

2.17B

The Insolvency Act 1986

Statement of administrator's proposals

Name of Company
The Miracle Chair Company Limited

Company number
08086051

In the High Court of Justice, Chancery Division, Leeds District Registry (full name of court)
--

Court case number 518 of 2015

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

IAWe (a)
David Frederick Wilson
DFW Associates
29 Park Square West
Leeds
LS1 2PQ


*Delete as
applicable

attach a copy of *my/our proposals in respect of the administration of the above company

A copy of these proposals was sent to all known creditors on

(b) 10th August 2015

Signed



Administrator

Dated

10th August 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 researchers of the public record

David Frederick Wilson
DFW Associates
29 Park Square West
Leeds
LS1 2PQ

DX Number

07802 267964
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



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21/08/2015

#109

COMPANIES HOUSE

FRIDAY

**ADMINISTRATOR'S STATEMENT OF PROPOSALS PURSUANT TO PARAGRAPH 49 OF
SCHEDULE B1 OF THE INSOLVENCY ACT 1986 AND RULE 2.33 OF THE INSOLVENCY RULES
1986**

**THE MIRACLE CHAIR COMPANY LIMITED – IN
ADMINISTRATION**

Important The Administrator's statement of proposals has been produced for the sole purpose of advising creditors pursuant to the provisions of the Insolvency Act 1986. The report is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by creditors for any purpose other than this report to them, or by any other person for any purpose whatsoever. Any estimated outcomes for the creditors included in these proposals are illustrative only and cannot be relied upon as guidance to the actual outcome for creditors.

CONTENTS

- 1 ABBREVIATIONS
- 2 STATUTORY INFORMATION
- 3 DETAILS OF THE APPOINTMENT OF THE ADMINISTRATOR
- 4 THE CIRCUMSTANCES GIVING RISE TO THE APPOINTMENT OF THE ADMINISTRATOR
- 5 STATEMENT OF AFFAIRS
- 6 THE ADMINISTRATION PERIOD
- 7 ESTIMATED OUTCOME FOR CREDITORS
- 8 THE ADMINISTRATOR'S PROPOSALS FOR ACHIEVING THE STATUTORY PURPOSE OF THE ADMINISTRATION
- 9 THE ADMINISTRATOR'S REMUNERATION AND EXPENSES
- 10 OTHER MATTERS AND INFORMATION TO ASSIST CREDITORS

APPENDICES

- 1) ADMINSTRATOR'S RECEIPTS AND PAYMENTS ACCOUNT FROM 16TH JUNE 2015 TO 10TH AUGUST 2015
- 2) STATEMENT OF AFFAIRS
- 3) ADMINISTRATOR'S POST APPOINTMENT TIME COSTS
- 4) DFW CHARGING POLICY

1. ABBREVIATIONS

"the Act"	Insolvency Act 1986 (as amended)
"the court"	Leeds District Registry
"CVL"	Creditors' Voluntary Liquidation
"the Administrator"	D F Wilson

2. STATUTORY INFORMATION

Company Name	The Miracle Chair Company Limited
Trading Names	The Miracle Chair Company, Freedman Seats
Trading activities	Specialised Design Activities
Company Number	08086051
Date of incorporation	28 th May 2012
Trading Addresses.	8 St John Street, Manchester M3 4DU
Registered office	29 Park Square West, Leeds, LS1 2PQ
Previous registered office	8 St John Street, Manchester M3 4DU

Directors	<u>Name</u>	<u>Appointed</u>
	Hugh Alexander Briggs	03/05/2013
	Simon Freedman	03/05/2013
	Emma Harding	28/05/2012

Members	<u>Name</u>	<u>Shares</u>
	Emma Harding	10,000
	Hugh Briggs	1,873
	Tracey Lee Huggett	440
	Kerin O'Connon	255
	Duncan Jennings	191

12,759 shares valued at £0.01 each

Charge holders

A debenture granting a fixed and floating charge in favour of Mr Hugh Alexander Briggs was created on 4th July 2014 (filed 23rd July 2014)

