

AM03

Notice of administrator's proposals



Companies House



1 Company details

Company number 1 0 2 4 2 3 7 7

Company name in full Customade Group Midco Limited

→ Filling in this form
Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Robert

Surname Croxen

3 Administrator's address

Building name/number Suite 3 Regency House

Street 91 Western Road

Post town Brighton

County/Region

Postcode B N 1 2 N W

Country

4 Administrator's name ①

Full forename(s) Lyn

Surname Vardy

① Other administrator
Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number Suite 3 Regency House

Street 91 Western Road

Post town Brighton

County/Region

Postcode B N 1 2 N W

Country

② Other administrator
Use this section to tell us about
another administrator.

AM03

Notice of Administrator's Proposals

6

Statement of proposals



I attach a copy of the statement of proposals

7

Sign and date

Administrator's
Signature

Signature

×



×

Signature date

^d

06

^m

07

^y

20

^y

20

AM03

Notice of Administrator's Proposals



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	Kellie Bell
Company name	Alvarez & Marsal Europe LLP
Address	Suite 3 Regency House 91 Western Road
Post town	Brighton
County/Region	
Postcode	B N 1 2 N W
Country	
DX	
Telephone	+44 (0) 20 7715 5200



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- ☐ You have attached the required documents.
- ☐ You have signed and dated the form.



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Name and address of insolvency practitioner

✓ **What this form is for**
Use this continuation page to tell us about another insolvency practitioner where more than 2 are already jointly appointed. Attach this to the relevant form. ①
Use extra copies to tell us of additional insolvency practitioners.

✗ **What this form is NOT for**
You can't use this continuation page to tell us about an appointment, resignation, removal or vacation of office.

→ **Filling in this form**
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All fields are mandatory unless specified or indicated by *

1 Appointment type

Tick to show the nature of the appointment:

- ☒ Administrator
- ☐ Administrative receiver
- ☐ Receiver
- ☐ Manager
- ☐ Nominee
- ☐ Supervisor
- ☐ Liquidator
- ☐ Provisional liquidator

① You can use this continuation page with the following forms:
- VAM1, VAM2, VAM3, VAM4, VAM6, VAM7
- CVA1, CVA3, CVA4
- AM02, AM03, AM04, AM05, AM06, AM07, AM08, AM09, AM10, AM12, AM13, AM14, AM19, AM20, AM21, AM22, AM23, AM24, AM25
- REC1, REC2, REC3
- LIQ2, LIQ3, LIQ05, LIQ13, LIQ14, WU07, WU15
- COM1, COM2, COM3, COM4
- NDISC

2 Insolvency practitioner's name

Full forename(s) **Mark**

Surname **Firmin**

3 Insolvency practitioner's address

Building name/number **Suite 3 Regency House**

Street **91 Western Road**

Post town **Brighton**

County/Region

Postcode **B N 1 2 N W**

Country



CUSTOMADE GROUP MIDCO LIMITED IN ADMINISTRATION

Joint Administrators' proposals

6 July 2020

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1 Executive summary

Rob Croxen, Lyn Vardy and Mark Firmin of Alvarez & Marsal Europe LLP ("A&M") were appointed as Joint Administrators of Customade Group Midco Limited ("the Company" or "CGML") on 29 June 2020. The Company is part of a wider group and on 29 June 2020, we were also appointed Joint Administrators of a further seven group companies as follows:

- Customade Group Trading Limited ("CGTL");
- Polyframe Doors Limited ("PDL");
- Stevenswood Trade Centres Limited ("STCL");
- Polyframe Norwich Limited ("PNL");
- Fineline Aluminium Limited ("FAL");
- Customade Group Holdco Limited ("CGHL"); and
- Stevenswood Topco Limited ("STL").

CGTL, PDL, STCL, PNL, FAL, CGHL, CGML and STL together comprise the "Administration Group". Two companies within the wider group, Customade Group Topco Limited ("CGTPL") and Stevenswood Midco Limited ("SML"), are not subject to an insolvency process. The Administration Group together with CGTPL and SML comprise the "Group".

Immediately following the administration appointments, a sale of certain business and assets of the Administration Group was completed to Hamsard 3558 Limited, Hamsard 3559 Limited, Hamsard 3560 Limited, Hamsard 3561 Limited, Hamsard 3562 Limited and Hamsard 3567 Limited (together "the Purchaser"). The consideration for the transaction was the assumption of £22.8 million of existing debt. Further details of the sale can be found at Appendix 8.

A summary of key matters contained in our proposals is as follows:

- Based on current estimates, and as a result of the transaction detailed at Appendix 8, we anticipate that Clydesdale Yorkshire Bank's ("CYB") debt will be assumed in full. We anticipate that Midcap Financial (Ireland) Limited ("Midcap") will likely suffer a shortfall against its debt. It is anticipated that the remaining subordinated secured creditors will not receive a distribution. (Section 5.1 – Dividend prospects)
- We are not aware of any preferential claims against the Company. (Section 5.2 – Dividend prospects)
- Based on current estimates, we think there will be an amount available for distribution to unsecured creditors of approximately £4,483, less the costs of distribution. (Section 5.3 – Dividend prospects)
- We are seeking approval of the proposals by way of deemed approval. (Section 7 – Approval of proposals)
- We intend to seek approval from the secured creditors for our remuneration to be drawn on the basis of time properly given by us and the various grades of our staff. (Section 8 – Joint Administrators' remuneration, disbursements and pre-administration costs)

This document in its entirety is our statement of proposals. The relevant statutory information is included by way of appendices. Unless stated otherwise, all amounts in these proposals are stated net of VAT.



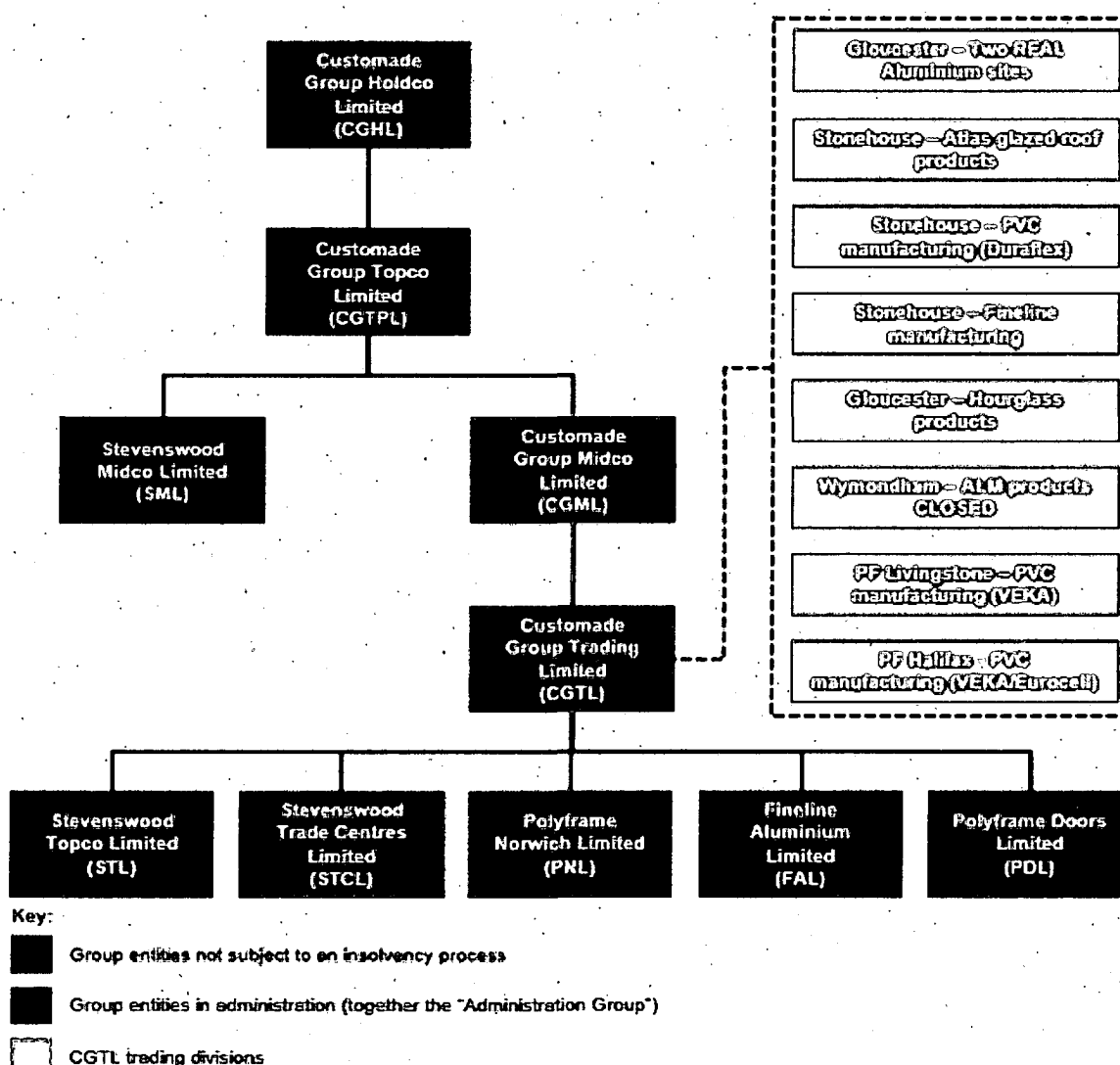
Rob Croxen
Joint Administrator

2 Group structure

The Company is part of the Group, which provides a full service offering in the fenestration sector.

The Company has one direct subsidiary, CGTL, which is the main trading company of the Group.

The Company's ultimate parent and controlling party is Cairngorm Capital Partners 1.LP. ("Cairngorm").



Note: all ownership is 100% unless otherwise stated

Source: Companies House

3 Background and events leading to the administration

3.1 Background information

The Group is an integrated manufacturer and distributor of windows and doors, primarily for sale to trade insulation companies and trade centre businesses which supply small builders and local tradesmen. The main fabricated products manufactured are PVCU windows and doors, aluminium windows, doors and roofs, and composite doors.

The Company was incorporated on 21 June 2016 and is a non-trading holding company in the Group.

The key inter-company trading relationships within the Group were the supply of products from CGTL and PDL to STCL. CGTL also provided group services to its subsidiaries, FAL, PDL and PNL, from its head office in Stonehouse. No group services were provided by CGTL to STCL, which maintained its own head office in Livingston.

3.2 Funding and financial position of the Company / Group

3.2.1 Funding

The Group was funded through (i) a term loan provided by MidCap, and (ii) a revolving credit facility ("RCF") provided by CYB. At the date of appointment, £32.2 million and £10.0 million respectively remained outstanding under these facilities.

Midcap, on behalf of itself and CYB, holds first ranking, fully cross-guaranteed fixed and floating charge security across the Group. Midcap acts as facility and security agent for itself and CYB (together "the Lenders").

The Group has entered into several intercreditor agreements with its secured creditors, both the Lenders and Joseph Trueman, John Lightowlers, Polyframe Holdings Limited (now dissolved), Cairngorm Capital Partners LLP and Cairngorm, (together the "Subordinated Lenders"). Under those agreements, the Subordinated Lenders have granted certain powers to Midcap, acting as agent, to regulate the basis upon which their subordinated liabilities and security, as applicable, will be administered.

