

# North East distillery sold to new owners after collapsing with debts of £1m

A North East distillery has been sold to a relative of its original owner after collapsing with estimated debts of £1m.

Durham Gin Ltd – which traded as Durham Distillery – went into administration last November after a chain of events triggered by the pandemic led to unsustainable financial pressures. The business, launched by Jon Chadwick, called in administrators from Cheshire based KBL Advisory, who sold it to new firm Durham Spirits Ltd, which is owned by Mr Chadwick's sister-in-law Claire Chadwick, for £47,500, documents show.

Launched in 2013, Durham Distillery produced a variety of spirits, initially starting with gin but diverging into whisky in more recent years. The finished goods were then sold to supermarkets, individuals and to a connected company which operated the distillery, Durham Distillers Limited.

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It spent a long period of time working towards moving to its new base in Prince Bishops Shopping Centre, with fundraising efforts including a crowdfunding campaign to give people a chance to become part of Durham's first city centre distillery. The business moved into the old Royal Bank of Scotland site on High Street, after agreeing a 10-year lease, where it has been producing its drinks, carrying out public tours and tastings, and selling its products.

However, the pandemic led to long delays in its ability to get

fully up and running in its new home.

The report says: "As with most businesses in the hospitality industry, the company was affected by the Covid-19 pandemic. Immediately prior to the pandemic, the company had spent a substantial amount on installing a new piece of machinery, being a new distiller. With the implementation of national lockdowns, it resulted in the company being unable to utilise the new distiller as planned for an extended period of time.

"During 2020, due to cash flow issues because of the pandemic, the company obtained a bounce back loan in the sum of £50,000 from National Westminster Bank Plc to assist with the working capital requirements of the business. The director attempted to reduce costs by cutting the hours worked by staff and increasing the sale price of products.

"During this year, as a result of cash flow difficulties, the company began to fall into arrears with the landlord, hire purchase agreements and HMRC. It also more recently came under significant pressure from its trade creditors. This was compounded by slow payment from certain customers (supermarkets for example, typically pay on 60 days). The director also explored the prospect of invoice financing but was unable to progress this for various reasons. The company's creditor pressure continued to build and it received threats of legal action from certain creditors."

A statement of affairs has yet to be filed but administrators have estimated the firm's financial position, with estimated assets for preferential creditors of £45,000 and a debt of £58,621 owed to HMRC. Trade creditors are estimated to be owed £200,000 and the total debt owed to unsecured creditors is estimated to be £525,749. The total deficiency is around £1,086,194.06.

The document outlines how Jonathan Chadwick, who is the director of the company, is connected to the sole director and

shareholder of the purchaser, Claire Chadwick, adding that he remains part of the management of the purchaser. All staff also transferred to the new company Durham Spirits Ltd.

The report includes a list of creditors, including Maven Capital Partners, a secured creditor, which is owed £243,134.

When contacted by the Journal Mr Chadwick said that Durham Spirits Ltd had taken over the business and assets of Durham Gin Ltd, that the brands will be on the market with the same stockists and that the distillery and bar in Durham are unaffected.