3. DETAILS OF THE APPOINTMENT OF THE ADMINISTRATOR

Name of Administrator	David Frederick Wilson, a Licenced Insolvency Practitioner of DFW Associates, 29 Park Square West, Leeds, LS1 2PQ
Date of Administrators appointment	16 th June 2015
Court	Leeds District Registry
Court Case Number	289 of 2015
Person making appointment	Qualifying Floating Charge Holder
Acts of the administrators	The Administrator acts as officer of the court and as agent of the Company without personal liability. Any act required or authorised under an enactment to be done by an Administrator may be done by any one or more persons holding the office of Administrator from time to time
EC Regulations	The EC Regulation on Insolvency Proceedings (Council Regulation (EC) No 1346/2000) applies to these proceedings which are 'main proceedings' within the meaning of Article 3 of the Regulation

STATUTORY PURPOSE OF ADMINISTRATION

Paragraph 3 of Schedule B1 to the act provides as follows:

- 3 (1) The Administrator of a company must perform his functions with the objective of
- (a) Rescuing the company as a going concern, or
 - (b) Achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in Administration), or
 - (c) Realising property in order to make a distribution to one or more secured or preferential creditors
- (2) Subject to sub-paragraph (4), the Administrator of a company must perform his functions in the interests of the company's creditors as a whole
- (3) The Administrator must perform his functions with the objective specified in sub-paragraph (1) (a) unless he thinks either –
- (a) that it is not reasonably practicable to achieve that objective, or
 - (b) that the objective specified in sub-paragraph (1) (b) would achieve a better result for the company's creditors as a whole
- (4) The Administrator may perform his functions with the objective specified in sub-paragraph (1) (c) only if –
- (a) he thinks that it is not reasonably practicable to achieve either of the objectives specified in sub-paragraph (1) (a) and (b), and
 - (b) he does not unnecessarily harm the interests of the creditors of the company as a whole

4. THE CIRCUMSTANCES GIVING RISE TO THE APPOINTMENT OF THE ADMINISTRATOR

Background Information

The Miracle Chair Company Limited ("MCC") was originally incorporated and commenced trading in May 2012 to operate as the manufacturing and trading company in respect of the Freedman Chair. Simon Freedman, a qualified and practicing Osteopath, developed over a period of 15 years, an office chair designed to both alleviate and prevent the pain associated with prolonged periods of sitting

In June 2011 Mr Freedman incorporated Freedman Seats Limited ("FS") and through that company the patent applications were registered for the Freedman Seat. The continued development of the seat was then carried out by MCC and ultimately in 2014 an Irrecoverable Technology Licence Agreement was entered into between FS and MCC together with various funders through which MCC was licenced to utilise the Intellectual Property Rights of FS and to market and sell the seat

During 2013 and 2014 funding had been raised through private investment from Hugh Briggs, Emma Freedman and Simon Freedman. Additionally, further funds were raised through a Kickstarter Scheme and finally through Venture Founders. Ultimately, Hugh Briggs is owed £250,000 which is secured by way of a fixed and floating charge created on 4th July 2014 and registered on 23rd July 2014 Emma and Simon Freedman are due £80,000, £340,000 was raised from individuals through Kickstarter and £670,000 is due to Venture Founders

The chair was to be manufactured in China and considerable expense was incurred in developing the tooling in China. Various early difficulties required further product development and retooling however ultimately the Mark III version of the chair was ready for sale. The chair had been exhibited at a number of International trade shows and received widespread reviews in the press. Coinciding with this, Peter Brazier and his company a365 were engaged to run the business on a day to day basis and develop a worldwide distributor network.

Despite the initial promise in January 2015 a major problem was developed with the manufacturing of the chair, this was resolved by some redesign however this caused additional manufacturing and distribution delays. Ultimately, the first batch of chairs arrived in March 2015 and distribution commenced in April.

The Kickstarter investors had been offered chairs and general orders started to be supplied. Further issues then started to arise with chairs that had been sent out. It is believed this was due to incorrect assembly by the customers, resulting in a number of customer complaints and a limited number of accidents involving collapsed chairs.

