

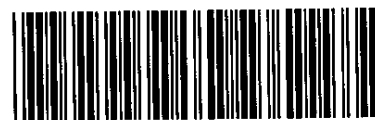
AM03

Notice of administrator's proposals



Companies House

TUESDAY



A8ARZP00

A11

30/07/2019

#166

COMPANIES HOUSE

1 Company details

Company number 0 8 4 7 1 4 7 4

Company name in full Hop Stuff Brewery Limited

→ Filling in this form

Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Neil David

Surname Gostelow

3 Administrator's address

Building name/number 15 Canada Square

Street Canary Wharf

Post town London

County/Region

Postcode E 1 4 5 G L

Country

4 Administrator's name ①

Full forename(s) William James

Surname Wright

① Other administrator

Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number 15 Canada Square

Street Canary Wharf

Post town London

County/Region

Postcode E 1 4 5 G L

Country

② Other administrator


Use this section to tell us about
another administrator.

AM03
Notice of Administrator's Proposals

6 Statement of proposals

	<input checked="" type="checkbox"/> I attach a copy of the statement of proposals	
--	---	--

7 Sign and date

Administrator's Signature	Signature ✕ 	✕								
Signature date	<table><tr><td>^d 2</td><td>^d 6</td><td>^m 0</td><td>^m 7</td><td>^y 2</td><td>^y 0</td><td>^y 1</td><td>^y 9</td></tr></table>	^d 2	^d 6	^m 0	^m 7	^y 2	^y 0	^y 1	^y 9	
^d 2	^d 6	^m 0	^m 7	^y 2	^y 0	^y 1	^y 9			

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	Marie Hayden
Company name	KPMG LLP
Address	15 Canada Square
	Canary Wharf
Post town	London
County/Region	
Postcode	E 1 4 5 G L
Country	
DX	
Telephone	Tel +44 (0) 118 964 2208



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed and dated the form.



Important information

All information on this form will appear on the public record.



Where to send

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.



Further information

For further information please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse



Joint Administrators' proposals

Hop Stuff Brewery Limited - in
Administration

26 July 2019

Notice to creditors

We have made this document available to you to set out the purpose of the administration and to explain how we propose to achieve it.

We have also explained why Hop Stuff Brewery Limited (the 'Company') entered administration and how likely it is that we will be able to pay each class of creditor.

You will find other important information in the document such as the proposed basis of our remuneration.

A glossary of the abbreviations used throughout this document is attached (Appendix 8).

Finally, we have provided answers to frequently asked questions and a glossary of insolvency terms on the following website, www.kpmg.co.uk/hopstuffbrewery. We hope this is helpful to you.

Please also note that an important legal notice about this statement of proposals is attached (Appendix 9).



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1 Executive summary

- The Company operated a brewery in London and had three fully owned subsidiaries that each operated a taproom. (Section 2 – Background and events leading to the administration).
- The Company had implemented an expansion plan in late 2017, which included financing new brewing equipment and the acquisition of new larger brewery premises. Funding for the expansion plan was obtained through a loan and overdraft facility, as well as share issues in 2017 and 2018, and a retail bond issue in late 2018. (Section 2 – Background and events leading to the administration).
- The Company was loss making in FY18, principally as a result of increased staff costs in line with the expansion plan, and the higher fixed overhead costs associated with the new brewery. (Section 2 – Background and events leading to the administration).
- The Company's operations at the brewery were halted for four weeks in January 2019 due to suspension of its beer duty licence by HMRC. The Company continued to experience cash flow pressures from increased overheads which led to the lease on its new brewery site being forfeited in April 2019. (Section 2 - Background and events leading to the administration).
- Further to engaging KPMG to run a process exploring the Company's options, including the sale or refinance of the business, the Director resolved that the Company had no reasonable prospect of avoiding insolvency. Subsequently, Neil Gostelow and William Wright were appointed Joint Administrators of the Company by the Court on 12 July 2019. (Section 2 - Background and events leading to the administration).
- Upon appointment, we completed a pre-packaged sale of the Company's business and assets on 12 July 2019 to Molson Coors Brewing Company (UK) Limited (the 'Purchaser'), an unconnected third party, for a consideration of £459,134, as part of a wider transaction that included the businesses and assets of the Company's three taproom subsidiaries. (Section 3 - Strategy and progress of the administration to date).
- The Company has one secured creditor with a fixed and floating charge over the Company's assets, which is cross guaranteed against the Group entities. Based on current estimates, we forecast that the secured creditor will suffer a shortfall against their debt (Section 4 - Dividend prospects).
- The level of preferential claims is currently uncertain, and it is uncertain whether there will be sufficient funds to enable a distribution to preferential creditors. Based on current estimates, it is highly unlikely that there will be a dividend to unsecured creditors. (Section 4 - Dividend prospects).
- We anticipate that the most likely exit route will be dissolution. (Section 5 - Ending the administration).
- Our Proposals will be deemed approved, with no requirement to seek deemed consent or use a decision procedure. (Section 6 – Approval of proposals).
- We will seek approval for our remuneration, the authority to pay pre-administration costs as an expense of the administration and other resolutions from the secured and preferential creditors. These do not form part of our Proposals. (Section 7 - Joint Administrators' remuneration, disbursements and pre-administration costs).

- This document in its entirety is our statement of proposals. A summary list of the proposals is shown in Section 8 together with all relevant statutory information included by way of appendices. Unless stated otherwise, all amounts in the proposals and appendices are stated net of VAT.



Neil Gostelow
Joint Administrator

2 Background and events leading to the administration

2.1 Background information

The Company was founded in 2013 by Nicholas James Yeomans. It operated as a craft beer brewery producing beers and ales under the Hop Stuff brand. The Company's brewery and registered address is located in Thamesmead in South East London.

By the date of our appointment as Joint Administrators, the Company had incorporated three fully owned subsidiaries (Taproom SE8 Limited, Taproom TN23 Limited and Yeomans Pubs and Bars Limited), each of which operated a taproom in the South East. We refer to the Company and its subsidiaries collectively as the 'Group' in this report. Please refer to the SIP 16 disclosure at Appendix 7 for more information on the Company's group structure.

The Group was inextricably linked operationally, with the taprooms dependent on the supply of craft beer from the brewery in order to meet their customers' demands, and the brewery dependent on producing craft beer for the taprooms to drive volume through the brewery in order to contribute to the fixed cost base of the brewery.