Given the inter-creditor arrangements, we did not require the engagement or approval from the Subordinated Lenders to complete the sale of the Group's business and assets by way of administration.

Recent historical financial information relating to the Company is summarised below:

Profit and loss statement (£'000)

	4 months ending 30/04/2020	12 months ending 31/12/2019	12 months ending 31/12/2018
Turnover	-	-	-
Cost of sales	-	-	-
Gross profit	-	-	-
Operating costs	-	-	-
EBITDA	-	-	-

Balance Sheet (£'000)

	As at 30/04/2020	As at 31/12/2019	As at 31/12/2018
Fixed assets	-	-	-
Current assets	21,924	21,924	34,952
Total assets	21,924	21,924	34,952
Current liabilities	556	556	(12,738)
Non-current liabilities	(30,069)	(28,989)	(26,489)
Total liabilities	(29,513)	(28,433)	(39,227)
Total equity	(7,589)	(6,509)	(4,275)

Source: Audited accounts to 31 December 2018 and unaudited management accounts to 31 December 2019 and 30 April 2020.

3.3 Events leading to the administration

Full details of the events leading up to the administration can be found in the Statement of Insolvency Practice 16 ("SIP16") statement at Appendix 8. A brief summary is provided below which should be read in conjunction with the SIP16 statement.

We were introduced to the Group in December 2019 by its Lenders, who were concerned by the performance of the Group and its ability to generate sufficient cash to service its debt and meet its obligations to stakeholders.

At the start of 2020, a new funding request was made to Cairngorm and the Lenders. A&M was engaged on 13 January 2020 by the Group and the Lenders to perform an independent business review of the Group's short-term cash flow forecast and 2020 budget and provide the Lenders with a summary of their options.

In the second week of January 2020, during the course of this review, the Group suffered a ransomware attack impacting its IT systems, accounting and operations. The attack closed all of the Group's manufacturing sites for a period of one to two weeks and removed its ability to take orders from customers.

On 28 January 2020, A&M was further engaged by the Group and the Lenders to review the output of a strategic review conducted by the Group and its key stakeholder, Cairngorm, and to consider contingency planning in the event of an insolvency process.

On 23 March 2020, the Group was subject to the UK Government ordered social distancing measures implemented in response to the Coronavirus ("Covid-19") pandemic. The Group temporarily ceased to trade and furloughed the majority of its employees under the UK Government's Coronavirus Job Retention Scheme. In addition, the Group utilised HM Revenue & Customs ("HMRC") time to pay ("TTP") forbearance, however, these initiatives together remained insufficient to bridge the Group's imminent funding requirement.

On 29 April 2020 the Group engaged A&M to commence an accelerated mergers & acquisition process ("AMA"). The opportunity was marketed as either a solvent sale of the Group's shares or a sale of all or part of the Group's business and assets.

The Group engaged A&M to begin insolvency planning on 10 May 2020 to prepare the Group for a potential insolvency, as it was recognised at this stage of the AMA process that, in the absence of a viable offer for the Group on a solvent basis, a pre-packaged sale through an administration may provide a basis for delivering a transaction and the best outcome for creditors. On or around 1 June 2020, following receipt of final offers in the AMA process, it became clear that a transaction could only be completed through an administration.

On 29 June 2020 the AMA process was concluded, and the Administration Group was placed into administration. The transaction was executed with the following purchasing entities:

- Hamsard 3558 Limited;
- Hamsard 3559 Limited;
- Hamsard 3560 Limited;
- Hamsard 3561 Limited;
- Hamsard 3562 Limited; and
- Hamsard 3567 Limited.

These newly formed entities are 100% subsidiaries of Hamsard 3557 Limited ("Holdco"). Holdco is ultimately owned by private equity firm Nimbus Investments CXLII B.V. ("Nimbus"). Further details of how the process was conducted and all offers received for the business and assets are included in Appendix 8.

At the time of our appointment, we disclosed to the Court details of the work carried out by A&M up to that time.

We are satisfied that the work carried out by A&M before our appointment, including the pre-administration work summarised below, has not resulted in any relationships which create a conflict of interest or which threaten our independence.

Furthermore, we are satisfied that we are acting in accordance with the relevant guides to professional conduct and ethics.

3.4 Pre-administration work

From 1 June 2020, once it became clear that a pre-packaged sale of certain business and assets out of administration preserved value in the business and represented the best outcome for the Company's creditors, A&M worked with the Company's directors and their legal advisers in preparing for the administration appointment. This work included:

- negotiations with Nimbus /the Purchaser and the management of the Company;
- liaising with the major stakeholders, including the Lenders;
- seeking legal and valuation advice on the sale of business and administration appointment;
- preparing day one communications to key stakeholders;
- planning and preparing for the administration;

- drafting of the SIP16 statement;
- drafting of the administrators' proposals (this document); and
- dealing with the appointment formalities.

Additional information in respect of A&M's pre-administration engagements with the Group and the Lenders can be found in the SIP16 Statement in Appendix 8.

A&M's pre-administration fees were calculated on a time cost basis.

It was not possible to rescue the Group in accordance with the statutory purpose described in Paragraph 3(1)(a) as no acceptable offers were received for the Group (nor any of the individual entities in the Group) and the Group could not secure funding to meet its short term requirements and avoid the threat of creditor action. We therefore intend to pursue statutory purpose 3(1)(b), to achieve a better result for the Company's creditors as a whole than would be likely if that company were wound up. The work detailed above has helped us to achieve this statutory purpose as the return to creditors from completing the transaction is significantly greater than would have been achieved in a winding up. This is set out in the SIP 16 statement at Appendix 8.

Pinsent Masons LLP ("Pinsents") was engaged by the Group to assist with the sales process, draft the Sale and Purchase Agreement ("SPA") and to assist with the administration appointment formalities. Pinsents was chosen due to its expertise in work of this nature.

3.5 Appointment of Joint Administrators

Midcap, the holder of a qualifying floating charge, lodged the notice of appointment at the High Court of Justice, Business and Property Courts on 29 June 2020 and we were duly appointed as Joint Administrators.

4 Strategy and progress of the administration to date

4.1 Strategy to date

As detailed in Appendix 8, a number of options were considered in order to maximise the outcome for the Company's creditors. In the absence of a viable offer for the Group or the Company on a solvent basis, a pre-packaged sale through an administration was determined to be the only basis for delivering a transaction and providing the best outcome for the Company's creditors as a whole.

To restart the business following the Covid-19 lockdown would have had significant working capital requirements. There was considerable uncertainty on future sales and profitability. Key suppliers had considerable arrears and limited supply to a proforma basis in many cases. The funding requirement and risks associated with restarting the business and continuing with the loss-making divisions at Halifax and Livingston made trading the Group in administration unviable.

We concluded that the pre-packaged sale was in the best interests of creditors because:

- it provided the best return for creditors;
- it preserved value in the Group's goodwill / brand;
- the value obtained for the assets is significantly greater than would have been obtained on a break-up basis (based on independent valuations); and
- the sale minimised claims from employees, landlords and customers.

4.1.1 Sale of business

Immediately following our appointment, a pre-packaged sale of certain business and assets of the Administration Group was completed to the Purchaser. Further details of this transaction can be found in the SIP 16 Statement in Appendix 8.

The transaction consideration for the Administration Group was by way of the Purchaser assuming £22.8 million of existing debt facilities from the Lenders.

Of the £22.8 million Administration Group consideration, £67,416 was allocated to the Company's floating charge assets as set out below.

Sale consideration allocation			
Asset class	Fixed charge	Floating charge	Total
Other debtors	n/a	£67,416	£67,416
Total	£Nil	£67,416	£67,416

4.2 Assets

Realisations and sale consideration allocations from the date of our appointment to 1 July 2020 are set out in the attached receipts and payments account (Appendix 2).

4.2.1 Investigations

We are reviewing the affairs of the Company to find out if there are any actions which can be taken against third parties to increase recoveries for creditors.

If you wish to bring to our attention any matters which you believe to be relevant please do so by writing to Kellie Bell at kbell@alvarezandmarsal.com or Alvarez & Marsal Europe LLP Suite 3 Regency House, 91 Western Road, Brighton, BN1 2NW.

4.3 Administration funding

The transaction consideration was by way of the Purchaser assuming £22.8 million of existing debt facilities from the Lenders. No cash consideration was received.

To ensure that appropriate funding was available to us, Midcap has agreed to provide funding to the extent that realisations are not sufficient to cover the costs of the administration. Further details of these costs are provided within the fees and expenses estimate (Appendices 3 & 4).

In addition, Midcap has also agreed to provide a compensatory top-up of the prescribed part available to unsecured creditors. This compensatory top-up will ensure that the amount available for distribution (before costs) to unsecured creditors is at least equal to the prescribed part amount that, prior to our appointment, we estimated would have applied if cash consideration of £22.8 million had been received, subject to the statutory maximum cap of £600,000.

4.4 Costs

4.4.1 Expenses estimate

An estimate of all the anticipated costs likely to be incurred throughout the duration of the administration is set out in the attached summary of expenses (Appendix 4).

4.4.2 Payments made to date

As shown in the attached receipts and payments account (Appendix 2), no payments have been made during the period from the date of our appointment to 1 July 2020.

4.5 Ongoing strategy

Please refer to the narrative within the Fees Estimate at Appendix 3 for details of how the affairs and business of the Company will continue to be managed should the proposals be approved.

5 Dividend prospects

5.1 Secured creditors

The Company had the following registered charges as at the date of appointment:

Date of creation of charge	Date of registration of charge	Details of charge	Name of charge holder
28/02/2019	14/03/2019	Fixed and floating charge	Cairngorm Capital Partners LLP
28/02/2019	14/03/2019	Fixed and floating charge	Cairngorm Capital Partners I, L.P.
28/02/2019	09/03/2019	Floating charge	John Lightowlers
28/02/2019	08/03/2019	Fixed and floating charge	Midcap Financial (Ireland) Limited
24/12/2018	27/12/2018	Fixed and floating charge	Cairngorm Capital Partners I, L.P.
15/02/2017	22/02/2017	Fixed and floating charge	Midcap Financial (Ireland) Limited
15/02/2017	16/02/2017	Fixed and floating charge	John Lightowlers
07/07/2016	09/07/2016	Fixed and floating charge	Polyframe Holdings Limited (now dissolved)
07/07/2016	08/07/2016	Fixed and floating charge	Cairngorm Capital Partners LLP

Source: Companies House search at the date of our appointment

As detailed earlier in this report, Midcap, on behalf of the Lenders, holds first ranking, fully cross-guaranteed fixed and floating charge security across the Group.

The transaction will see all £10.0 million of CYB's debt being assumed; however, Midcap is likely to suffer a shortfall of £19.4 million against its remaining debt of approximately £32.2 million.

The Subordinated Lenders (Cairngorm Capital Partners LLP, Polyframe Holdings Limited (now dissolved), John Lightowlers and Cairngorm Capital Partners I, L.P.) also held fixed and floating charges over the Company's assets. As it is likely Midcap will suffer a shortfall, we do not expect a distribution to be available to the Subordinated Lenders.

We are not aware of any personal guarantees in relation to the liabilities of the Company.

