015. 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 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 totalling £50,000 during the administration together with expenses of £20,110.

A creditors' guide to fees can be found at.

[http://www.r3.org.uk/media/documents/publications/professional/Guide\\_to\\_Administrators\\_Fees\\_Nov2011.pdf](http://www.r3.org.uk/media/documents/publications/professional/Guide_to_Administrators_Fees_Nov2011.pdf)

However, if you are unable to access this guide and would like a copy please contact James Rivers on 020 7311 8091.

# **4 Other matters**

## **4.1 VAT refund**

As previously advised, at the date of the Joint Administrators' appointment, the principal asset of the Company was a VAT refund due from HM Revenue & Customs ("HMRC") of c£9 million. With



the assistance of the directors and our legal advisors the Joint Administrators challenged the decision of HMRC to disallow the Company's input tax in relation to the VAT reclaims and thereby recover some or all of the VAT. It was previously reported that in conjunction with their lawyers, the Joint Administrators had become aware of an important case which was likely to set a precedent in the area of law applicable to the Company's claim which could have an impact on its outcome. Unfortunately, the decision in the case went against the principles of the Joint Administrators' case and did not assist them in pursuing their claim against HMRC. Given the lack of funds, the outcome of the recent case, the decision by the directors not to offer any financial aid and the costs in extending the administration it was decided not to continue with the case, but to bring the administration to an end.

## **4.2 Directors conduct investigation**

We have a duty to investigate the conduct of the Directors and to submit a report to the Department for Business, Innovation and Skills on the conduct of those directors or shadow directors who were in office in the three years prior to the administration. We have complied with our obligations described above. The content of this report is strictly confidential.

## **4.3 Taxation**

KPMG LLP tax specialists were instructed to prepare the necessary returns in order to finalise the Company's tax position. These returns were submitted and HMRC has confirmed that it has no objection to the administration being closed.

# **5 Outcome for creditors**

## **5.1 Secured creditors**

As previously reported South Yorkshire Investment Development Fund have a debenture created on 29 March 2006 which created fixed and floating charges over the assets of the Company.

No distributions were made to South Yorkshire Investment Development Fund under its security.

## **5.2 Preferential creditors**

There were no funds available to enable a dividend to be paid to the preferential creditors.

## **5.3 Unsecured creditors**

After taking into account the costs of the administration, no funds became available to enable a distribution to be made to the unsecured creditors under the Prescribed Part rules.



## 6 Final matters

### 6.1 Administrators' discharge from liability

In accordance with Paragraph 98(2)(b) the secured creditor, South Yorkshire Investment Development Fund, approved that the Joint Administrators be discharged from liability 14 days after the cessation of their appointment, in respect of any action of theirs

### 6.2 Exit from administration

Since the administration has been completed we will file the relevant documents to move the Company from administration to dissolution. The Company will be dissolved three months from the filing of this report and the registration of form 2.35B with the Registrar of Companies

Yours faithfully,

DJ Standish  
*Joint Administrator*



*Fonix Limited - in Administration*  
*Report to creditors pursuant to Rules 2.47, 2.110 and 2.118 of the Insolvency Rules 1986 (as amended)*  
*KPMG LLP*  
*18 February 2015*

**Appendix 1 – Joint Administrators’ receipts and payments  
accounts for the periods 19 July 2014 to 18 January 2015 and 19  
January 2015 to 30 January 2015**



*Fonix Limited - in Administration*  
*Report to creditors pursuant to Rules 2.47, 2.110 and 2.118 of the Insolvency Rules 1986 (as amended)*  
*KPMG LLP*  
*18 February 2015*

**Appendix 2 - Joint Administrators' time costs and expenses for  
the periods 19 July 2014 to 18 January 2015 and 19 January 2015  
to 30 January 2015**