At the point of entering Administration the Company employed 11 members of staff, including one statutory Director, Nicholas James Yeomans.

2.2 Funding and financial position of the Company

The Company was initially funded by its founder and by its shareholders, with c.£60,000 raised in 2013. Further funding by way of share issues followed in March 2017 (c.£734,000) and September 2018 (c.£612,000).

In July 2018 the Company agreed financing with Coutts & Company (the 'Lender') by way of a £200,000 overdraft facility and a £170,000 loan. This lending was secured by debentures across the Group which contained fixed and floating charges over the assets.

A further c.£713,000 of funding was obtained through the issue of unsecured retail bonds between October and December 2018.

Our SIP 16 report at Appendix 7 detailed that c.£750,000 of equity funding was raised in January 2018. However, the above information came to light following its publication and is believed to be correct.

The Company also had asset finance agreements in place with various third parties.

In FY18 the Company records indicate that it made sales of £630,000 and a net loss of £814,000. The Company records also indicate that the balance sheet showed a net liability position of c.£621,000 as at 31 December 2018.

2.3 Events leading to the administration

In late 2017 the Group embarked on an expansion plan, which included ordering new brewing equipment in September 2017 for delivery in 2018, the opening of two further

taprooms in December 2017 and May 2018, and the acquisition of a new brewhouse and distribution facility in April 2018 to house the new brewing equipment.

Management state that the losses incurred by the Company during FY18 were incurred principally as a result of increased staff costs associated with the expansion plan, and the fixed overhead costs that were incurred while the new brewery was being commissioned.

In January 2019, the Company's brewery operations at its new site were put on stop for a four-week period due to a suspension of its beer duty licence by HMRC, following an oversight in submitting a change of address notice to HMRC for duty purposes. This caused additional cash flow pressure within the Group, as the brewery was not trading and contributing to the fixed overhead costs of the Group during the period.

When the brewery recommenced trading in March 2019, cash flow pressures had already caused the Company to miss rent payments on the brewery as well as other creditor payments. The arrears of rent resulted in the lease being forfeited by the landlord on 9 April 2019. Following the forfeiture of the lease the Director entered into negotiations with the landlord with a view to getting the lease reinstated in order to restart production.

The three taprooms owned by the Company continued to trade throughout the period. However with the Company not able to access its trading premises and generate any contribution towards costs, the cash flow pressures increased across the Group.

In the absence of any imminent resolution to the brewery lease situation or immediate short term funding being available, the Director engaged KPMG's Restructuring team on 2 May 2019 to run a process to establish the sale, refinance and investment options for the Company and in turn for the Group. This engagement lasted for 10 weeks, and total fees paid on account of time costs by the Company to KPMG were £67,500 + VAT.

The options process resulted in two offers for the businesses and assets of the Group, both of which were on an insolvent basis.

The Director, following the receipt of these offers, concluded on 11 June 2019 that there was no reasonable prospect of the Company, and in turn the Group, avoiding insolvency. Due to the potential for enforcement action to be taken by creditors, the Director, after taking independent legal advice, concluded that it was necessary to protect the businesses and assets of the Group in order to be able to seek a sale of the businesses and assets of the Group for the benefit of creditors.

A Notice of Intention to appoint Administrators ('NOI') was filed on 13 June 2019 (see Section 2.5 for more information). At the same time, the Director also made the decision to sign an exclusivity agreement with the party that had put forward the best offer for the creditors of the Company and the Group.

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

We are satisfied that the work carried out by KPMG 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.

2.4 Pre-administration work

The following work was carried out prior to our appointment with a view to placing the Company into administration:

- Negotiating the sales contracts in respect of the pre-packaged transaction;
- Liaising with key stakeholders throughout the sales negotiations; and
- Assisting with preparation of appointment documentation.

Keystone Law ('Keystone') assisted in the preparation of the sales contracts as well as the preparation of the appointment documents.

We have carried out this work with the objective of achieving a better result for the Company's creditors as a whole than would be likely if the company were wound up (without first being in administration) in accordance with Paragraph 3(1)(b).

We are satisfied that the pre-packaged sale has enabled us to achieve this purpose as the winding up of the Company would have led to an immediate shut down of the business with minimal realisations for creditors.

2.5 Appointment of Joint Administrators

As mentioned previously, the Director of the Company filed a NOI on 13 June 2019. This gave all parties 10 business days to complete a transaction. However, a sale was not achieved within this period as a result of issues with the lease on the Company's brewery site that arose during the period.

The Company and the three taprooms entities therefore filed a second NOI on 27 June 2019 to allow the transaction to complete, on the basis it was in the best interests of creditors as a whole to complete the transaction.

These NOIs were filed further to the Director confirming a settled intention to appoint administrators, and independent legal advice was obtained by the Director in this regard.

Negotiations with the Purchaser had been finalised and an agreement for the sale was agreed prior to the expiry of the second NOI on 10 July 2019.

However, due to issues with the Court's new online filing system, the requisite documentation was received online by the Court after Court hours. Advice from Counsel was sought as it was uncertain whether or not an administration appointment had been made.

At 12:44pm on 12 July the Court agreed to discharge and immediately release the Joint Administrators from any potential appointment relating to the filings made on 10 July.

Immediately thereafter, the Court made an order appointing us as Joint Administrators of the Company and its subsidiaries.

3 Strategy and progress of the administration to date

3.1 Strategy to date

Strategy

As a result of the brewery lease being forfeited by the landlord prior to the appointment of the Joint Administrators, it would not have been possible to trade the Company in Administration.

We considered an immediate liquidation to be value destructive, and that an administration followed by a pre-packaged sale as outlined below provided the best return to creditors as a whole given the financial situation of the Company.

Sale of business

Immediately upon our appointment as Joint Administrators on 12 July 2019, a sale of the business and assets of the Company and its three subsidiaries was completed to the Purchaser, who was an unconnected third party. The total consideration for the wider transaction was £679,000, of which the Purchaser apportioned £459,134 against the assets of the Company.

The transaction secured the employment of the 11 employees who transferred to the Purchaser as part of the sale via TUPE.

The only assets not included as part of the sale were the Company debtor book and some stock held at a third party.

All known creditors of the Company received notification of our appointment and the sale by a combination of email and post on 17 July 2019.