Pinsents has confirmed the validity of the Lender's security.

5.2 Preferential creditors

We are not aware of any preferential claims against the Company.

5.3 Unsecured creditors

Based on current estimates, it is anticipated that the funds available to unsecured creditors will be approximately £4,483, less the costs of distribution.

The dividend rate will be determined by the value of claims received.

6 Ending the administration

6.1 Exit from administration

Anticipated exit route

We consider it prudent to retain all the options available to us as listed below to bring the administration to a conclusion in due course.

However, at this stage we anticipate that the most likely exit route will be dissolution, as we currently expect to be able to deal with all outstanding matters within the administration.

All exit routes

As mentioned above, we consider it prudent to retain all the exits option available to us. We may therefore use any or a combination of the following exit route strategies to bring the administration to an end:

- Apply to Court for the administration order to cease to have effect from a specified time and for control of the Company to be returned to the directors;
- Formulate a proposal for either a company voluntary arrangement ("CVA") or a Scheme of Arrangement and put it to meetings of the Company's creditors, shareholders or the Court for approval as appropriate;
- Place the Company into creditors' voluntary liquidation ("CVL"). In these circumstances we propose that Rob Croxen, Lyn Vardy and Mark Firmin of A&M be appointed as Joint Liquidators of the Company without any further recourse to creditors. If appointed Joint Liquidators, any action required or authorised under any enactment to be taken by us may be taken by us individually or together. The creditors may nominate different persons as the proposed Joint Liquidators, provided the nomination is received before these proposals are approved;
- Petition the Court for a winding-up order placing the Company into compulsory liquidation and to consider, if deemed appropriate, appointing Rob Croxen, Lyn Vardy and Mark Firmin of A&M as proposed Joint Liquidators of the Company without further recourse to creditors. Any action required or authorised under any enactment to be taken by us as Joint Liquidators may be taken by us individually or together;
- File notice of move from administration to dissolution with the Registrar of Companies if we consider that liquidation is not appropriate because (1) no dividend will become available to creditors, and (2) there are no other outstanding matters that require to be dealt with in liquidation. The Company will be dissolved three months after the registering of the notice with the Registrar of Companies.

Alternatively, we may allow the administration to end automatically.

6.2 Discharge from liability

We propose to seek approval from the secured creditors that we will be discharged from liability in respect of any action as Joint Administrators upon filing of our final receipts and payments account with the Registrar of Companies.

Discharge does not prevent the exercise of the Court's power in relation to any misfeasance action against us.

Should the circumstances of the administration change, we reserve the right to revert to, where appropriate, the creditors' committee or unsecured creditors in order to obtain discharge from liability.

7 Approval of proposals

7.1 Deemed approval of proposals

Our proposals will be deemed approved with no requirement to seek deemed consent or use a decision procedure, as it appears that the Company has insufficient property to enable us to make a distribution to the unsecured creditors other than by virtue of the Prescribed Part, as detailed in Appendix 1.

On expiry of eight business days from the date our proposals are delivered to the creditors, they will be deemed to have been approved by the creditors unless 10% in value of the creditors request that a decision is sought. Further details of the steps required to request a decision are detailed below.

7.2 Creditors' right to request a decision

We will use a decision-making procedure or deemed consent to seek approval of our proposals (1) if asked to do so by creditors whose debts amount to at least 10% of the total debts of the Company and (2) if the procedures set out below are followed.

Requests for a decision must be made within eight business days of the date on which our proposals were delivered. They must include:

- a statement of the requesting creditors' claim;
- a list of the creditors concurring with the request, showing the amounts of their respective debts in the administration;
- written confirmation of their concurrence from each concurring creditor; and
- a statement of the purpose of the proposed decision.

In addition, the expenses of the decision procedure at the request of a creditor must be paid by that creditor. That creditor is required to deposit security for such expenses with us.

If you wish to request a decision, this can be done via the Portal. Alternatively, please contact Kellie Bell at kbell@alvarezandmarsal.com or on +44 (0) 161 504 1700.

8 Joint Administrators' remuneration, disbursements and pre-administration costs

8.1 Approval of the basis of remuneration and disbursements

8.1.1 Basis of remuneration

We propose to seek approval from the secured creditors that:

- our remuneration will be drawn on the basis of time properly given by us and the various grades of our staff in accordance with the fees estimate provided in Appendix 3 and the charge-out rates included in Appendix 5; and
- disbursements for services provided by A&M (defined as Category 2 disbursements in Statement of Insolvency Practice 9 – "SIP 9") will be charged in accordance with A&M's policy as set out in Appendix 5.

Agreement to the basis of our remuneration and the drawing of Category 2 disbursements is subject to specific approval. It is not part of our proposals.

Should the circumstances of the administration change, we reserve the right to revert to, where appropriate, the creditors' committee or unsecured creditors for approval of the basis of our remuneration.

8.1.2 Disbursements

We have not incurred any disbursements during the period since the date of our appointment.

8.2 Pre-administration costs

The following pre-administration costs have been incurred in relation to the pre-administration work detailed in Section 3.4:

Pre-administration costs			
	Paid (£)	Unpaid (£)	Total (£)
Pre-administration fees:			
Engagement Acceptance & Control	-	1,091	1,091
Dealing with stakeholders re appointment	1,907	1,915	3,822
Appointment documents	-	279	279
Sale of business	-	420	420
	1,907	3,705	5,612
Pre-administration disbursements:			
Legal fees - Pinsent Masons		739	739
		739	739
Total	1,907	4,444	6,351

A&M pre-administration fees

The pre-administration fees relate to the time costs incurred by us and our staff as Administrators in waiting. These include (but are not limited to) the following:

- negotiations with Nimbus / the Purchaser and the management of the Company;
- liaising with the major stakeholders, including the Lenders;
- seeking legal and valuation advice on the sale of business and administration appointment;
- preparing day one communications to key stakeholders;
- planning and preparing for the administration;
- drafting of the SIP16 statement;
- drafting of the administrators' proposals (this document); and
- dealing with the appointment formalities of placing the Company into administration.

Our pre-administration fees incurred as at the date of the appointment are calculated on a time cost basis.

The pre-administration costs that have been paid, were paid by the Group.

Legal Fees – Pinsents

The legal fees incurred by Pinsents to assist with the sales process, provide advice on and prepare the SPA and arrange the necessary appointment formalities. Pinsents was selected as it is a well-known and reputable law firm that is experienced in work of this nature. The legal fees detailed above have been charged on a time cost basis.

The payment of unpaid pre-administration costs as an expense of the administration is subject to the same approval as our remuneration, as outlined above. It is not part of our proposals.

Appendix 1 – Statutory information

Company information

Company and trading name	Customade Group Midco Limited
Date of incorporation	21 June 2016
Company registration number	10242377
Trading address	Oldend Hall, Oldends Lane, Stonehouse, England, GL10 3RQ
Previous registered office (if any)	Not applicable
Present registered office	Oldend Hall, Oldends Lane, Stonehouse, England, GL10 3RQ
Company Directors	Lance Dominic Gillett David Brian Leng David Alan Moore Neil Andrew McGill John Michael Naylor-Leyland Andrew David Steel John Lightowlers (resigned 03/05/2018) Shares held: None
Company Secretary	Dawn Rogers Shares held: None

Administration information

Delivery date of proposals	9 July 2020
Administration appointment	The administration appointment granted in the High Court of Justice, Business and property Courts of England and Wales in Leeds Insolvency & Companies List (ChD) CR-2020-LDS-000558
Appointor	Midcap Financial (Ireland) Limited – qualifying floating charge holder
Date of appointment	29 June 2020
Joint Administrators	Rob Croxen, Lyn Vardy and Mark Firmin
Purpose of the administration	It was not possible to rescue the Group in accordance with the statutory purpose described in Paragraph 3(1)(a) as no acceptable offers were received for the Group (nor any of the individual entities in the Group) and the Group could not secure funding to meet its short term requirements and avoid the threat of creditor action. We therefore intend to pursue statutory purpose 3(1)(b), achieving a better result for each of the Company's creditors as a whole than would be likely if that company were wound up.
Functions	The functions of the Joint Administrators are being exercised by them individually or together in accordance with Paragraph 100(2)
Current administration expiry date	28 June 2021
Prescribed Part	The Prescribed Part is applicable on this case. It has been taken into account when

Estimated values of the Net
Property and Prescribed Part
Prescribed Part distribution

determining the dividend prospects for
unsecured creditors (Section 5)

Estimated Net Property is £22,416

Estimated Prescribed Part is £4,483.

We do not intend to apply to Court to obtain
an Order that the Prescribed Part shall not
apply.

Accordingly, we intend to make a
distribution to the unsecured creditors

However, if the circumstances of the
administration change, we may apply to the
Court to obtain an order that the Prescribed
Part shall not apply on the grounds that the
cost of making a distribution to the
unsecured creditors would be
disproportionate to the benefits.

Application of EC Regulation

EC Regulation applies and these
proceedings will be the Main Proceedings
as defined in Article 3 of the EC Regulation.

Appendix 2 – Receipts and payments account

Customade Group Midco Limited (In Administration) Joint Administrators' Summary of Receipts & Payments

Statement of Affairs £	From 29/06/2020 To 01/07/2020 £	From 29/06/2020 To 01/07/2020 £
ASSET REALISATIONS		
Book Debts	67,416.00	67,416.00
	67,416.00	67,416.00
FLOATING CHARGE CREDITORS		
Assumption of Debt	67,416.00	67,416.00
	(67,416.00)	(67,416.00)
	NIL	NIL
REPRESENTED BY		NIL

Notes:

1. No funds are currently held
2. Future funds will be held on interest bearing accounts

Appendix 3 – Fees estimate

As stated above, we are seeking to be remunerated on a time cost basis.

Details of our firm's hourly charge-out rates are set out in our charging and disbursement policy at Appendix 5.

Prior to creditors determining the basis upon which we are to be remunerated, we are obliged to produce a fees estimate and to provide it to each creditor of whose details we are aware, so that the estimate can be approved at the same time as the basis of our remuneration.

Our fees estimate for the administration is therefore set out below. Please note that blended hourly rates have been used which take account of the various levels of staff that are likely to undertake each area of work. These can be seen in the average hourly rate column.

Fee estimate category	Hours	Time cost (£)	Average hourly rate
Engagement Acceptance & Engagement Control	31.5	12,212.50	387.70
Pre-appointment, Appointment and Risk	14.0	5,610.00	400.71
Reports, Decision Making, Remuneration & Time Costs	12.5	5,617.50	449.40
Correspondance & Statutory Filing	21.0	5,590.00	266.19
Investigations	9.5	3,772.50	397.11
Sale of business	7.0	4,015.00	573.57
Asset Realisations	7.0	3,975.00	567.86
Costs of Realisation	0.5	317.50	635.00
Tax	8.9	3,138.50	352.64
Cashiering	9.0	2,455.75	274.39
Claims and Distributions	2.0	810.00	405.00
Exit Routes and Closure	3.0	1,355.00	451.67
Total	125.9	48,869.25	388.31

Note: The above figures exclude VAT (where applicable)

Narrative description of work proposed to be undertaken

It is anticipated that the work set out in the table on the following pages will be carried out by us and our staff during the administration. Please note that this includes the work which has been carried out to date.