At this point the company had totally utilised the funding that had been raised and disputes had arisen as to the continuing faults and production difficulties. As a primary and secured investor, Hugh Briggs had remained close to the trading activities and despite an attempted restructure of the management of the business in April 2015 when Peter Brazier assumed responsibility for operating the business, Mr Briggs became more concerned with the future of the business with its heavy debt burden.

Following further discussions during May and June with Mr Freedman, Mr Brazier and the major investors Mr Briggs took the decision to call in his debt and place the company into Administration, to salvage whatever he could as a secured creditor.

MCC is a creditor of FS in respect of costs associated to the patent registrations that have been paid by MCC. The directors and shareholders of FS therefore also placed FS into Administration on the same day to facilitate the Administrator to be in a position to sell the assets of both companies to a potential purchaser.

5. STATEMENT OF AFFAIRS

Attached at appendix 2 is the estimated statement of affairs prepared by the Administrator on information currently available. DFW Associates have now been instructed to finalise the statement of behalf of the Directors as required under Insolvency Act 1986. This statement of affairs makes no provision for costs of the Administration or any subsequent liquidation or voluntary arrangement.

The comments on the statement of affairs are as follows:

Assets

Stock

Manufactured stock was held at three separate locations and was valued by Winterhill Largo a firm of international valuers. The valuations were calculated on an in-situ valuation and were divided into finished products and raw materials.

China – Raw materials £3,150 and finished product £5,500

UK – Finished product £4,250

USA – Finished product £18,200

This culminated in a total of £31,150 for the value of the stock across the three sites. All of the chairs in stock were subject to the manufacturing and assembly issues that have been highlighted. All these storage facilities have outstanding storage costs and would be in a position to exercise a lien over the stock for those costs.

Goodwill

Due to the marketing and development of the seat by MCC it is viewed that there is a goodwill value if a purchaser of the business can be located.

Claim against Freeman Seats

MCC has funded various expenses of FS and has an outstanding claim of £118,148.63. Although this sum is still to be verified, there may be a dividend payment from the Administration of FS.

Liabilities

Secured Creditor

A debenture granting a fixed and floating charge in favour of Mr Hugh Alexander Briggs was created on 4th July 2014 (filed 23rd July 2014). Mr Briggs is currently owed £250,000.

Preferential Creditors

There are no creditors of this classification.

Unsecured creditors

Unsecured creditors total £860,473.24. It is anticipated that no payment will be made to the unsecured creditors.

6. THE ADMINISTRATION PERIOD

At the date of the Administration Order the company was not effectively trading. Manufacturing in China had been halted and the stock was held at the three storage units. It was however viewed that a purchaser could be found for the business out of Administration.

Following appointment, the Administrator entered into discussions with three interested parties. However, an offer was eventually forthcoming from only one of the parties and on the advice of the valuers a sale was agreed of the assets of MCC and FS which was completed on 17th July 2015.

The sale was to Charon Investments Limited a company controlled by Mr Hugh Briggs. The sale was agreed on the basis of £15,004 for goodwill and Intellectual Property and £9,996 for stock subject to the purchaser covering all outstanding storage costs. Additionally, a further £10,000 was paid for the patents owned by FS.

The sale was agreed in the full knowledge of the production issues and included the tooling held by the China based manufacturer. The original costs attached to that tooling totalled £59,200 however this tooling does need further development as it is presently incapable of producing a saleable product.