Please refer to the SIP 16 memorandum which was sent to creditors, and can be found on the following website: www.kpmg.co.uk/hopstuffbrewery and is included at Appendix 7.

Cash at bank

The Company had bank accounts with the Lender, as well as with Lloyds Banking Group ('Lloyds') and Barclays Bank PLC ('Barclays'). The account with the Lender was overdrawn by c.£220,000 and we do not expect any realisations in respect of this account.

There was no debt associated with the other accounts. We are liaising with Lloyds and Barclays to remit all funds held in the Company's accounts to the Joint Administrators' bank account.

Debtors

The debtor book was not included as part of the sale to the Purchaser. We are in the process of writing to all known debtors of the Company to request that debts owed are repaid to the administration estate.

Tax

Following the sale of the business, a potential tax liability may arise as a result of the sale of intangible assets.

We are in the process of reviewing tax losses across the Group to see if any potential tax liability can be mitigated.

3.2 Asset realisations

Realisations from the date of our appointment to 19 July 2019 are set out in the attached receipts and payments account (Appendix 2).

Summaries of the most significant realisations to date are provided below.

Sale of business

The trade and certain assets of the Company were sold on 12 July 2019 to the Purchaser for the sum of £459,134 apportioned as follows;

Asset	£
Intangible assets	336,178
Inventory	11,980
Leasehold improvements (flooring)	85,121
Vehicles	8,225
Fixtures and fittings	16,240
Computer equipment	1,389
Other assets	1
Total	459,134

The full balance of £459,134 was received upon completion.

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.

In this regard, if you wish to bring to our attention any matters which you believe to be relevant, please do so by writing to HopStuffBreweryandTaprooms@kpmg.co.uk.

3.3 Costs

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).

Payments made from the date of our appointment to 19 July 2019 are set out in the attached receipts and payments account (Appendix 2).

No payments have been made between the date of our appointment and 19 July 2019.

4 Dividend prospects

4.1 Secured creditor

As described above, the Lender has a debenture containing fixed and floating charges over the Company for a £200,000 overdraft facility and a £170,000 loan.

The security was created on 18 July 2018 and registered on 19 July 2018. We have engaged solicitors to confirm validity of security.

Based on current estimates, we forecast that the secured creditor will suffer a shortfall against their c.£370,000 debt.

4.2 Preferential creditors

Claims from employees in respect of (1) arrears of wages up to a maximum of £800 per employee, (2) unlimited accrued holiday pay and (3) certain pension benefits, rank preferentially.

The level of preferential creditor claims is currently uncertain. While the Company's employees did transfer across to the Purchaser, we understand that a number of employees left the Company prior to our appointment and were owed historic wage arrears. We also understand that there may be preferential claims in respect of pensions. We are in the process of determining the level of preferential creditor claims.

It is currently uncertain whether or not there will be sufficient funds to enable a distribution to preferential creditors.

4.3 Unsecured creditors

Based on current estimates, it is unlikely that there will be a dividend to unsecured creditors beyond that of the Prescribed Part.

5 Ending the administration

5.1 Exit route from administration

We consider it prudent to retain all of the options available to us, as listed in Section 8 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.

5.2 Discharge from liability

We propose to seek approval from the court that we will be discharged from liability in respect of any action as Joint Administrators upon the 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 the preferential and unsecured creditors in order to obtain discharge from liability.

6 Approval of proposals and decision procedure

6.1 Deemed approval of proposals

The Joint Administrators' 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 were delivered to the creditors, they will be deemed to have been approved by the creditors unless 10% in value of creditors request that a decision procedure is convened. Further details of the steps to convene a procedure are detailed below.

6.2 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 creditor 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 meeting;

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, please complete and return the decision requisition form which can be located at: www.kpmg.co.uk/hopstuffbrewery.

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

7.1 Approval of the basis of remuneration and disbursements

We propose to seek approval from the secured and preferential 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;
- disbursements for services provided by KPMG (defined as Category 2 disbursements in Statement of Insolvency Practice 9) will be charged in accordance with KPMG'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 the Court in order to seek approval for the basis of remuneration and the drawing of Category 2 disbursements.

Time costs

From the date of our appointment to 19 July 2019, we have incurred time costs of £10,105. These represent 29 hours at an average rate of £346 per hour.

Disbursements

We have incurred disbursements of £167 during the period for postage costs. None of these have been paid.

Additional information

We have attached (Appendix 5) an analysis of the time spent, the charge-out rates for each grade of staff and the disbursements paid directly by KPMG for the period from our appointment to 19 July 2019. We have also attached our charging and disbursements recovery policy.

7.2 Pre-administration costs

The following pre-administration costs have been incurred in relation to the pre-administration work detailed in Section 2.4:

Pre-administration costs			
	Paid (£)	Unpaid (£)	Total (£)
Joint Administrators' fees	-	108,892.00	108,892.00
Legal fees and disbursements	-	31,500.00	31,500.00
Total	-	140,392.00	140,392.00

The pre-administration costs in the table above represent the total time spent in the lead up to administration. Please refer to Appendix 5 for further information regarding pre-administration costs. We intend to draw £84,808.00 of these time costs.

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.

8 Summary of proposals

We propose the following:

General matters

- to continue to do everything that is reasonable, and to use all our powers appropriately, in order to maximise realisations from the assets of the Company in accordance with the objective as set out above;
- to investigate and, if appropriate, to pursue any claims the Company may have;
- to seek an extension to the administration period if we consider it necessary.

Distributions

- to make distributions to the secured and preferential creditors where funds allow;
- to make distributions to the unsecured creditors if funds become available, and to apply to the Court for authority to do so, where applicable.

Ending the administration

We might use any or a combination of the following exit route strategies in order 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 Director;
- 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. In these circumstances we propose that we, Neil Gostelow and Will Wright, 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 us, Neil Gostelow and Will Wright, as 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.

Joint Administrators' remuneration and pre-administration costs

We propose 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;
- disbursements for services provided by KPMG (defined as Category 2 disbursements in Statement of Insolvency Practice 9) will be charged in accordance with KPMG's policy as set out in Appendix 5;
- unpaid pre-administration costs be an expense of the administration.

