

Tyneside door maker Virtuoso collapsed with debts of more than £40m

Manufacturer Virtuoso Doors, which closed suddenly prior to Christmas sparking 100 job losses, ceased trading with a deficit of more than £40m, new documents show.

The Gateshead-based firm, which specialised in production of composite doors, had been part of the Custommade Group until administrators were called in, in the days leading up to Christmas and following losses in recent years. Deals were done to save four of the Follingsby Park business' stablemates, saving 500 jobs, but Virtuoso was shuttered immediately.

Now, administrators at Alvarez & Marsal says there is little prospect of funds being distributed to unsecured creditors – including local suppliers – who have so far made claims of more than £2.2m. Financers of the firm, Midcap and CYB, are owed £32m while invoice finance specialist Bibby is also owed about £600,000. All are unlikely to see funds returned.

The administrators also said it was uncertain whether secondary preferential creditors – including HMRC which is owed £3.6m – would receive a dividend. Custommade Group is said to have faced challenges brought on by higher interest rates and squeezed consumer spending power harming the home improvements market.

Will Gold, the group's CEO, said the group had been under significant strain in recent years, evidenced by group level accounts which show operating of losses of more than £13m in 2022. In December, Mr Gold said: "Over the past two years, the market for our products has been contracting, and we've witnessed numerous businesses within our sector struggle and

ultimately go into insolvency. Our goal throughout the process was to secure the trading future of as much of the group's previous operations as we could and thereby protect the jobs of as many of our employees as possible."

The most recent accounts available for Virtuoso, covering 2022, show it made an operating profit of £1.19m on turnover of £23.7m. Pre-tax profits in the same period fell from £3.2m to about £883,000 – a performance that directors called disappointing.

Writing in their latest report, administrator at Alvarez & Marsal said: "The group has faced challenging market conditions due to higher interest rates and pressure on retail spending in the home improvements sector during the current financial year, which significantly affected turnover levels. These pressures impacted the profitability of the group and the company, leading to the accumulation of arrears with HMRC of £3.6m inclusive of a group VAT liability of £3.2m, and a forecast cash requirement over the quieter winter months.

"Whilst we understand that Customade, Polyframe and Stevenswood had generated positive Ebitda during FY24, in addition to the company's negative Ebitda position, Custombus and CGSL are showing a combined negative EBITDA of £2.9m in the unaudited management accounts for FY24 year to date (10 months actual and two months forecast). As a consequence of the group's trading losses, insufficient funds were available to settle the group VAT liability detailed above, for which all Group entities are jointly and severally liable."