For the reasons set out in my report, I presently consider that it is not reasonably practicable to achieve either of the objectives specified in sub-paragraph 3 (1) (b)

It is proposed that

- (i) The Administrator continues to manage the affairs and property of the Company in such manner as he considers, with a view to achieving the statutory purpose for which the company was placed into Administration
- (ii) If the Administrator considers it appropriate, he may apply to court under the provisions of Paragraph 76 (2) (A) of Schedule B1 to the Act for an order that his term of office be extended
- (iii) The Administrator be authorised to draw remuneration in accordance with the detailed analysis provided in accordance with Statement of Insolvency Practice 9
- (iv) The Administrator's future costs be drawn on a time costs basis in accordance with the hourly charge out rates appended to this report
- (v) The Administrator be authorised to apply provisions at Paragraph 83 to Schedule B1 of the Act, enabling the Company to move from Administration to Creditors Voluntary Liquidation in the unlikely event of there being sufficient funds to distribute to unsecured creditors. It is proposed that the Administrator be appointed Liquidator. Creditors may nominate a different person as the proposed Liquidator, provided that the nomination is made before the proposals are approved
- (vi) The Administrator be authorised to apply provisions at Paragraph 84 to Schedule B1 to the Act enabling the company to move from Administration to dissolution
- (vii) The Administrator be empowered by creditors to do all such things and generally exercise his power at the discretion he considers desirable or expedient in order to achieve the purposes of the Administration
- (viii) The legal fees of £1,500 plus VAT be paid to Gateley Plc for their pre-appointment time costs and disbursements
- (ix) The legal fees of £2,750 plus VAT be paid to Gateley Plc for their post appointment time costs and disbursements
- (x) That agent's fees of £1,500 plus VAT be paid to Winterhill Largo for their post-appointment time costs and disbursements
- (xi) The Administrator be paid £6,337.50 for his pre-appointment time costs
- (xii) The Administrator's Category 2 disbursements be charged in accordance with the firm's charging policy, a copy of which is appended to this report

Please be advised that a meeting of creditors will not be held because of the statement contained in our proposals pursuant to paragraph 52(1)(b) of Schedule B1 to the Insolvency Act 1986 that the company has insufficient property to enable a distribution to unsecured creditors, otherwise than by virtue of section 176A of the Act.

Your attention is drawn to the provisions of paragraph 52(2) of schedule B1 to the Act which enables creditors whose debts amount to at least 10% of the total debts of the company to requisition such a meeting within 8 business days from the date of this letter. If no such meeting is held the proposals are deemed to have been approved by the creditors

Exit from Administration

On present information I consider that the company has insufficient property to enable a distribution to unsecured creditors and I therefore intend to conclude the Administration on the completion of my duties and apply to have the company struck off

Administrators do not have a general power to make a distribution to unsecured creditors, and may only do so if the court gives permissions. It is considered that the court will only grant such permission in exceptional circumstances where the normal course for making distributions to unsecured creditors in a voluntary liquidation is inappropriate. Additionally there may be matters for enquiry concerning company's which are not within the scope of an Administrator's powers and which can only be properly dealt with by a Liquidator.

Consequently, as soon as I am satisfied that I have fully discharged my duties as an Administrator and that the purpose of the Administration has been fully achieved and funds do become available to make a distribution, I

propose to implement the provisions of Paragraph 83 of Schedule B1 to the Act whereby on the registration of a notice sent by me to the Registrar of Companies, my appointment as Administrator will cease to have effect, and the company is will automatically be placed into Creditors' Voluntary Liquidation

The Liquidator for the purpose of the winding up shall be –

- (a) A person nominated by the creditors of the company in the prescribed manner and within the prescribed period, or
- (b) If no person nominated under paragraph (a), the Administrator

I confirm that as part of my proposals, I propose that I act as Liquidator in the subsequent winding up of the Company. 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, with or without the modification

If it is not possible to finalise the Administration within one year of the date of appointment, the Administrator's term of office may be extended either by court order for a specified period or by consent of the creditors for a specified period, not exceeding six months. It may therefore become necessary at a future time for us to seek creditor consent to extending the period of the Administration for up to a further six months following the anniversary of our appointment, in order to ensure that the objective of the administration can be carried out

9. THE ADMINISTRATOR'S REMUNERATION AND DISBURSEMENTS

Pre-Administration Costs

The Administrator has incurred pre-appointment time costs to date of £6,337.50 representing 19.50 hours at an average hourly rate of £325.

Administrator's Remuneration

The Administrator proposes that the basis of his remuneration be fixed under Rule 2.106 of the Rules by reference to the time properly given by them and the various grades of their staff, calculated at the hourly rates of DFW Associates in attending to matters arising in the Administration.