Appendix 1 Statutory information

Company information

Company and Trading name	Hop Stuff Brewery Limited
Date of incorporation	3 April 2013
Company registration number	08471474
Trading address	35.9 Cobalt, White Hart Avenue, London, England, SE28 0GU
Previous registered office	Unit 7 Gunnery Terrace, Cornwallis Road, London SE18 6SW
Present registered office	KPMG LLP, 15 Canada Square, London, E14 5GL
Company Directors	Nicholas James Yeomans, 107,258,190 A Ordinary shares & 478,741 B Investment
Company Secretary	None

Administration information

Administration appointment	The administration appointment granted in High Court of Justice - Business & Property Courts of England and Wales, 004275 of 2019
Appointor	Court
Date of appointment	12 July 2019
Joint Administrators	Neil Gostelow and Will Wright
Purpose of the administration	Achieving a better result for the Company's creditors as a whole than would be likely if the 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	11 July 2020
Prescribed Part	The Prescribed Part is applicable on this case. It has been taken into account when determining the dividend prospects for unsecured creditors (Section 4).
Estimated values of the Net Property and Prescribed Part	Estimated Net Property is Uncertain. Estimated Prescribed Part is Uncertain.
Prescribed Part distribution	If funds do become available for a distribution under the Prescribed Part, the Joint Administrators may make a distribution to the unsecured creditors, or if appropriate, 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 Alternatively, the Prescribed Part will be automatically disapplied if the Net Property is less than £10,000 and the costs of making a distribution would be disproportionate to the benefits.
Application of EC Regulations	EC Regulations apply and these proceedings will be the Main Proceedings as defined in Article 3 of the EC Regulations.

Appendix 2 Joint Administrators' receipts and payments account

Hop Stuff Brewery Limited - in Administration		
Abstract of receipts & payments		
Statement of affairs (£)	From 12/07/2019 To 19/07/2019 (£)	From 12/07/2019 To 19/07/2019 (£)
FIXED CHARGE ASSETS		
Goodwill	336,178 00	336,178 00
	<hr/>	<hr/>
	336,178 00	336,178 00
ASSET REALISATIONS		
Leasehold property	85,121.00	85,121 00
Furniture & equipment	17,629.00	17,629 00
Motor vehicles	8,225.00	8,225 00
Stock	11,980 00	11,980 00
Goodwill	336,178 00	336,178 00
Other assets	1 00	1.00
	<hr/>	<hr/>
	459,134.00	459,134 00
	<hr/>	<hr/>
	459,134.00	459,134.00
REPRESENTED BY		
Floating charge current		459,134 00
		<hr/>
		459,134.00
		<hr/>

Appendix 3 Joint Administrators' fees estimate

Estimated time costs for the engagement		Estimated total hours	Estimated time cost (£)	Estimated average hourly rate (£)
Administration & Planning				
Cashiering - processing receipts, payments and bank reconciliations	Note 1	12.00	2,861.50	238.46
General - books & records, fees & work in progress	Note 2	20.00	6,025.00	301.25
Statutory and compliance - appointment & related formalities, bonding, checklist & reviews, reports to secured creditors, advertising, strategy	Note 3	64.50	21,057.50	326.47
Tax - VAT & Corporation tax, initial reviews, pre and post appointment tax	Note 4	11.40	4,979.50	436.80
Creditors				
Creditors and claims - general correspondence, notification of appointment, statutory reports	Note 5	45.50	15,500.00	340.16
Employees - correspondence	Note 6	27.58	9,506.50	344.69
Investigations				
Directors - correspondence, statement of affairs, questionnaires	Note 7	16.00	5,435.00	339.69
Investigations - director conduct and affairs of the Company	Note 8	25.00	10,075.00	403.00
Realisation of Assets				
Asset Realisation - including insurance of assets	Note 9	12.00	4,185.00	348.75
Total		234.08	79,625.00	340.16

Below is further detail of the work to be undertaken for this engagement:

Note 1 – Cashiering

Our anticipated work will involve closing the Company's pre-appointment bank accounts, opening a separate administration account, maintaining the accounts, including monthly bank reconciliations and processing receipts and payments transactions throughout the administration transactions during the initial months of the administration.

It has been necessary to maintain the Company's pre-appointment account to collect any transactions that were in transit at the time of the Joint Administrators' appointment.

Note 2 – General

General time costs include collection of the Company's books and records not included in the sales contract and maintaining the Joint Administrators' files.

Note 3 – Statutory and compliance

Statutory and compliance work will include notifying the Registrar of Companies and other relevant parties of our appointment, arranging bonding, filing the Statement of Affairs and Statements of Concurrence and ensuring compliance with all other statutory obligations.

The Joint Administrators are required to conduct periodic internal reviews of the case, and update their strategy documents as the administration progresses. Once all outstanding

matters have been dealt with, time costs will be charged in dealing with closure formalities, including providing creditors with a final report.

Note 4 - Tax

We have instructed our internal VAT and Tax specialists to review the Company's tax and VAT affairs. We will submit post-administration tax and VAT returns as required. We anticipate additional work to be required to ascertain the taxable nature of the sale of business.

Note 5 – Creditors and claims

Our work includes notification of our appointment and issuing statutory reports to creditors alongside responding to general creditor queries and correspondence received during the administration.

Note 6 – Employees

Our work includes identifying preferential creditors and assisting any former or current employees with completion of their claim forms. There will be reviews taken by our internal pension's specialists to confirm whether any pension schemes are in place, submission of statutory notices and dealing with any subsequent queries.

Note 7 – Directors

We will correspond with the Director in relation to the submission of their statement of affairs and director questionnaires and general correspondence with the director of the Company.

Note 8 – Investigations

We will perform our statutory investigation into the conduct of the Director and the affairs of the Company prior to our appointment as Joint Administrators. This will involve directorship searches, compliance with our statutory duties and submitting director reports and other relevant reports to the Secretary of State.

Note 9 – Realisation of assets

This will consist of time spent related to realising the Company's assets, which includes collection of book debts, collection of cash balances from banks, the insurance of assets and liaising with asset finance providers regarding the Company's leased assets where appropriate.

In the event that additional work is necessary due to a change in the circumstances of the administration we may need to increase our fees estimate and request approval to draw additional remuneration.

Appendix 4 Joint Administrators' expenses estimate

Expenses (£)	Narrative	Total (£)
Cost of realisations		
Administrators pre-administration fees	1	84,808
Pre-administration legal fees & expenses	2	31,500
Legal fees	3	3,000
Stationery & postage	4	800
Statutory advertising	5	200
Other costs	6	2,000
TOTAL		122,308

Note 1 – Administrators pre-administration fees

Our pre-administration fees are charged on an hourly basis, which is set out in Appendix 5. Pre-administration fees include liaising with interested parties, our solicitors and preparing the sale of the business and assets of the Company.