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

Statement of Affairs	From 19/07/2014 To 18/01/2015	From 19/01/2007 To 18/01/2015
<b>ASSET REALISATIONS</b>		
Furniture & equipment	NIL	2,150 00
Petty cash received	NIL	102.71
Cash at bank	NIL	26,098 91
Rates Refund	NIL	957.00
	<u>NIL</u>	<u>29,308.62</u>
<b>OTHER REALISATIONS</b>		
Bank interest, gross	NIL	1,510 41
Bank interest, net of tax	27 96	27.96
Contribution to Meeting Costs	NIL	9,800 00
Contribution to Fees	NIL	50,000.00
Sundry refunds	NIL	4,808 62
	<u>27.96</u>	<u>66,146 99</u>
<b>COST OF REALISATIONS</b>		
Administrators' fees	NIL	50,000 00
Administrators' expenses	20,709 89	20,709 89
	<u>(20,709.89)</u>	<u>(70,709 89)</u>
<b>Cost of Realisations</b>		
Agents/ Valuers Expenses	NIL	1,250 19
	<u>NIL</u>	<u>(1,250.19)</u>
<b>COST OF REALISATIONS</b>		
Agents'/Valuers' fees	NIL	2,240.00
Professional fees	NIL	523 31
Legal fees	NIL	13,236 25
Legal expenses	NIL	6,393 06
Corporation tax	NIL	397 92
Corporation tax penalty	NIL	7 08
Statutory advertising	NIL	122 48
Insurance of assets	NIL	258 91
	<u>NIL</u>	<u>(23,179 01)</u>
<b>UNSECURED CREDITORS</b>		
(1,888,195 83) Trade & expense	NIL	NIL
	<u>NIL</u>	<u>NIL</u>
<u>(1,888,195.83)</u>	<u>(20,681.93)</u>	<u>316.52</u>
<b>REPRESENTED BY</b>		
Floating ch. VAT rec'able		300 00
Floating charge current		16 52
		<u>316.52</u>

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

Statement of Affairs	From 19/01/2015 To 30/01/2015	From 19/01/2007 To 30/01/2015
<b>ASSET REALISATIONS</b>		
Furniture & equipment	NIL	2,150 00
Petty cash received	NIL	102 71
Cash at bank	NIL	26,098.91
Rates Refund	NIL	957 00
	<u>NIL</u>	<u>29,308 62</u>
<b>OTHER REALISATIONS</b>		
Bank interest, gross	NIL	1,510 41
Bank interest, net of tax	9 09	37 05
Contribution to Meeting Costs	NIL	9,800 00
Contribution to Fees	NIL	50,000.00
Sundry refunds	NIL	4,808 62
	<u>9 09</u>	<u>66,156 08</u>
<b>COST OF REALISATIONS</b>		
Administrators' fees	NIL	50,000 00
Administrators' expenses	NIL	20,709.89
	<u>NIL</u>	<u>(70,709.89)</u>
<b>Cost of Realisations</b>		
Agents/ Valuers Expenses	NIL	1,250 19
	<u>NIL</u>	<u>(1,250 19)</u>
<b>COST OF REALISATIONS</b>		
Agents'/Valuers' fees	NIL	2,240 00
Professional fees	NIL	523 31
Legal fees	NIL	13,236 25
Legal expenses	NIL	6,393.06
Corporation tax	NIL	397.92
Corporation tax penalty	NIL	7 08
Statutory advertising	NIL	122 48
Insurance of assets	NIL	258 91
	<u>NIL</u>	<u>(23,179 01)</u>
<b>UNSECURED CREDITORS</b>		
(1,888,195 83) Trade & expense	NIL	NIL
	<u>NIL</u>	<u>NIL</u>
<b>(1,888,195.83)</b>	<b>9.09</b>	<b>325.61</b>
<b>REPRESENTED BY</b>		
Floating ch VAT rec'able		300 00
Floating charge current		25 61
		<u>325.61</u>



### Appendix 3 - Joint Administrators' current charge out rates

	Restructuring £	Tax £	VAT £	Pensions £
Partner	595	595	900	745
Director	535	535	805	670
Senior Manager	485	375-475	565-705	470-590
Manager	405	255-385	385-455	320-385
Assistant Manager	280	185-265	280-330	235-275
Case administrator	205	85-195	125-245	110-235

**Ionix Limited in administration**

**Time Cost Analysis for the period 19 July 2014 to 18 January 2015**

	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Administration & planning							
Cashiering							
General (Cashiering)			1 35		1 35	£365.25	£270.56
Reconciliations (& IPS accounting reviews)			0 10		0 10	£39.50	£395.00
General							
Books and records			0 40		0 40	£158.00	£395.00
Fees and WIP		0 20	1 40		1 60	£669.00	£418.13
Statutory and compliance							
Checklist & reviews	0 80	1 30	2 60		4 70	£2 489.00	£529.57
Closure and related formalities		0 50	1 80		2 30	£1,001.00	£435.22
Statutory receipts and payments accounts			0 20		0 20	£79.00	£395.00
Tax							
Post appointment corporation tax		3 60	0 20		3 80	£2,370.00	£623.68
Creditors							
Creditors and claims							
General correspondence			1 00		1 00	£395.00	£395.00
Legal claims	9 30				9 30	£8 230.50	£885.00
Statutory reports	2 40	1 50	8 90		10 80	£5,719.50	£529.58
Investigation							
Directors							
Correspondence with directors		1 00			1 00	£580.00	£580.00
<b>Total in period</b>	<b>12 50</b>	<b>8 10</b>	<b>15 95</b>	<b>0 00</b>	<b>36 55</b>	<b>£22 095.75</b>	<b>£604.53</b>