Appendix 4 sets out the Administrator's firm's hourly charge out rates and the time that he and his staff have spent in attending to matters arising in the Administration since 16th June 2015

Administrator's Disbursements

The Administrator proposes that disbursements, including disbursements for services provided by his firm, defined as Category 2 disbursements, be charged in accordance with the firm's policy, details of which are set out. These disbursements will be identified by the Administrator and subject to the approval of those responsible for determining the acts of the Administrator remuneration

10. OTHER MATTERS AND INFORMATION TO ASSIST CREDITORS

Directors conduct

As part of his statutory duties, the Administrator will consider the conduct of the directors and any person he considers a shadow or de facto director in relation to their management of the affairs of the company, during the three years prior to the appointment of the Administrator and the causes of failure and will submit a confidential report to the Insolvency Services, a division of the Department for Business, Innovation and Skills

As part of the investigation, the Administrator will consider, amongst other matters, the following

- Statutory compliance issues
- Misfeasance or breach of duty, and
- Antecedent transactions (including transactions at an under value and preferences)

Creditors who wish to draw any matters to the attention of the Administrator should write to the address given on the front of this report.

Third Party Assets

Should you believe that you own items that may have been present at the company's trading premises at the date of appointment please contact the Administrator as soon as possible

A handwritten signature in black ink, appearing to read 'David Wilson', with a horizontal line drawn underneath it.

David Frederick Wilson
Administrator

**The Miracle Chair Company Limited
(In Administration)**

**Summary of Receipts & Payments
16 June 2015 to 10 August 2015**

RECEIPTS	Total (£)
Stock	9,996 00
Goodwill & Intellectual Property Right	15,004 00
Tax Refund	4,933 56
Cash at Bank	14,123 27
Suspense Account	2,152 08
	<hr/>
	46,208.91
 PAYMENTS	
Suspense Account	2,152 08
Specific Bond	480 00
Statutory Advertising	75 00
Vat Receivable	15 00
	<hr/>
	2,722.08
Balance In Hand	43,486.83
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	46,208.91
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Insolvency Act 1986

The Miracle Chair Company Limited Estimated Statement Of Affairs as at 16 June 2015

	Book Value £	Estimated to Realise £	£
ASSETS			
Goodwill		15,000.00	
Hugh Briggs - Debenture		(250,000.00)	
Deficiency c/d		<u>(235,000.00)</u>	
Stock	151,060.00		10,000.00
Tax Refund	4,933.56		4,933.56
Intercompany Debt - Freedman Seats Ltd	118,148.00		10,000.00
Tooling	59,200.00		NIL
Merchant Security Deposit	15,000.00		NIL
			<u>24,933.56</u>
LIABILITIES			
PREFERENTIAL CREDITORS -			
			<u>NIL</u>
			24,933.56
DEBTS SECURED BY FLOATING CHARGE PRE 15 SEPTEMBER 2003			
OTHER PRE 15 SEPTEMBER 2003 FLOATING CHARGE CREDITORS			
			<u>NIL</u>
			24,933.56
Estimated prescribed part of net property where applicable (to carry forward)			<u>7,000.00</u>
			17,933.56
DEBTS SECURED BY FLOATING CHARGE POST 15 SEPTEMBER 2003			
Deficiency b/d	235,000.00		
		235,000.00	
		<u>(217,066.44)</u>	
Estimated prescribed part of net property where applicable (brought down)			<u>7,000.00</u>
			7,000.00
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)			
Trade & Expense Creditors	110,473.24		
Venture Founders	670,000.00		
Simon Freedman & Emma Freedman	<u>80,000.00</u>		
			<u>860,473.24</u>
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall in respect of F C's post 14 September 2003)			(853,473.24)
Shortfall in respect of F C's post 14 September 2003 (brought down)			<u>217,066.44</u>
			(1,070,539.68)
Issued and called up capital		127.59	
Ordinary Shareholders			<u>127.59</u>
TOTAL SURPLUS/(DEFICIENCY)			<u>(1,070,667.27)</u>