Note 2 – Pre-administration legal fees & expenses

Keystone assisted with the preparation of the various documents required for the sale of the business and assets of the Company to the Purchaser.

Note 3 – Legal fees

The fees paid to our post appointment legal advisors (Keystone) will include providing ad-hoc advice as required during the administration as well as confirmation of validity of security.

Note 4 – Stationery & postage

Letters will be issued to all known creditors of the company which is estimated to cost £800.

Note 5 – Statutory advertising

Statutory advertising costs are estimated to be £200 including our statutory requirement to advertise the administration in the London Gazette.

Note 6 – Other costs

We estimate that additional costs of £2,000 will be incurred in relation to mail redirection, storage and bank charges.

Appendix 5 Joint Administrators' charging and disbursements 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, VAT, employee, pensions and health and safety advice from KPMG 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 Creditors' Guide to Joint Administrators Fees" from Statement of Insolvency Practice 9 ('SIP 9') produced by the Association of Business Recovery Professionals is available at:

<https://www.r3.org.uk/what-we-do/publications/professional/fees/administrators-fees>

If you are unable to access this guide and would like a copy, please contact HopStuffBreweryandTaprooms@kpmg.co.uk

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 rate

Charge-out rates (£) for: Restructuring

Grade	From 01 Jan 2019 £/hr
Partner	655
Director	590
Senior Manager	535
Manager	445
Senior Administrator	310
Administrator	225
Support	140

The charge-out rates used by us might periodically rise (for example to cover annual inflationary cost increases) over the period of the administration. In our next statutory report, we will inform creditors of any material amendments to these rates.

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 KPMG Restructuring include mileage. This is calculated as follows:

Mileage claims fall into three categories:

- Use of privately-owned vehicle or car cash alternative – 45p per mile.
- Use of company car – 60p per mile.
- Use of partner's car – 60p per mile.

For all of the above car types, when carrying KPMG passengers an additional 5p per mile per passenger will also be charged where appropriate.

We have incurred disbursements of £167 during the period for postage costs. None of these have been paid.

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.

Narrative of work carried out for the period 12 July 2019 to 19 July 2019

The key areas of work have been:

Statutory and compliance	<ul style="list-style-type: none"> ■ collating initial information to enable us to carry out our statutory duties, including creditor information, details of assets and information relating to the licences; ■ providing initial statutory notifications of our appointment to the Registrar of Companies, creditors and other stakeholders, and advertising our appointment; ■ issuing press releases and posting information on a dedicated web page; ■ preparing statutory receipts and payments accounts; ■ arranging bonding and complying with statutory requirements, ■ ensuring compliance with all statutory obligations within the relevant timescales.
Strategy documents, Checklist and	<ul style="list-style-type: none"> ■ formulating, monitoring and reviewing the administration strategy, including the decision to trade and meetings with internal and external parties to agree the same; ■ briefing of our staff on the administration strategy and matters in relation to various work-streams;

reviews	<ul style="list-style-type: none"> ■ regular case management and reviewing of progress, including regular team update meetings and calls; ■ liaising with legal advisors regarding the various instructions, including agreeing content of engagement letters; ■ complying with internal filing and information recording practices, including documenting strategy decisions.
Reports to debenture holders	<ul style="list-style-type: none"> ■ providing written and oral updates to representatives of secured creditors regarding the progress of the administration and case strategy.
Cashiering	<ul style="list-style-type: none"> ■ setting up administration bank accounts and dealing with the Company's pre-appointment accounts; ■ ensuring compliance with appropriate risk management procedures in respect of receipts and payments
Shareholders	<ul style="list-style-type: none"> ■ providing notification of our appointment; ■ responding to enquiries from shareholders regarding the administration, ■ providing copies of statutory reports to the shareholders via a website platform, and through the use of the Hop Stuff mailbox.
General	<ul style="list-style-type: none"> ■ reviewing time costs data and producing analysis of time incurred which is compliant with Statement of Insolvency Practice 9, ■ locating relevant Company books and records, arranging for their collection and dealing with the ongoing storage.
Asset realisations	<ul style="list-style-type: none"> ■ collating information from the Company's records regarding the assets; ■ liaising with finance companies in respect of assets subject to finance agreements; ■ dealing with issues associated with the sale of stock;
Health and safety	<ul style="list-style-type: none"> ■ liaising with health and safety specialists in order to manage all health and safety issues and environmental issues, including ensuring that legal and licensing obligations are complied with; ■ liaising with the Health and Safety Executive regarding the administration and ongoing health and safety compliance
Open cover insurance	<ul style="list-style-type: none"> ■ arranging ongoing insurance cover for the Company's business and assets, ■ liaising with the post-appointment insurance brokers to provide information, assess risks and ensure appropriate cover in place; ■ assessing the level of insurance premiums.
Employees	<ul style="list-style-type: none"> ■ dealing with queries from employees regarding various matters relating to the administration and their employment, ■ ascertaining the position with regards to potential preferential claims in the administration.
Pensions	<ul style="list-style-type: none"> ■ collating information and reviewing the Company's pension schemes; ■ ensuring compliance with our duties to issue statutory notices; ■ communicating with employees representatives concerning the effect of the administration on pensions and dealing with employee queries.
Creditors and claims	<ul style="list-style-type: none"> ■ drafting and circulating our proposals; ■ creating and updating the list of unsecured creditors; ■ responding to enquiries from creditors regarding the administration and submission of their claims; ■ reviewing completed forms submitted by creditors, recording claim amounts and maintaining claim records; ■ dealing with suppliers with retention of title claims, including reviewing supporting documentation and arranging and carrying out stock inspection visits
Investigations/ director	<ul style="list-style-type: none"> ■ reviewing Company and directorship searches and advising the director of the effect of the administration; ■ liaising with management to produce the Statement of Affairs and filing this document with the Registrar of Companies, ■ arranging for the redirection of the Company's mail,

Time costs

Pre-Administration costs (13/06/2019 to 11/07/2019)