Fees estimate narrative

Type of work	Narrative description of work	Why was/is this work necessary?	What, if any, financial benefit will the work provide to creditors?
Engagement control	<ul style="list-style-type: none"> - Formulating, monitoring and reviewing the administration strategy - Briefing our staff on the administration strategy and matters in relation to various work-streams - Regular case management and reviewing of process, including regular team update meetings and calls - Meeting with management to review and update strategy and monitor progress - Reviewing and authorising junior staff correspondence and other work - Dealing with queries arising during the appointment - Reviewing matters affecting the outcome of the administration - Allocating and managing staff/case resourcing and budgeting exercises and reviews - Liaising with legal advisers regarding the various instructions, including agreeing content of engagement letters - Complying with internal filing and information recording practices, including documenting strategy decisions 	To ensure appropriate oversight, decision making and overall control of the administration. This will ensure the case is progressed efficiently, maximising realisations and minimising costs.	No direct financial benefit
Appointment & risk	<ul style="list-style-type: none"> - Collating initial information to enable us to carry out our statutory duties, including creditor information and details of assets - Obtaining confirmation of validity of appointment - Arranging bonding and complying with statutory requirements - Liaising with Health and Safety specialists - Liaising with the post-appointment insurance brokers to provide information, assess risks and ensure appropriate cover in place - Assessing the level of insurance premiums 	To comply with statutory requirements.	No financial benefit.

Reports, decision making & remuneration	<ul style="list-style-type: none"> - Preparing statutory receipts and payments accounts - Drafting and publishing our proposals and progress reports - Obtaining approval of our proposals - Obtaining approval from secured creditors to a 12-month extension of the administration (if required) - Ensuring compliance with all statutory obligations within the relevant timescales - Preparing for the creditors' decision relating to the approval of the basis of the administrator's fees, expenses, discharge from liability and any extension to the period of the administration. - Reviewing time costs to date and producing analysis of time incurred which is compliant with SIP 9 - Preparing and reviewing the fees estimate - Preparing and reviewing the expenses estimate - Seeking approval of the basis of remuneration from the secured creditors 	To comply with statutory requirements and ensure that creditors are advised of the progress of the administration.	None
Correspondence & statutory filing	<ul style="list-style-type: none"> - Uploading information to the Creditors' Portal - Providing initial statutory notifications of our appointment to the Registrar of Companies, creditors and other stakeholders and advertising our appointment - Providing written and oral updates to representatives of the Lenders regarding the progress of the administration and case strategy - Dealing with creditor queries - Dealing with the formation of a creditors' committee (if necessary) - Providing notifications regarding ongoing statutory requirements 	To comply with statutory requirements and ensure creditors are advised of the progress of the administration	None

Investigations	<ul style="list-style-type: none"> - Locating relevant Company books and records, arranging for their collection, review and ongoing storage - Reviewing Company and Directorship searches and advising the directors of the effect of the administration - Liaising with management to produce the Statement of Affairs and filing it with the Registrar of Companies - Arranging for the redirection of the Company's mail - Reviewing the questionnaire submitted by the Directors of the Company - Reviewing pre-appointment transactions - Drafting the statutory report and submitting to the relevant authority - Review the validity and value attached to the secured creditors security 	To comply with statutory requirements and to pursue any potential asset recoveries for the estate.	Maximising asset realisations and minimising potential liabilities may increase the dividend prospects for creditors
Sale of business	<ul style="list-style-type: none"> - Finalising the pre-packaged sale of certain business and assets immediately on appointment - Dealing with post sale requirements under the terms of the SPA including completion and the LTO - Preparing the SIP 16 statement 	<p>To realise the value of the Company's business and assets.</p> <p>To facilitate any requirement under the terms of the SPA</p>	Maximising asset realisations and minimising potential liabilities may increase the dividend prospects for creditors

Asset realisations	<ul style="list-style-type: none"> - Collating information from the Company's records regarding assets - Reviewing the inter-company debtor position between the Company and other group companies 	To identify, secure and realise the value of the Company's assets	Maximising asset realisations and minimising potential liabilities may increase the dividend prospects for creditors
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Costs of realisation	<ul style="list-style-type: none"> - Liaising with third parties regarding costs incurred - Reviewing costs incurred to ensure recorded accurately - Arranging payment of the costs in a timely manner as and when funds allow 	To settle costs of third parties who have facilitated the realisation of the Company's assets and mitigation of the administration costs/liabilities	Minimising the costs/liabilities of the administration may increase the dividend prospects for creditors
Tax	<ul style="list-style-type: none"> - Gathering initial information from the Company's records in relation to the taxation position of the Company; - Submitting relevant initial notifications to HM Revenue and Customs ("HMRC") - Reviewing the Company's pre-appointment corporation tax and VAT position - Analysing and considering the tax effects of various sale options, tax planning for efficient use of tax assets and to maximise realisations - Working on tax returns relating to the periods affected by the administration - Analysing VAT related transactions - Reviewing the Company's duty position to ensure compliance with duty requirements - Dealing with post appointment tax compliance 	To comply with statutory requirements and ensure mitigation of the tax liabilities/expenses of the administration	Minimising the costs/liabilities of the administration may increase the dividend prospects for creditors.
Cashiering	<ul style="list-style-type: none"> - Setting up administration bank accounts - Preparing and processing vouchers for the payment of post-appointment invoices - Creating remittances and sending payments to settle post-appointment invoices - Preparing payroll payments, dealing with salary related queries and confirming payments with the employees' banks whilst the Purchasers bank accounts are opened - Reviewing and processing employee expense requests whilst the Purchasers bank accounts are opened - Reconciling post-appointment bank accounts to internal systems - Ensuring compliance with appropriate risk management procedures in respect of receipts and payments 	To effectively manage funds, receive asset realisations and discharge the costs of the administration	Receipt of bank interest maximises asset realisations which may increase the dividend prospects for creditors

Claims & distributions	<ul style="list-style-type: none"> - Reviewing and updating the list of unsecured creditors - Reviewing completed forms submitted by creditors, recording claim amounts and maintaining claim records - Responding to creditors regarding queries about the administration and their claims - Agreeing unsecured creditor claims 	<p>To comply with statutory requirements.</p> <p>To ensure that creditors are informed of the progress of the administration</p> <p>To advise creditors of the progress of their claims</p>	<p>Ensuring creditor records are kept up to date, claims are agreed at the correct value and funds are distributed accurately to the relevant creditors (where appropriate)</p>
Exit routes & closure	<ul style="list-style-type: none"> - Dealing with all closure related formalities 	To comply with statutory requirements	None

Appendix 4 – Expenses estimate

Expenses estimate.

Prior to obtaining approval for the basis upon which we are to be remunerated, we are obliged to produce an expenses estimate and provide it to each creditor of whose details we are aware.

Expenses estimate			
Category	Incurred to date £	Estimated future costs (£)	Total estimated costs (£)
Solicitor's fees & disbursements - Pinsents	-	5,000	5,000
Storage costs	-	100	100
Re-direction of mail	-	253	253
Statutory advertising	-	105	105
Bordereau	-	200	200
Total	-	5,658	5,658

Narrative descriptions of expenses anticipated to be incurred

Narrative descriptions of the expenses which are anticipated to be incurred during the administration and which are significant or otherwise material in the context of the case, are provided below.

Expenses estimate narrative

Type of expense	Narrative description of expense	Why was/is this work necessary?	What, if any, financial benefit will the work provide to creditors?
Solicitors' fees - Pinsents	<ul style="list-style-type: none"> - General insolvency / Legal advice - Review the validity of our appointment 	<p>To facilitate the sale of the business and provide general legal advice</p> <p>To ensure that the Joint Administrators are legally compliant throughout the administration</p> <p>To ensure that the Joint Administrators have been validly appointed</p>	<p>Minimise potential for claims against the Company</p> <p>Minimise potential claims against the Joint Administrators</p>
Storage costs	<ul style="list-style-type: none"> - Storage of Company books and records 	To store records in accordance with statute	None
Re-direction of mail	<ul style="list-style-type: none"> - Redirection of mail from Company registered office 	To redirect Company mail following vacation of the property	None anticipated however information obtained may assist with the Joint Administrators' investigations, and ultimately recoveries for the estate.
Statutory advertising	<ul style="list-style-type: none"> - Advertising statutory notifications 	To comply with statute	None
Bordereau	<ul style="list-style-type: none"> - Insolvency Practitioner Insurance Bond 	To comply with statute	None anticipated however there may be a benefit to the estate in circumstances where a claim is made.

Appendix 5 – Charging and disbursement policy

Joint Administrators' charging policy

The time charged to the administration is by reference to the time properly given by us and our staff in attending to matters arising in the administration. This includes work undertaken in respect of tax and VAT from A&M in-house specialists.

Our policy is to delegate tasks in the administration to appropriate members of staff considering their level of experience and requisite specialist knowledge, supervised accordingly, so as to maximise the cost effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by senior staff or us.

A copy of "A Creditor's Guide to Joint Administrators' Fees" from Statement of Insolvency Practice 9 ("SIP 9") produced by the Association of Business Recovery Professionals is available via the Portal.

If you are unable to access this guide and would like a copy, please contact Kellie Bell at kbell@alvarezandmarsal.com.

Hourly rates

Set out below are the relevant hourly charge-out rates for the grades of our staff actually or likely to be involved on this administration. Time is charged by reference to actual work carried out on the administration, using a minimum time unit of six minutes.

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

Charge-out rates (£) for: Restructuring

Grade	From 29 June 2020
Managing Director	675
Senior Director	635
Director	595
Associate Director	535
Senior Associate	455
Associate	335
Analyst	225
Support	165

Policy for the recovery of disbursements

Where funds permit the officeholders will seek to recover both Category 1 and Category 2 disbursements from the estate. For the avoidance of doubt, such expenses are defined within SIP 9 as follows:

Category 1 disbursements: These are costs where there is specific expenditure directly referable to both the appointment in question and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the officeholder or his or her staff.

Category 2 disbursements: These are costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage.

Category 2 disbursements charged by A&M Restructuring include mileage at a rate of 45p per mile. When carrying an A&M passenger, no additional cost per passenger will be charged.

We have not incurred any disbursements during the period since the date of our appointment.

We have the authority to pay Category 1 disbursements without the need for any prior approval from the creditors of the Company.

Category 2 disbursements are to be approved in the same manner as our remuneration.

Appendix 6 – Estimated financial position

The Directors are due to provide a Statement of the Affairs of the Company by 23rd July 2020.

Once received the Statement of Affairs will be filed with the Registrar of Companies. Please note that disclosure of the Statement of Affairs may be restricted with the Court's permission if it is considered that disclosure would be adverse to the interested of the creditors.

As a Statement of Affairs has not yet been provided, details of the estimated financial position of the Company at the latest practicable date, are provided below. Book values in the table below are taken from the 30 April 2020 unaudited management accounts.

A schedule of the known creditors' names, addresses, debts and details of any security held is available on the Creditors' Portal and at Appendix 7. Creditors should be aware that as the Company may not have completed updating its ledgers as at the date of appointment, the balances stated may be revised.

The information provided has been extracted from the Company's books and records and we have not carried out anything in the way of an audit on the information. The figures do not take into account the costs of the administration.