All staff who have worked on this assignment including cashiers and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent. The cost of staff in central administration functions is not charged directly to the assignment but is reflected in the general level of chargeout rates.

**Expenses incurred during the period 19 July 2014 to 18 January 2015**

**Category 1 disbursements**

Legal fees £21,010

**Category 2 disbursements**

None

# Fonix Limited in administration

## Time Cost Analysis for the period 19 January 2015 to 30 January 2015

	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Administration & planning							
Cashiering							
General (Cashiering)			0 90		0 90	£267 50	£297 22
Reconciliations (& IPS accountancy reviews)			0 30		0 30	£118 50	£395 00
General							
Fees and WIP			0 40		0 40	£158 00	£395 00
Statutory and compliance							
Checklist & reviews			1 30		1 30	£513 50	£395 00
Closure and related formalities			1 00		1 00	£395 00	£395 00
Statutory receipts and payments accounts			0 50		0 50	£197 50	£395 00
Tax							
Post appointment VAT			1 60		1 60	£632 00	£395 00
Total in period					6 00	£2 282 00	£380 33

All staff who have worked on this assignment including cashiers and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent. The cost of staff in central administration functions is not charged directly to the assignment but is reflected in the general level of chargeout rates.

## Expenses incurred during the period 19 January 2015 to 30 January 2015

### Category 1 disbursements

None

### Category 2 disbursements

None



## **Appendix 4 - Joint Administrators' proposals**

The Administrators' propose the following

- to continue to do all such things reasonably expedient and generally exercise all their powers as Joint Administrators as they, in their discretion, consider desirable in order to maximise realisations from the assets of the Company;
- to seek an extension to the Administration period if deemed necessary by the Joint Administrators; firstly by consent from the secured creditor (and the requisite majority of preferential creditors if the Joint Administrators think that there will be a distribution to them) for a six-month period and, if further time is required, by an application to court under paragraph 76(2) of Schedule B1 to the Act;
- when it is considered that no further distributions to creditors will be made and that the Administrators have concluded their duties, to take the necessary steps to move the Company from Administration to dissolution, pursuant to paragraph 84 of Schedule B1 to the Act. If the Administrators think that a distribution will be made to unsecured creditors, to take the necessary steps to move the Company into Creditors' Voluntary Liquidation pursuant to paragraph 83 of Schedule B1 to the Act;
- if Creditors' Voluntary Liquidation is deemed appropriate, the Joint Administrators will seek the appointment of Kevin Roy Mawer and Brian Green of KPMG LLP as Joint Liquidators of Fonix Limited. In accordance with paragraph 83(7) of Schedule B1 to the Act and Rule 2.117(3) of the Insolvency Rules 1986, creditors may nominate a different person as the proposed liquidator, provided that the nomination is made after the receipt of the proposals and before the proposals are approved,
- if deemed appropriate to make an application to court under paragraph 79 of Schedule B1 to the Act to end the Administration and petition the court for the winding up of the Company. If appropriate, the Joint Administrators will apply to be appointed as Joint Liquidators under Section 140 (1) of the Act, and
- the Joint Administrators will seek a resolution from creditors to be discharged from liability 14 days after the cessation of their appointment, in respect of any action of the Joint Administrators pursuant to paragraph 98(1) of Schedule B1 of the Act.

In relation to Administrators' fees.

- that in the event that no creditors' committee is formed, the Joint Administrators will be authorised to draw fees on account from the assets of Fonix Limited from time to time during the period of Administration based on time properly spent at KPMG LLP charge out rates that reflect the complexity of the assignment. Also, the Joint Administrators will be authorised to draw disbursements from time to time, and
- that the costs of KPMG LLP in respect of HSE, Tax and VAT advice provided to the Joint Administrators be based upon time costs and shall be paid out of the assets of Fonix Limited