	Hours				Total	Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support			
Pre-Administration Sale of business - preparation	51.60	54.10	107.10		212.80	93,137.50	437.68
Advising directors	3.30				3.30	2,161.50	655.00
Appointment documents	0.70	11.40	22.20		34.30	12,872.50	375.29
Pre-administration checks	1.10				1.10	720.50	655.00
Total	56.70	65.50	129.30	0.00	251.50	108,892.00	432.97

The table above represents the total pre-administration time spent. As shown in Appendix 4 and the main body of the report, we only intend to draw £84,808 of this amount

SIP 9 –Time costs analysis (12/07/2019 to 19/07/2019)

	Hours	Time Cost (£)	Average Hourly Rate (£)
Administration & planning			
Statutory and compliance			
Appointment and related formalities	5.00	2,143.00	428.60
Appointment documents	2.50	996.50	398.60
Bonding & Cover Schedule	0.30	142.50	475.00
Statutory advertising	0.40	156.00	390.00
Strategy documents	1.30	358.50	275.77
Creditors			
Creditors and claims			
General correspondence	1.50	802.50	535.00
Notification of appointment	8.00	2,196.00	274.50
Statutory reports	2.10	979.50	466.43
Employees			
Correspondence	0.10	31.00	310.00
Pensions reviews	0.50	134.50	269.00
Investigation			
Directors			
Correspondence with directors	0.50	267.50	535.00
Directors' questionnaire / checklist	1.00	225.00	225.00
Statement of affairs	2.00	626.00	313.00
Realisation of assets			
Asset Realisation			

SIP 9 –Time costs analysis (12/07/2019 to 19/07/2019)

	Hours	Time Cost (£)	Average Hourly Rate (£)
Health & safety	0.10	44.50	445.00
Insurance	0.10	22.50	225.00
Leasehold property	3.80	979.00	257.63
Total in period	29.20	10,104.50	346.04

Brought forward time (appointment date to SIP 9 period start date)	0.00	0.00
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)	29.20	10,104.50
Carry forward time (appointment date to SIP 9 period end date)	29.20	10,104.50

Appendix 6 Estimated financial position

The Director is due to provide a Statement of the Affairs of the Company by 29 July 2019.

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

As a Statement of Affairs has not been provided, details of the estimated financial position of the Company at the latest practicable date, are given below using the Company's latest financial information provided by the Director

Hop Stuff Brewery Limited

Estimated Financial Position as at 12 July 2019

A - Summary of Assets

Assets	Book value £	Estimated to Realise £
Assets subject to fixed charge:		
Goodwill		336,178.00
Fixed charge creditor		(370,000.00)
Deficit		(33,822.00)
Assets subject to floating charge:		
Uncharged assets:		
Inventory	175,874.00	11,980.00
Leasehold improvements	89,601.00	85,121.00
Vehicles	18,750.00	8,225.00
Fixtures and Fittings	19,167.00	16,240.00
Computer equipment	4,167.00	1,389.00
Other assets	-	1.00
	<u>307,559.00</u>	<u>122,956.00</u>
Estimated total assets available for preferential creditors		<u>122,956.00</u>

Hop Stuff Brewery Limited
Estimated Financial Position as at 12 July 2019

A1 - Summary of Liabilities

	Estimated to Realise
	£
Estimated total assets available for preferential creditors	122,956.00
Liabilities	
Preferential Creditors	Unknown
Estimated deficiency/surplus as regards preferential creditors	122,956.00
Estimated prescribed part of net property where applicable (to carry forward)	(27,591.20)
Estimated total assets available for floating charge holders	95,364.80
Floating chargeholder's	(33,822.00)
Estimated deficiency/surplus of assets after floating charges	61,542.80
Estimated prescribed part of net property where applicable (brought down)	27,591.20
Total assets available to unsecured creditors	89,134.00
Unsecured claims	(1,158,785.61)
Bondholders	(713,000.00)
Floating chargeholder deficiency	(33,822.00)
Estimated deficiency/surplus as regards unsecured creditors	(1,905,607.61)
Issued and called up capital	
A Shares	(786,430.00)
B Shares	(621,030.00)
Estimated total deficiency/surplus as regards members	(3,313,067.61)

A schedule of the known creditors' names, addresses, debts and details of any security held is set out on the table below.

The unsecured debt in respect of the Company's bondholders is shown as a total in the table above. Individual bondholder information has not been listed in the table below. This is available on request.

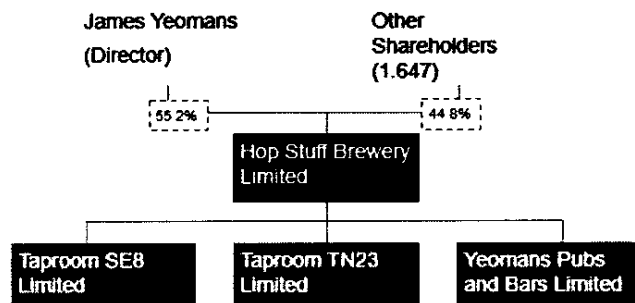
This information has been extracted from the Company's books and records and we have not carried out anything in the nature of an audit on this information.

Creditor balances are as at 1 May 2019, due to this being the latest figures obtained. The figures do not take into account the costs of the administration.