The actual level of asset recoveries and claims against the Company might differ materially from the amounts included in the financial information above.

Estimated Financial Position as at 29 June 2020

	Notes	Book Value £	Estimated to realise £
Floating Charge Assets			
Other debtors	1	21,923,904	67,416
Cash at Bank	2	6	-
Taxation	3	555,915	-
Total		21,923,910	67,416
Secured Creditors	4		Uncertain
Preferential Creditors	5		Nil
Unsecured creditors	6		Uncertain

Notes to the estimated financial position:

Notes on specific asset classes:

1. Other debtors were sold as part of the transaction and no further realisations are anticipated.
2. All cash balances were swept by the Lenders prior to our appointment.
3. We are currently investigating the nature of this tax receivable to determine if further realisations are possible.
4. As part of our work we will be seeking to understand the quantum of both the secured creditor claims directly against the Company and those arising by virtue of any guarantees the Company has given in respect of other group companies.
5. The Company did not have any employees at the date of our appointment and accordingly no preferential claims are anticipated.
6. The Company has provide the schedule of unsecured creditors found in Appendix 7. Creditors are reminded that the Company may not have completed updating its ledgers as at the date of appointment and therefore the balances stated may be revised. We are awaiting the statement of affairs which should provide us with an updated position.

Appendix 7 – Creditors schedule

Alvarez & Marsal Europe LLP
Customade Group Midco Limited
Company Registered Number: 10242377
C - Shareholders

Key	Name	Address	Type	Nominal Value	No. Of Shares	Called Up per share	Total Amt. Called Up
HC0000	Customade Group Topco Limited	Oldend Hall, Oldends Lane, Stonehouse, GL10 3RQ	Ordinary	0.01	1	1.00	1.00
1 Ordinary Entries Totalling					1		

Alvarez & Marsal Europe LLP
Customade Group Midco Limited in administration

B - Company Creditors

NAME	Address					£
Customade Group Holdco Limited in administration	Oldend Hall, Oldends Road	Stonehouse	Gloucestershire		GL10 3RQ	Uncertain
Customade Group Trading Limited in administration	Oldend Hall, Oldends Road	Stonehouse	Gloucestershire		GL10 3RQ	Uncertain
Fineline Aluminium Limited in administration	Oldend Hall, Oldends Road	Stonehouse	Gloucestershire		GL10 3RQ	Uncertain
Polyframe Doors Limited in administration	Mile Thom Works	Gibbet Street	Halifax	West Yorkshire	HX1 4JR	Uncertain
Polyframe Norwich Limited in administration	Mile Thom Works	Gibbet Street	Halifax	West Yorkshire	HX1 4JR	Uncertain
Stevenswood Topco Limited in administration	3rd Floor	22 Cross Keys Close	London		W1U2DW	Uncertain
Stevenswood Trade Centres Limited in administration	3rd Floor	22 Cross Keys Close	London		W1U2DW	Uncertain

7 Entries totalling Uncertain

Preferential Creditors

None

0 Entries totalling

Alvarez & Marsal Europe LLP
Customade Group Midco Limited
Company Registered Number: 10242377
Secured creditors

Name	Address	Amount
Cairngorm Capital Partners LLP (in its Capacity as Security Trustee)	22 Cross Keys Close, London, W1U 2DW	Uncertain
Cairngorm Capital Partners 1, L.P	1st and 2nd Floors, Elizabeth House, Les Ruelles Brayes, St Peter Port, Guernsey, GY1 1EW	Uncertain
John Lightowers (in his capacity as Security Trustee)	3 Ribston Mews, Stroud Road, Gloucester, Gloucestershire, GL1 5EU	Uncertain
Midcap Financial (Ireland) Limited	118 Lower Baggot Street, Dublin 2	Uncertain
Midcap Financial (Ireland) Limited as Security Trustee	118 Lower Baggot Street, Dublin 2	Uncertain
John Lightowers	3 Ribston Mews, Stroud Road, Gloucester, Gloucestershire, GL1 5EU	Uncertain
Polyframe Holdings Limited (<i>dissolved</i>)	Moorend House, Snelsins Road, Cleckheaton, West Yorkshire, BD19 3UE	Uncertain
Cairngorm Capital Partners LLP	22 Cross Keys Close, London, W1U 2DW	Uncertain

Appendix 8 - SIP 16 statement

CUSTOMADE GROUP – comprising Customade Group Holdco Limited, Customade Midco Limited, Stevenswood Topco Limited, Customade Group Trading Limited, Fineline Aluminium Limited, Polyframe Doors Limited, Polyframe Norwich Limited and Stevenswood Trade Centres Limited – all in administration

SIP 16 Statement of sale of business

6 July 2020

1 Introduction

We have made this statement, as Joint Administrators, in order to comply with our responsibilities under Statement of Insolvency Practice ("SIP 16").

The Statements of Insolvency Practice are a series of guidance notes issued to licenced insolvency practitioners with a view to maintaining standards by setting out required practice and harmonising practitioners' approach to particular aspects of insolvency.

SIP 16 covers arrangements where the sale of all or part of a company's business and assets is negotiated with a purchaser prior to the appointment of an administrator, who then affects the sale immediately or shortly after, their appointment.

SIP 16 guidance note is available on the Portal and can also be accessed via this link to the R3 website:

<https://www.r3.org.uk/technical-library/england-wales/sips/more/29131/page/1/sip-16-pre-packaged-sales-in-administrations/>

2 Pre-packaged sale of the business and assets of the Group

On 29 June 2020, Rob Croxen, Mark Firmin and Lyn Vardy were appointed as the Joint Administrators ("we"/"our") of the Customade Group ("the Group") which comprises Customade Group Holdco Limited ("CGHL"), Customade Midco Ltd ("CML"), Stevenswood Topco Limited ("STL"), Customade Group Trading Ltd ("CGTL"), Fineline Aluminium Limited ("FAL"), Polyframe Doors Limited ("PDL"), Polyframe Norwich Ltd ("PNL") and Stevenswood Trade Centres Ltd ("STCL"). Immediately following our appointment, a sale of certain business and assets of the Group was completed to Hamsard 3558 Limited, Hamsard 3559 Limited, Hamsard 3560 Limited, Hamsard 3561 Limited, Hamsard 3562 Limited and Hamsard 3567 Limited (together "the Purchaser") through the assumption of £22.8 million of existing debt facilities.

In accordance with Statement of Insolvency Practice 16, a detailed explanation of the transaction is set out below.

3 Initial Introduction

Alvarez and Marsal Europe LLP ("A&M") was initially introduced to the Group on 10 January 2020 by its senior debt providers MidCap Financial (Ireland) Limited ("Midcap") Clydesdale Bank ("CYB") (together the "Lenders").

4 Pre-appointment considerations

The Group provides a full service offering in the fenestration sector and was created via a number of acquisitions in this industry from 2016, funded by: the Private Equity company, Cairngorm Capital LLP ("Cairngorm"); senior bank debt from CYB and Midcap; and, loan notes with various parties including Cairngorm, the previous owners and management.

Whilst the Group has been profitable at an EBITDA level, from December 2019 it has not generated enough cash flow to service its debt and meet its obligations to stakeholders.

Prior A&M Involvement

At the start of 2020, a new funding request was made to Cairngorm and the Lenders. A&M was engaged on 13 January 2020 by the Group and the Lenders to perform an independent business review ("IBR") of the Group's short term cash flow forecast, a review of the 2020 budget and provide the Lenders with a summary of their options.

During the course of the IBR, the Group suffered a ransomware attack in the second week of January 2020 impacting IT systems, accounting and operations. The attack disabled all of the Group's manufacturing sites and removed the Group's ability to take orders from customers. All of the Group's factories were closed for a period of 1-2 weeks.

At the same time on 19 January 2020, the Group sought a time-to-pay arrangement with HMRC.

Following the ransomware attack, the Group revisited its 2020 forecasts to both reflect the impact of the ransomware attack and prepare a more robust working capital forecast to determine its funding requirements over the remainder of 2020. In parallel, the Group considered its strategic options for all areas of its business.

Following this strategic review, the Group decided to sell its loss making business in Halifax and started to progress a solvent sale to an external third party (this sale has since fallen away following the Covid-19 lockdown). It also decided to close a small site at Wymondham in April 2020 and consolidate the business from this site back into the main Stonehouse location. This was completed in June 2020.

A&M was engaged on 28 January 2020 by the Group and the Lenders to review the output from the strategic review conducted by the Group and Cairngorm, and consider contingency planning in the event of an insolvency process.

As part of the reforecasting process, an immediate funding requirement was identified to meet short term liabilities falling due and to allow the Group to complete its strategic review process.

At the start of February 2020, Cairngorm and the Lenders were approached by the Group to provide additional equity or debt funding to meet the immediate funding requirement. Cairngorm was not able to provide direct funding, however, it did offer to purchase the PDL business from the Group for £20m. This offer would provide an advance payment of £2m to address the immediate funding need and was subject to a 6 weeks due diligence process. At the same time, Midcap offered to provide additional temporary funding of £2m (£1.3m in late February 2020 and £0.7m in early March 2020) to allow for the completion of the strategic review and 2020 reforecast.

The Group accepted the temporary funding from MidCap, together with an extension to the facilities, which were due to expire at the end of March 2020, rather than commit to a sale of PDL given the uncertainties around the transaction and whether the remainder of the Group would be viable without PDL.

Throughout this period, A&M provided restructuring advice to the Group and its Lenders. The Group Board also took independent legal advice.

Following receipt of the additional funding, Midcap and Cairngorm engaged in a process to agree a solvent debt restructure of the Group. However, in late March 2020 the Government announced its lockdown measures following the impact of Covid-19. As a non-critical sector, the Group quickly shut the operational business and furloughed the majority of its employees.

The Group immediately prepared a re-forecast to take account a period of Covid-19 lockdown and its impact on trading and cash flow. This showed a further increase in the funding

requirement to trade through on a solvent basis due to the additional losses that would be incurred during the lockdown period and the working capital cost of restarting the business post Covid-19 lockdown.

A number of assistance schemes were brought into place as part of the UK Government's reaction to Covid-19. The Group took advantage of the Coronavirus Job Retention Scheme ("CJRS") furlough scheme as well as HMRC time-to-pay forbearance. Whilst these helped to mitigate cashflow pressures, other costs such as rent, utilities and non-furloughed employees continued to accrue.

As part of the strategic review and contingency planning, the Group engaged A&M to start preparations for, but not commence, an accelerated mergers & acquisition process ("AMA") on 2 March 2020.

On 20 March 2020 the Group instructed A&M to prepare a contingency plan setting out the insolvency options for the Group should a solvent solution not be achievable.

As part of this analysis, the following options were considered:

- **Do nothing:** This was not deemed viable as, despite utilising the CJRS, the Group forecast it had insufficient cash to meet liabilities falling due beyond June 2020. Indeed, the Group had significant creditor pressure and filed a notice of intention to appoint joint administrators ("NOI") on 11 June 2020 to protect it from creditor action.
- **Raise additional finance:** Various potential sources of additional financing (including asset based lending ("ABL")) were considered, but none were deemed viable given the financial and security position of the Group and the limited time available to secure such funding, especially given the uncertainty regarding the duration and long-term impact of Covid-19 restrictions on the business. Midcap provided an additional £2m (£1.3m in late February 2020 and £0.7m in early March 2020). Cairngorm declined to provide any further funding into the Group.