Time Entry - SIP9 Time & Cost Summary

ADM0012 - The Miracle Chair Company Limited
 Project Code POST
 From 16/08/2015 To 10/08/2015

Classification of Work Function	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours	Time Cost (£)	Average Hourly Rate (£)
Admin & Planning	33.30	0.00	0.00	1.00	34.30	10,987.50	319.75
Case Specific Matters	0.00	0.00	0.00	3.75	3.75	543.75	145.00
Creditors	12.40	0.00	0.00	17.50	29.90	8,567.50	219.65
Investigations	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Realisation of Assets	21.30	0.00	0.00	0.00	21.30	6,922.50	325.00
Trading	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Hours	67.00	0.00	0.00	22.25	89.25	26,001.25	280.13
Total Fees Claimed						0.00	
Total Disbursements Claimed						0.00	

Time Entry - SIP9 Time & Cost Summary

ADM0012 - The Miracle Chair Company Limited
 Project Code PRE
 From 01/05/2015 To 18/06/2015

Classification of Work Function	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours	Time Cost (£)	Average Hourly Rate (£)
Admin & Planning	19.50	0.00	0.00	0.00	19.50	6,337.50	325.00
Case Specific Matters	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Creditors	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investigations	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Realisation of Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Trading	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Hours	19.50	0.00	0.00	0.00	19.50	6,337.50	325.00
Total Fees Claimed						0.00	
Total Disbursements Claimed						0.00	

DFW Associates Charging Policy

Introduction

This note applies where a licenced insolvency practitioner in the firm is acting as an office holder of an insolvent estate and seeks creditor approval to draw remuneration on the time properly spent in dealing with the case. It also applies where further information is to be provided to creditors regarding the office holder's fees. Following a passing of the resolution for the office holder to be remunerated on a time cost basis. Best practice guidance requires that such information should be disclosed to those who are responsible for approving remuneration.

In addition, this note applies where creditor approval is sought to make a separate charge by way of expenses or disbursements to recover the costs of facilities provided by the firm and where payments are to be made to outside parties in which the office holder or his firm or any associate has an interest. Best practice guidance requires that such charges should be disclosed to those who are responsible for approving the office holder's remuneration, together with an explanation of how those charges are calculated.

Office Holder's Fees in Respect of the Administration of the insolvent estate.

The office holder will delegate tasks to colleagues. Such delegation assists the office holder as it allows him/her to deal with the more difficult aspects of the case and ensures that work is allocated and completed at the appropriate level. There are various staff that are employed by the office holder and these appear below.

The firm operates a time recording system which allows the staff working on the case with the office holder to allocate their time to the case. The time is recorded at the individual hourly rate in force at that time which is detailed below.

Expenses Incurred By Office Holder In Respect Of the Administration of Insolvent Estates

Best practice guidance classifies expenses into two broad categories

- Category 1 disbursements (approval not required) – specific expenditure that is directly related to the case usually outsourced to a third party. Once these items of expenditure are incurred they are immediately charged to the case.
- Category 2 disbursements (approval required) – items of incidental expenditure directly incurred on the case which include an element of shared or allocated cost and which are based on a reasonable method of calculation.

(A) The following items of expenditure are charged to the case (subject to approval)

- Car Mileage is charged at a rate of 45p per mile
- Storage of books and records (when not chargeable as a category 1 disbursement)
- Expenses which should be treated as Category 2 disbursements (approval required) – in addition to the 2 categories referred to above, best practice guidance indicates that where payments are made to outside parties in which the office holder or his firm or any associate has an interest, these should be treated as category 2 disbursements.

(B) The following items of expenditure will normally be treated as general office overheads and will not be charged to the case, although a charge may be made where the precise cost to the case can be determined because the item satisfies the test of a category 1 disbursement.

- Telephone and facsimile
- Printing and photocopying
- Stationery

DFW Charge-out Rates

Time is recorded in 6 minute units

Principal Associate	325
Senior Associate	185
Junior	145