Name	Creditor balance	Address 1	Address 2	Address 3	Address 4
Close Brothers (Asset finance) Coutts & Company (fixed and floating charge)	676,079 00	Unit 1 Kingfisher Park	Headlands Business Park	Hampshire	BH24 3NX
HMRC	370,000 00	440 Strand	London	WC2R 0QS	
	218,963 00				
Muntions PLC	95,253 06	Cedars Malting	Stowmarket	Suffolk	IP14 2AG
Ychhops	23,443 08	306 Division Street	Yakima	WA 98902	USA
Arkle	20,731 28	52-60 Sanders Road	Wellingborough	Northamptonshire	NN8 4BX
Quantum Group UK	14,289 94	Quantum Funding Limited	Reading International Business Park	Reading	RG2 6AA
Close Brothers Brewery Rentals	12,023 00	Headlands Business Park	Blashford	Ringwood	BH24 3NX
Gunnery Holdings	11,796 08	61 Crowstone Road	Westcliff-On-Sea	Essex	SS0 8BG
Kegstar Limited	10,150 85	Henry Wood House,	2 Riding House Street,	London,	W1W 7FA
Charles Faram & Co Ltd	9,500 00	Monksfield Lane,	Newland, Malvern	Worcestershire	WR13 5BB
Taylor Wessing	7,203 60	5 New Street Square	Holborn, London	EC4A 3TW	
Lambrechts Ltd	5,982 14	Lambrechts N V	Taunusweg 8	3600 Genk	Belgium
Maestra	3,900 00	Unit 5 Gunnery Terrace	Woolwich,	London	SE18 6SW
SSE Southern Electric	3,856 00	Customer Service Centre	PO Box 230	Havant	PO9 9DT
Brewers Select	3,771 12	Fengate Point	Peterborough	PE1 5PE	
Carling Partnership Budweiser Budvar UK Limited	3,500 00	5 Godalming Business Centre	Woolsack Way	Godalming	GU7 1XW
Davy's Wine Merchant	2,693 87	Epps Building	Bridge Road	Ashford	TN23 1BB
	2,600 00	161-165 Greenwich High Road	London	SE10 8JA	
MTC Media Ltd	2,496 67	Shed 26	Unit 35	City Quay	DD1 3JA
BOC	2,237 22	BOC UK & Ireland	Priestley Road	Worsley	M28 2UT
Mill 95	2,226 96	PO Box 730	Parma,	Idaho 83660	USA
Investec	2,100 00	Investec Asset Finance plc	Reading International Business Park	Reading	RG2 6AA
Ecolab Limited	2,036 72	P O Box 11	Winnington Avenue	Cheshire	CW8 4DX
Haven Power Limited	1,593 42	Drax Power Station	Selby	North Yorkshire	YO8 8PH
Hygiena International Ltd	1,521 84	8 Woodshots meadow	Croxley park	Watford	WD18 8YU
The Smoking Barrel	1,456 78	Phoenixplaats 41	5021CS Tilburg	The Netherlands	
Cobell Limited	1,284 00	Unit 1 Leigham Business Units	The Juice House	Silverton Rd	EX2 8HY
Castle Water	1,266 78	1 Boat Brae, Rattray	Blaigownie	PH10 7BH	
B&H Haulage Ltd	1,076 56	5 Burnett Road	Darent Industrial Park	ERITH	
Other Side	945 53	Unit 409	421-433 High Street	Northcote	Melbourne, 3070
Custom Security Solutions	938 40	Leigh Saxton Green Lip,	Mutual House	70 Conduit Street	W1S 2GF
Filedor Filter Systems Ltd	907 19	20/20 Business Park	Maidstone	Kent	ME16 0LS
Big Smoke Brew Co	887 27	87 Maple Road	Surbiton	Surrey,	KT6 4AW
Label co uk	795 54	5 The Switchback	Gardner Road	Maidenhead	SL6 7RJ
Hammerton Brewery Ltd	784 38	Unit 8 & 9	Roman Way Industrial Estate,	149 Roman Way,	London
Mullarkey Electrical Contractors Ltd	750 00	437 Oakleigh Road	North Whetstone	London	N20 0RU
McKinleys Group Trading Ltd	715 20	St Andrews House	Shire Hill	Saffron Walden	CB11 3AU
Chrsteysn Food Hygiene Ltd	686 06	Christeysn Food Hygiene Ltd	2 Cameron Court	Winwick Quay	WA2 8RE

AIM Commercial Cleaning Ltd	665 20	AIM Commercial Cleaning Ltd	12 Hatherley Road	Sidcup	DA14 4DT
Howling Hops	665 07	Howling Hops Queens yard	White post lane	Hackney Wick	E9 5EN
CHEP UK Limited	634 16	Weybridge Business Park	Addlestone Road	Addlestone	KT15 2UP
First choice Travel	512 40	2 Plover Street	Preston	England	PR1 6TT
Food Standard Solutions Ltd	438 00	31 Large Acres,	Selsey,	West Sussex,	PO20 9BA
Propel Hospitality	414 00	MPL	54 Clarendon Road	Watford	WD17 1DU
Burner Combustion Ltd	375 00	26a East Fen Common,	Soham	Ely, Cambs	CB7 5JJ
Infotone	338 28	Plaxton Park Industrial Estate	Cayton Low Road	Scarborough	YO11 3BY
Hartson Creative	320 00	28 Cobble Carr	Guisborough	TS14 6NR	
Speedy Freight	320 00	2 The Pavillions	Cranford Drive	Knutsford Business Park	WA16 8ZR
Field Vision Ltd	306 00	The Printworks	Surrey Quays Road	London	SE16 7PJ
Veolia	294 00	Veolia House	8th Floor 210	Pentonville Road	N1 9JY
AMJ IT LTD	270 00	Epps Building	Bridge Road	Ashford	TN23 1BB
Hamilton UK Ltd	239 42	Hamilton Sales & Service UK Ltd	Unit 1 Forge Mills Park Station Road	Coleshill	B46 1JH
Porter Lancasterian limited	174 00	Lower Healey Business Park	Froom Street	Chorley	PR6 9AR
Design 4 Print & Signage Berkeley	162 18	Units 13-19 Vikings Way	Thames Industrial Estate	Canvey Island	SS8 0PB
Stainless Fittings BSF	143 36	13 Brookgate	South Liberty Lane	Ashton	BS3 2UN
Berkshire Labels	72 00	Swangate	Charnham Park	Hungerford	RG17 0YX
Total	1,528,785.61				

Please note that the actual level of asset recoveries and claims against the Company may differ materially from the amounts included in the statement above.



The Group was founded in 2013 by Nicholas James Yeomans, who was the majority shareholder of HSB and the sole statutory Director of each entity within the Group.

The group was inextricably linked operationally, with the Taprooms dependent on the supply of craft beer from the brewery in order to meet the demands of their customer base within the Taprooms for beer produced by the brewery, and the brewery dependent on producing craft beer for the Taprooms to drive volume through the brewery in order to contribute to the fixed cost base of the brewery.

In late 2017 the group embarked on an expansion plan, from a base at that time of a different brewery and the SE18 Taproom. The expansion plan included ordering new state of the art brewing equipment in September 2017 for delivery in 2018, the opening of the SE8 Taproom in December 2017, the acquisition of a new brewhouse and distribution facility in April 2018 to house the new brewing equipment, and the opening of the TN23 Taproom in May 2018. As part of the expansion plan management were intending to continue to open new bars from 2019.