Further, due to the performance and liquidity position of the business pre-Covid-19, the directors of the Group considered the Group would not meet the lending criteria under the UK Government's Coronavirus Business Interruption Loan Scheme ("CBILS").

The work A&M have done supports the fact that the Group does not have the assets or available cash to support any increased debt capacity. As part of the AMA process a number of special situation debt funds were targeted, who declined the opportunity.

- **Trading administration:** The restart of the business post Covid-19 lockdown had significant working capital requirements and uncertainty on sales and profitability. Key suppliers had considerable arrears and had limited their supply to proforma terms on this basis in many cases. The Group is also dependent on offering warranties on its products, something that would not have been possible during administration. The funding requirement and risks associated with restarting the business made this option unviable.
- **Mothball the Group in administration:** The Directors effectively 'mothballed' the Group's operations in response to the Covid-19 lockdown, with the exception of key staff members. During May 2020 the business commenced a restart program, bringing staff back from furlough and opening production and sales facilities. An administrator could seek to re-mothball the Group for an additional period in order to explore further options available, however, during this period, the administrator would be liable for the ongoing costs (including

in relation to rent, utilities and employees) to the extent not subsidised by the Government under the Coronavirus Act 2020. Whilst it may be possible to negotiate reduced payments for some of these costs, it was unclear the extent to which any costs incurred could be recovered through any potential trading surplus once the business restarted. Further, uncertainty over the duration of any mothballing meant that it was not possible to estimate the funding required to facilitate this option, and it was considered highly challenging to obtain such funding. It was concluded that pursuing this strategy would bring significant risks and uncertainty and as a result it was deemed unviable.

- **Company Voluntary Arrangement ("CVA"):** It was considered that there was insufficient time to propose a CVA given the short-term liquidity requirement. In addition, there was no further funding available to cover the costs of preparing a CVA proposal. Furthermore, it is unlikely that a CVA would have been able to deliver the balance sheet restructuring required.
- **Wind down:** Both a liquidation of the Group and a wind down in administration were considered as options to effectively wind up the Group's operations. However, they were deemed to be the most value destructive options and therefore not pursued. The assets of the businesses were valued on a desktop basis by professional valuation agents, Hilco Global Valuation Services ("Hilco"), and determined to have values below those achieved in the pre-pack administration sale. Currently, due to Covid-19, there are significant challenges in selling assets in situ. In addition, Hilco confirmed that it is unlikely any of the Group's leases would achieve a premium in the current market. This was attributed to a number of factors including the Group's existing rent arrears at a number of the sites, the legal costs associated with a lease assignment, and uncertainty around both the timing for fully reopening operations and the unfavourable trading conditions that may exist at this time. Further details of the valuation advice sought are provided in Section 7.

On 29 April 2020 the Group engaged A&M to commence the AMA process. The opportunity was marketed as either a solvent sale of the Group's shares or a sale of all or part of the Group's business and assets.

The Group engaged A&M to begin insolvency planning on 10 May 2020 to prepare the Group for a potential insolvency, as it was recognised at this stage of the AMA process that, in the absence of a viable offer for the Group on a solvent basis, a pre-packaged sale through an administration may provide a basis for delivering a transaction and the best outcome for creditors. On or around 1 June 2020, following receipt of final offers in the AMA process, it became clear that a transaction could only be completed through an administration.

On 29 June 2020 the AMA process was concluded and the Companies were placed into administration. The transaction was executed with the following purchasing entities:

- Hamsard 3558 Limited
- Hamsard 3559 Limited
- Hamsard 3560 Limited
- Hamsard 3561 Limited
- Hamsard 3562 Limited
- Hamsard 3567 Limited

These newly formed entities are 100% subsidiaries of Hamsard 3557 Limited ("Holdco"). Holdco is ultimately owned by Nimbus Investments CXLII B.V., a Private Equity firm based in Netherlands ("Nimbus"). Further details of how the process was conducted and all offers received for the business and assets are included in section 6 of this statement.

5 Registered Charges

The Group had the following registered charges as at the date of appointment.

CGHL:

Date of creation of charge	Date of registration of charge	Details of charge	Name of charge holder
28/02/2019	14/03/2019	Fixed and floating charge	Cairngorm Capital Partners LLP
28/02/2019	14/03/2019	Fixed and floating charge	Cairngorm Capital Partners I, L.P.
28/02/2019	09/03/2019	Floating charge	John Lightowlers
28/02/2019	07/03/2019	Fixed and floating charge	Midcap Financial (Ireland) Limited
24/04/2018	09/05/2018	Fixed and floating charge	Midcap Financial (Ireland) Limited

CML:

Date of creation of charge	Date of registration of charge	Details of charge	Name of charge holder
28/02/2019	14/03/2019	Fixed and floating charge	Cairngorm Capital Partners LLP
28/02/2019	14/03/2019	Fixed and floating charge	Cairngorm Capital Partners I, L.P.
28/02/2019	09/03/2019	Floating charge	John Lightowlers
28/02/2019	08/03/2019	Fixed and floating charge	Midcap Financial (Ireland) Limited
24/12/2018	27/12/2018	Fixed and floating charge	Cairngorm Capital Partners I, L.P.
15/02/2017	22/02/2017	Fixed and floating charge	Midcap Financial (Ireland) Limited
15/02/2017	16/02/2017	Fixed and floating charge	John Lightowlers
07/07/2016	09/07/2016	Fixed and floating charge	Polyframe Holdings Limited

07/07/2016	08/07/2016	Fixed and floating charge	Cairngorm Capital Partners LLP
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STL:

Date of creation of charge	Date of registration of charge	Details of charge	Name of charge holder
28/02/2019	14/03/2019	Fixed and floating charge	Cairngorm Capital Partners I, L.P.
28/02/2019	14/03/2019	Fixed and floating charge	Cairngorm Capital Partners I, L.P.
28/02/2019	08/03/2019	Fixed and floating charge	Midcap Financial (Ireland) Limited
24/12/2018	27/12/2018	Fixed and floating charge	Cairngorm Capital Partners I, L.P.
24/04/2018	09/05/2018	Fixed and floating charge	Midcap Financial (Ireland) Limited
24/04/2018	30/04/2018	Fixed and floating charge	Cairngorm Capital Partners I, L.P.
24/04/2018	30/04/2018	Fixed and floating charge	Joseph Trueman

CGTL:

Date of creation of charge	Date of registration of charge	Details of charge	Name of charge holder
28/02/2019	14/03/2019	Fixed and floating charge	Cairngorm Capital Partners I, L.P.
28/02/2019	14/03/2019	Fixed and floating charge	Cairngorm Capital Partners I, L.P.
28/02/2019	09/03/2019	Floating charge	John Lightowlers
28/02/2019	08/03/2019	Fixed and floating charge.	Midcap Financial (Ireland) Limited
24/12/2018	27/12/2018	Fixed and floating charge	Cairngorm Capital Partners I, L.P.
24/04/2018	09/05/2018	Fixed and floating charge	Midcap Financial (Ireland) Limited

15/02/2017	22/02/2017	Fixed and floating charge	Midcap Financial (Ireland) Limited
15/02/2017	17/02/2017	Fixed and floating charge	John Lightowlers
07/07/2016	09/07/2016	Fixed and floating charge	Polyframe Holdings Limited
07/07/2016	08/07/2016	Fixed and floating charge	Cairngorm Capital Partners LLP

FAL:

Date of creation of charge	Date of registration of charge	Details of charge	Name of charge holder
28/02/2019	14/03/2019	Fixed and floating charge	Cairngorm Capital Partners LLP
28/02/2019	14/03/2019	Fixed and floating charge	Cairngorm Capital Partners I, L.P.
28/02/2019	09/03/2019	Floating charge	John Lightowlers
28/02/2019	07/03/2019	Fixed and floating charge	Midcap Financial (Ireland) Limited
24/12/2018	27/12/2018	Fixed and floating charge	Cairngorm Capital Partners I, L.P.
15/02/2017	22/02/2017	Fixed and floating charge	Midcap Financial (Ireland) Limited
15/02/2017	16/02/2017	Fixed and floating charge	John Lightowlers
15/02/2017	15/02/2017	Fixed and floating charge	Cairngorm Capital Partners LLP

PDL:

Date of creation of charge	Date of registration of charge	Details of charge	Name of charge holder
28/02/2019	07/03/2019	Fixed and floating charge	Midcap Financial (Ireland) Limited
15/02/2017	22/02/2017	Fixed and floating charge	Midcap Financial (Ireland) Limited

PNL:

Date of creation of charge	Date of registration of charge	Details of charge	Name of charge holder
28/02/2019	14/03/2019	Fixed and floating charge	Cairngorm Capital Partners I, L.P.
28/02/2019	14/03/2019	Fixed and floating charge	Cairngorm Capital Partners LLP
28/02/2019	09/03/2019	Floating charge	John Lightowlers
28/02/2019	07/03/2019	Fixed and floating charge	Midcap Financial (Ireland) Limited
24/12/2018	27/12/2018	Fixed and floating charge	Cairngorm Capital Partners I, L.P.
15/02/2017	22/02/2017	Fixed and floating charge	Midcap Financial (Ireland) Limited
15/02/2017	17/02/2017	Fixed and floating charge	John Lightowlers
07/07/2016	09/07/2016	Fixed and floating charge	Polyframe Holdings Limited
07/07/2016	08/07/2016	Fixed and floating charge	Cairngorm Capital Partners I, L.P.

STCL:

Date of creation of charge	Date of registration of charge	Details of charge	Name of charge holder
28/02/2019	14/03/2019	Fixed and floating charge	Cairngorm Capital Partners I, L.P.
28/02/2019	14/03/2019	Fixed and floating charge	Cairngorm Capital Partners I, L.P.
28/02/2019	08/03/2019	Fixed and floating charge	Midcap Financial (Ireland) Limited
24/12/2018	27/12/2018	Fixed and floating charge	Cairngorm Capital Partners I, L.P.
24/04/2018	09/05/2019	Fixed and floating charge	Midcap Financial (Ireland) Limited
24/04/2018	30/04/2018	Fixed and floating charge	Cairngorm Capital Partners I, L.P.

24/04/2018

30/04/2018

Fixed and floating
charge

Joseph Trueman

The Group's financing arrangements provide that Midcap acts as facility and security agent for the Lenders and as their agent, Midcap has been granted the power to act for and on behalf of the Lenders.

The Group has entered into several intercreditor agreements with its secured creditors, both the Lenders and noteholders. Under those agreements, secured creditors that are subordinated to the Lenders (the "Subordinated Creditors") have granted certain powers to Midcap, acting as agent, to regulate the basis upon which their subordinated liabilities and security, as applicable, shall be administered.

Given the inter-creditor arrangements, we have not required the engagement or approval from the Subordinated Creditors to complete the sale of the Group's business and assets by way of administration.

The directors had not provided any personal guarantees to finance providers of the business.

6 Marketing of the business and assets

Initial process timeline

Due to the immediate cashflow requirements of the business and pressure from its creditors, the Group had limited ability to restart the business post Covid-19. Therefore, if a sale of its business and assets could not have been achieved quickly, there was a high risk of potential erosion of value. In addition, the directors were mindful of their fiduciary duties and were taking independent legal advice.

Therefore it was necessary for the marketing exercise to be focussed on an expedited process over the course of approximately eight weeks. The process commenced on 29 April 2020.

Marketing Campaign

A&M worked with the Group to identify and contact an extensive list of possible interested parties through an independent sales process co-ordinated and overseen by A&M.

The extensive interested parties list, together with the sales process being broadcast in several high-profile trade articles during the marketing period, which generating further interest in the transaction from additional parties, negated the need to market the business on-line.

We believe that, given the limited time available and the real risk of value erosion, the marketing that was conducted was appropriate and as comprehensive as possible in the circumstances.

Interested parties shortlist

88 independent financial investors and trade parties were contacted, made up of 74 parties known to A&M and / or the Group, and 14 inbound approaches to A&M by parties that had seen press coverage regarding the process or received details via third parties. Cairngorm confirmed to the Group that they did not want to participate in the process at this time.

Of the total 88 parties contacted, 50 requested to enter into a non-disclosure agreement ("NDA") with the Group. 41 NDAs were signed and returned with those parties receiving a comprehensive information memorandum, process letter and access to a virtual dataroom.

Summary of initial offers

In our process letter, the deadline for submission of indicative offers was 12 noon on 13 May 2020.
A summary of the offers is set out below.

Solvent offers

Party	Details	Interest
Offer 1	<p>Offer: Pre Transaction convert all non-bank debt and accrued interest to equity. Acquire 100% of the Group for £1 on a solvent basis; 50% of bank debt and existing RCF (c£21m) is converted to shareholder equity representing a continued ownership share of 39.9% equity. Roll remaining 50% of bank debt (c£21m) will remain as senior debt;</p> <p>Funding Requirement: Lenders to provide additional facility of £12.1m</p>	Group

Group offers

Party	Details	Interest
Offer 2	<p>Offer: Acquire certain business and assets of the Group insolvently for £1 via pre-pack. Would expect the existing secured debt to be used to credit bid for the relevant business and assets; Assumption of c£15-20m of existing senior debt Provision of c20-30% equity to Midcap in restructured group.</p> <p>Funding Requirement: Purchaser would provide c£2-3m of cash into restructured Group behind assumed debt. Lenders agree to inject additional funds (c£2-3m) into the restructured Group at closing such that the total amount contributed by both parties is sufficient to cover the cash requirements necessary to deliver Project Restart (pari pasu).</p>	Group
Offer 3	<p>Offer: Acquire certain business and assets of the Group insolvently for £1 via pre-pack; Assumption of c£17.5m of existing senior debt to be fully subordinated to the new money provided by Purchaser. Provision of 5% equity to Midcap in restructured group</p> <p>Funding Requirement: Purchaser would provide c£8m No additional Lender funding requirement</p>	Group

Offer 4	Offer: Acquire certain business and assets of the Group insolvently for £1 via pre-pack. Assumption of c£24m of existing senior debt Provision of minority equity (percentage to be confirmed) for Midcap in restructured group. Funding Requirement: Purchaser to provide £6-7m funding as "preferred equity" (No Coupon or redemption premium). No additional Lender funding requirement	Group
Offer 5	Offer: Acquire certain business and assets of the Group insolvently for £1 via pre-pack. Assumption of c£42m of existing senior debt Provision of 10% warranty to Midcap in new restructure group. Funding Requirement: Purchaser would not provide an additional funding Lenders to provide additional £5m	Group
Offer 6	Outlined their interest in a written expression of interest with further details to be provided in due course.	Group

Individual offers

Party	Details	Interest
Offer 7	Offer: £12.5m cash for 100% of the shares of PDL only Other: Require exclusivity until 12th June 2020	PDL
Offer 8	Offer: £10m cash for all the business and assets of PDL only	PDL
Offer 9	Offer: Acquire 100% of the issue share capital of PDL for a consideration of £1 payable on completion. Propose to work with Lender to agree an appropriate debt/equity instrument which sees a portion of the Group indebtedness to the Company.	PDL
Offer 10	Offer: Business and assets (free from charges/lien) of certain CGTL divisions and STCL for £1.25m to £2m respectively Phase 2 would still consider acquiring certain other business and assets of CGTL and PDL.	STCL and certain CGTL divisions
Offer 11	Offer: £1 for business and assets of Halifax division of CGTL	Halifax

Stage 2 process

Following the receipt of the indicative offers above it was clear that any of the Group offers would be dependent upon continued support from the Lenders through either future provision of existing

debt facilities or the provision of new additional facilities. For any Group offers to therefore be viable, support of the Lenders was required.

The Group considered both the Group and the individual entity offers with the Lenders.

Whilst a number of offers had been received for various parts of the Group, the best return for creditors was to be achieved by completing a Group wide transaction.

The Group and the Lenders decided that Offers 2, 4, 5 and 6 would be taken through into the second stage of the process.

During the second stage of the process the potential investors were given access to Management and provided with additional financial forecasts that had been developed by Management to forecast the impact of re-starting the business post Covid-19.

At the end of Stage 2 on 29 May 2020 we received the following updated offers.

Party	Details	Interest
Offer 6	Offer: Acquire certain business and assets of the Group insolvently for £1 via pre-pack; Assumption of £13m of existing senior debt. Repayment of £5m of existing senior debt. Provision of 10% equity to Midcap in restructured group Funding Requirement: Purchaser would provide funding to enable £5m of existing debt repayment. Lenders to provide additional £10m facility.	Group
Offer 4	Offer: Acquire certain business and assets of the Group insolvently for £1 via pre-pack. Assumption of c£22.5m of existing senior debt Provision of 30% minority equity for Midcap in restructured group. Funding Requirement: Purchaser to provide £6-7m funding as "preferred equity" (No Coupon or redemption premium). No additional Lender funding requirement.	Group
Offer 2	Re-confirmed their previous offer. Purchaser was happy to renegotiate the capital structure, but limited their investment still to £2m-£3m	Group
Offer 5	Re-confirmed their previous offer.	Group

In consultation with the Lenders, Nimbus (Offer 4) was selected as the preferred bidder to be taken through to a final stage for completion of due diligence, finalisation of terms and contractual documentation.

This offer was selected for the following reasons:

- It provided the best outcome for creditors out of the viable offers.
- Of the potential investors, Nimbus was at the most advanced stage in their due diligence with limited confirmatory work to be completed.

- The offer was the only Group wide offer that did not require additional funding from the Lenders, other than through provision of standby facilities.
- The offer was the preferred Group wide offer of the Lenders. Without the support of the Lenders the remaining offers were effectively unfunded.

In entering the final stage through to completion, the Lenders provided an exclusivity undertaking relating to financing negotiations for Nimbus. The Group did not provide any exclusivity agreement.

Throughout the sales process the Lenders, as secured creditors, were consulted and provided their consent to the final offer.

On 29 May 2020, two offers were received from Cairngorm. These offers were made directly to the Lenders and outside of the AMA process. However, the Lenders informed A&M of the details of the offers and they are set out below.

Party	Details	Interest
Offer 12	<p>Offer: Acquire certain business and assets of the Group insolvently for £1 via pre-pack. Assumption of c£27.5m of existing debt Provision of 45% minority equity for Midcap in restructured group.</p> <p>Funding Requirement: Purchaser to provide no funding. Lenders to provide c£6-7m additional funding</p>	Group
Offer 13	<p>Offer: Purchase PDL for £12.5m (business and assets) through a separate fund vehicle. Acquire certain business and assets of the Group (excluding PDL) insolvently for £1 via pre-pack. Assumption of £18m of existing debt into restructured group Provision of 20% minority equity for Midcap in PDL purchaser, and 45% equity stake for Midcap in the restructured group.</p> <p>Funding Requirement: Purchaser to provide £8m of funding into restructured group. No additional Lender funding requirement.</p>	Group

The Lenders declined to enter into negotiations with Cairngorm on Offer 12 or Offer 13, given the late stage in the transaction and the fact they did not improve the return to creditors.

Stage 3 completion process

Following completion of the final stage of the AMA process, the transaction agreed with Nimbus can be summarised as follows:

Party	Details	Interest
Offer 4	<p>Offer: Acquire certain business and assets of the Group insolvently for £1 via pre-pack. Assumption of c£22.8m of existing senior debt, with £0.5m deferred until expiry of certain property licences Provision of 30% minority equity for Midcap in restructured group.</p> <p>Funding Requirement Purchaser to provide £6-7m funding as "preferred equity" (No Coupon or redemption premium). Provision of a £4m standby facility to be provided 50/50 between Midcap and the purchaser.</p>	Group

Nimbus offer by entity

Entity	Included	Excluded
FAL, PDL, PNL and STCL	<ul style="list-style-type: none"> All business and assets 	<ul style="list-style-type: none"> None
CGTL	<ul style="list-style-type: none"> All business and assets (less exclusions) 	<ul style="list-style-type: none"> Business, debtors, stock, fixtures & fittings, records of the divisions located at the Halifax and Livingston sites
CGHL, CML and STL	<ul style="list-style-type: none"> Other debtors (through debt assignment agreement) 	<ul style="list-style-type: none"> All other assets

7 Valuation of business and assets

Hilco Appraisal Limited ("Hilco"), provided independent valuation advice in respect of the Group's intellectual property ("IP"), trade debtors, plant and equipment and leases ("the Group's assets"). Hilco reported on the value of the Group's assets on 11 May 2020, 13 May 2020 and 7 June 2020 (the "Valuation"). Hilco is regarded as one of the world's largest and most diversified business asset appraisers and valuation advisors. Hilco confirmed their independence and that adequate professional indemnity insurance is held.

The Valuation was performed on a desktop basis due to the Covid-19 restrictions in place at that time. The Valuation was undertaken in accordance with the Royal Institution of Chartered Surveyors Valuation Global Standards effective from 31 January 2020, which incorporates the International Valuation Standards Council's International Valuation Standards effective from 31 January 2020.

Hilco reported on the plant & machinery, fixtures & fittings and equipment ("P&M") in-situ and ex-situ values of the Group on 7 May 2020 (with a valuation date of 30 April 2020).

Hilco reported on the intellectual property ("IP") values of the Group on 13 May 2020 (with a valuation date of 11 May 2020).

Hilco reported on the trade debtor values of the Group on 11 May 2020 (with a collateral date of 31 March 2020). They provided high and low values based on certain provision and collection costs assumptions. The June 2020 adjusted numbers in the table below are based on the updated 19 June 2020 trade debtors ledger using the same provisions and collection costs assumptions from Hilco's report. The CGTL Halifax and Livingston divisions trade debtors are not included within the transaction but are included in Hilco's valuation. Based on the June 2020 adjusted numbers, in a high case, their trade debtors value would be £921,718 and £199,313 respectively, and are included in the valuation provided in the table below.

Group entity	P&M	IP	Trade Debtors
CGTL	In-situ: £2,586,300 Ex-situ: £1,743,500	£104,880	Hilco: High: £4,413,674 Low: £3,634,791 June 2020 adjusted: High: £3,395,481 Low: £3,018,206
FAL	In-situ: £5,100 Ex-situ: £1,550	£5,920	Hilco: High: £82,176 Low: £67,675 June 2020 adjusted: High: £78,383 Low: £69,674
PDL	In-situ: £658,000 Ex-situ: £360,000	£27,000	Hilco: High: £1,593,069 Low: £1,311,939 June 2020 adjusted: High: £1,058,740 Low: £941,102
PNL	In-situ: £883,900 Ex-situ: £571,300	£Nil	Hilco: High: £1,388,825 Low: £1,143,738 June 2020 adjusted: High: £1,189,024 Low: £1,056,910
STCL	In-situ: £110,200 Ex-situ: £46,950	£37,142	Hilco: High: £1,135,881 Low: £935,432 June 2020 adjusted: High: £510,252 Low: £453,558
Total value	In-situ: £4,243,500 Ex-situ: £2,723,300	£174,942	Hilco: High: £8,613,627 Low: £7,093,575 June 2020 adjusted: High: £6,234,881 Low: £5,539,450

In relation to the ex-situ valuation of the plant and machinery, Hilco advised that due to Covid-19, the removal of these assets could be restricted. In addition, Hilco also noted that the significant existing rent arrears may increase the costs of getting access to the assets to dispose of them, thereby reducing any net realisable proceeds.

With regards to leasehold property, Hilco advised that a limited number of days to market the leases, ongoing rental payments, existing rent arrears, costs of lease assignments, obtaining landlords' consent to lease assignments, the current market place and uncertainties and timings for reopening of operations and constraints to future trading may negate any premium values and result in zero net realisations being achieved by an administrator.

8 The Transaction

A sale to the Purchaser was completed on 29 June 2020. Details of the transaction are as follows:

Assets

Included in the Transaction perimeter

The Valuation column in the tables below represents Hilco's high range in-situ valuations relating to P&M, IP, and June 20 adjusted trade debtors from Section 7 for comparative purposes. The CGTL trade debtors value provided in the CGTL table excludes Halifax and Livingston trade debtors as these are not part of the transaction.

CGHL:

Sale consideration allocation				
Asset class	Fixed charge	Floating charge	Total	Valuations
Other debtors	n/a	£120,175	£120,175	n/a
Total	£Nil	£120,175	£120,175	£Nil

CML:

Sale consideration allocation				
Asset class	Fixed charge	Floating charge	Total	Valuations
Other debtors	n/a	£67,416	£67,416	n/a
Total	£Nil	£67,416	£67,416	£Nil

STL:

Sale consideration allocation				
Asset class	Fixed charge	Floating charge	Total	Valuations
Other debtors	n/a	£80,000	£80,000	n/a
Total	£Nil	£80,000	£80,000	£Nil

CGTL:

Sale consideration allocation				
Asset class	Fixed charge	Floating charge	Total	Valuations
P&M	n/a	£2,395,132	£2,395,132	£2,586,300
IP	£105,000	n/a	£105,000	£104,880
Business records, contracts, IT, goodwill	n/a	£820,704	£820,704	n/a
Stock	n/a	£2,544,000	£2,544,000	n/a
Leasehold properties	£5	n/a	£5	£Nil
Trade debtors	n/a	£4,572,188	£4,572,188	£2,274,451
Total	£105,505	£10,332,024	£10,437,029	£4,965,631

FAL:

Sale consideration allocation				
Asset class	Fixed charge	Floating charge	Total	Valuations
P&M	n/a	£40,355	£40,355	£5,100
IP	£6,000	n/a	£6,000	£5,920
Leasehold properties	£1	n/a	£1	£Nil
Trade debtors	n/a	£323,760	£323,760	£78,383
Total	£6,001	£364,115	£370,116	£89,403

PDL:

Sale consideration allocation				
Asset class	Fixed charge	Floating charge	Total	Valuations
P&M	n/a	£643,220	£643,220	£658,000
IP	£27,000	n/a	£27,000	£27,000
Business records, contracts, IT, goodwill	n/a	£4,318,000	£4,318,000	n/a
Stock	n/a	£693,023	£693,023	n/a
Leasehold properties	£1	n/a	£1	£Nil
Trade debtors	n/a	£1,888,721	£1,888,721	£1,058,740
Total	£27,001	£7,542,964	£7,569,965	£1,743,740

PNL:

Sale consideration allocation				
Asset class	Fixed charge	Floating charge	Total	Valuations
P&M	n/a	£897,230	£897,230	£883,900
Business records, contracts, IT, goodwill	n/a	£100,000	£100,000	n/a
Stock	n/a	£804,000	£804,000	n/a
Leasehold properties	£1	n/a	£1	£Nil
Trade debtors	n/a	£1,535,254	£1,535,254	£1,189,024
Total	£1	£3,336,484	£3,336,485	£2,072,924

STCL:

Sale consideration allocation				
Asset class	Fixed charge	Floating charge	Total	Valuations
P&M	n/a	£434,619	£434,619	£110,200
IP	£37,000	n/a	£37,000	£37,142
Stock	n/a	£207,458	£207,458	n/a
Leasehold properties	£24	n/a	£24	£Nil
Trade debtors	n/a	£139,713	£139,713	£510,252
Total	£37,024	£781,790	£818,814	£657,594

Sales consideration

The sale consideration was funded by way of assumption of £22.8m of existing debt facilities from the Lenders. £500,000 of the debt assumption is deferred as follows:

- PDL - £300,000 is deferred for up to ten months pending (i) expiry of the property licence or (ii) the Purchaser entering into a new lease with the landlord of a specific property, whichever occurs earliest.
- CGTL - £200,000 is deferred for up to six months pending expiry of the property licences at Halifax and Livingston.

Based on the Group's current circumstances, in a letter dated 23 June 2020 valuation agents Hilco have recommended acceptance of this offer as it exceeds their valuations.

Following completion of the Transaction, based on the June 2020 adjusted numbers noted in Section 7, in a high case, there remains trade debtors for Halifax and Livingston with values of £921,718 and £199,313 respectively. We will provide further updates in respect of the realisation of these assets in our subsequent reports to creditors.

Purchaser and related parties

As far as we are aware, the purchaser has no prior relationship with the Group, the directors, its shareholders or secured creditors.

10 Conclusion

On the basis that there were no acceptable offers for the Group (nor any of the individual entities in the Group) and the Group could not secure funding to meet its short term requirements and avoid the threat of creditor action, rescuing the Group in accordance with Paragraph 3(1)(a) is not achievable.

Therefore, our primary objective and role as Joint Administrators is to achieve a better result for each company's creditors as a whole than would be likely if that company were wound up, in accordance with Paragraph 3(1)(b).

We are satisfied that this pre-packaged sale will enable us to achieve this purpose because a sale of the Group's business has delivered realisations above Hilco's ex-situ valuations, avoided asset realisation costs and mitigated significant employee liabilities and contractual claims for each individual company in the Group.

We have acted in the best interests of the creditors as a whole when negotiating this pre-packaged sale and are satisfied that the outcome achieved is the best available outcome for creditors as a whole in the circumstances.

Appendix 9 – Glossary

Any references in these proposals to sections, paragraphs and rules are to Sections, Paragraphs and Rules in the Insolvency Act 1986, Schedule B1 of the Insolvency Act 1986 and the Insolvency Rules (England and Wales) 2016 respectively.

Defined Terms	Definition
A&M	Alvarez & Marsal Europe LLP
Administration Group	Customade Group Trading Limited, Polyframe Doors Limited, Polyframe Norwich Limited, Fineline Aluminium Limited, Stevenswood Trade Centres Limited, Customade Group Midco Limited, Customade Group Holdco Limited and Stevenswood Topco Limited
AMA	Accelerated Mergers & Acquisition
APA	Asset purchase agreement
Cairngorm	Cairngorm Capital Partners 1. L.P
CGHL	Customade Group Holdco Limited
CGML	Customade Group Midco Limited
CGTL	Customade Group Trading Limited
CGTPL	Customade Group Topco Limited
Clumber	Clumber Consultancy Limited
Company	Customade Group Midco Limited
COVID-19	Coronavirus
CTL	Customade Topco Limited
CVA	Company voluntary arrangement
CVL	Creditors' voluntary liquidation
CYB	Clydesdale Yorkshire Bank Plc
EOS	Estimated outcome statement
FAL	Fineline Aluminium Limited
Group	Customade Group Trading Limited, Polyframe Doors Limited, Polyframe Norwich Limited, Fineline Aluminium Limited, Stevenswood Trade Centres Limited, Customade Group Midco Limited, Customade Group Holdco Limited, Stevenswood Topco Limited, Customade Group Topco Limited and Stevenswood Midco Limited
Hilco	Hilco Appraisal Ltd / Hilco Global Valuation Service
HMRC	HM Revenue & Customs
Holdco	Hamsard 3557 Limited
IBR	Independent Business Review
Joint Administrators/we/our/us	Robert Croxen, Lyn Vardy & Mark Firmin
Lenders	MidCap and CYB
Midcap	MidCap Financial (Ireland) Limited
Nimbus	Nimbus Investments CXLII B.V.
PDL	Polyframe Doors Limited
PHD	PHD Property Advisory Limited
Pinsents	Pinsent Masons LLP

PNL	Polyframe Norwich Limited
Portal	The online secure insolvency portal
Purchaser	Hamsard 3558 Limited, Hamsard 3559 Limited, Hamsard 3560 Limited, Hamsard 3561 Limited, Hamsard 3562 Limited and Hamsard 3567 Limited
QFCH	Qualifying floating charge holder
RCF	Revolving Credit Facility
SIP	Statement of insolvency practice
SIP 16	Pre-packaged sales in administrations
SIP 9	Payments to insolvency office holders and their associates
SML	Stevenswood Midco Limited
SPA	Sale and Purchase Agreement
STCL	Stevenswood Trade Centres Limited
STL	Stevenswood Topco Limited
Subordinated Lenders	Joseph Trueman, John Lightowlers, Polyframe Holdings Limited (now dissolved), Cairngorm Capital Partners LLP, Cairngorm Capital Partners 1. L.P.
TTP	Time-to-pay
TUPE	Transfer of Undertakings (Protection of Employment Regulations) 2006

Appendix 10 - Notice: About these proposals

This statement of proposals ("proposals") has been prepared by Rob Croxen, Lyn Vardy and Mark Firmin of Alvarez and Marsal Europe LLP, the Joint Administrators of the Company, solely to comply with their statutory duty under Paragraph 49, Schedule B1 of the Insolvency Act 1986 to lay before creditors a statement of their proposals for achieving the purpose of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purposes, or in any other context.

These proposals have not been prepared in contemplation of them being used, and are not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in the Company or any other company in the same group.

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

Any person that chooses to rely on these proposals for any purpose or in any context other than under Paragraph 49, Schedule B1 of the Insolvency Act 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 these proposals.

Rob Croxen, Lyn Vardy and Mark Firmin of Alvarez and Marsal Europe LLP are authorised to act as insolvency practitioners by The Institute of Chartered Accountants in England and Wales.

We are bound by the Insolvency Code of Ethics.

The Joint Administrators act as agent for the Company without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, Alvarez & Marsal Europe LLP does not assume any responsibility and will not accept any liability to any person in respect of these proposals or the conduct of the administration.