In order to fund the expansion plan and provide working capital to the Group an equity funding round was launched in January 2018 which raised £750,000. In July 2018 the group raised further working capital via a £200,000 Group overdraft facility with Coutts & Company. The Group raised further funding in October, November and December 2018 through the issuance of retail bonds, which existing shareholders participated in, which raised c.£730,000.

According to the Group's management accounts, the financial performance in the twelve months to December 2018 showed the following position across each entity:

- HSB: revenue £630k; net loss £814k
- SE18: revenue £548k; net profit £8k
- TN23: revenue £258k; net profit £9k
- SE8: revenue £774k; net profit £99k

Management states that the loss in HSB during the period was significant, principally as a result of the increased staff costs associated with HSB recruiting new staff in line with their expansion plan and the fixed overhead costs that were incurred while the new brewery was being commissioned.



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In January 2019, HSB's brewery operations at its new site were put on stop for a four-week period due to a suspension of its beer duty licence by HMRC following an oversight by HSB submitting a change of address notice to HMRC for duty purposes. This caused additional cash flow pressure within the Group, as the brewery was not trading and contributing to the fixed overhead costs of the Group during the period.

When the brewery recommenced trading in March 2019, cash flow pressures had already caused HSB to miss rent payments on the brewery. The arrears of rent resulted in the lease being forfeited by the landlord on 9 April 2019. Following the forfeiture of the lease the Director entered into negotiations with the landlord with a view to getting the lease reinstated in order to restart production.

The Taprooms continued to trade throughout the period. However with HSB not able to access its trading premises and generate any contribution towards costs, the cash flow pressures increased across the Group, which resulted in lease arrears arising at the Taprooms and on a number of the finance agreements across the Group.

In the absence of any imminent resolution to the brewery lease or immediate short term funding being available, the Director engaged KPMG's Restructuring team on 2 May 2019 to assist HSB to run an Early Options process (see marketing section below) to establish the sale, refinance and investment options for the Group.

The Director, following the receipt of the offers from the Early Options process, concluded on 11 June 2019 that there was no reasonable prospect of the Group avoiding insolvency. Due to the potential for enforcement action to be taken by creditors, the Director, after taking independent legal advice, concluded that it was necessary to protect the businesses and assets of the Group in order to be able to seek a sale of the businesses and assets of the Group for the benefit of creditors.

Each Group entity filed a Notice of Intention to Appoint Administrators ('NOI') on 13 June 2019. However a sale was not achieved within the period of the NOI due to ongoing negotiations between the Purchaser and the landlord of the brewery regarding the conditions for reinstatement of the lease. Each Group entity therefore filed a second NOI on 27 June 2019 to allow the transaction to complete on the basis it was in the best interests of creditors as a whole to complete the transaction. All of the NOIs were filed further to the Director confirming a settled intention to appoint administrators, and independent legal advice was obtained by the Director in this regard.

An agreement to sell the majority of the businesses and assets of the Group was agreed, and Notices of Appointment were ready to file with the Court prior to the expiry of the second NOI on 10 July 2019. However, due to issues with the Court's new online filing system, the requisite documentation was received online by the Court after Court hours. Advice from Counsel was sought as it was uncertain whether or not an administration appointment had been made.

At 12:44pm on 12 July the Court agreed to discharge and immediately release the Joint Administrators from any potential appointment relating to the filings made on 10 July.



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Immediately thereafter, the Court made an order appointing Neil David Gostelow and William James Wright of KPMG as Joint Administrators of the Group. Shortly thereafter, a sale of the majority of the Group's businesses and assets was completed. The only remaining assets are the HSB debtor book and some stock held at a third party.

As at the date of administration, HSB employed a total of eleven staff, SE18 employed fourteen, TN23 employed eight, and SE8 employed sixteen.

The Group was financed by Coutts & Company ("the Lender") through a £200,000 Group overdraft and a £170,000 term loan. This lending was secured by debentures across each entity which contained fixed and floating charges over the assets of the Group. The lending was supported by cross guarantees between the individual entities within the Group. As at the date of administration the Lender was owed a total of c.£370,000.

Pre-appointment considerations

Prior involvement with the Group

The Director of the Group had previously had informal meetings and phone calls with KPMG's corporate finance department in late 2017. However, the Director did not formally engage KPMG.

In April 2019, KPMG's restructuring team were introduced to the Group following a call made by the Director to KPMG's dedicated Business Rescue Services helpline.

On 2 May 2019, KPMG were engaged by HSB to assist them to undertake a process to explore the sale and investment options available to the Group (see marketing section below).

KPMG had no other relationship with the Group prior to this date.

Other courses of action considered

A review of possible courses of action was undertaken by the Joint Administrators, comparing the likely outcomes from various options including, but not limited to:

1) The Group staying out of an insolvency process, receiving additional funding from lenders, shareholders, director or a third party source.

Staying out of an insolvency process

A targeted marketing process to both trade parties and specialist investors was run by way of the Early Options process. The entire Group was presented to the market as part of this process. While the option was available for an interested party to purchase either the shares of HSB, the shares in the individual Taprooms, or both, no solvent offers for the shares were received as a result of the process.



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Additional funding

Management were forecasting an immediate funding requirement of c.£1.5 million to meet the short term cash flow needs of the businesses while the Director explored longer term financing solutions. The funding requirement included working capital needs and cash required to repay arrears to the brewery landlord to reinstate the lease (c.£250k), as well as further cash to rectify prior breaches of the lease relating to work carried out on the brewery (c.£200k). There were also rent arrears in a number of the Taprooms (c.£125k), interest payments due to bondholders (c.£25k), HMRC arrears (c.£460k), as well as arrears on the finance leased assets (c.£48k), and payroll arrears relating to May 2019 (c.£41k) that needed to be settled.

The Director and majority shareholder was not in a position to provide additional funding. The Lender confirmed that they were also not in a position to provide funding over and above the facilities available to the Group.

The Director approached a number of the larger shareholders, who had also participated in the retail bond, for funding. These parties confirmed that they had no appetite to provide the additional funding into the Group.

In the absence of funding it was clear that each entity within the Group was unable to pay its debts as and when they fell due and that the Group was both cash flow and balance sheet insolvent.

As part of the Early Options process interested parties had the option to provide investment/funding into either HSB or the individual Taprooms. No offers were received on this basis.

2) Liquidation or non-trading administration

There were minimal owned tangible assets across the Group as a result of the majority of the tangible assets being either subject to finance leases, which were in negative equity, or operating leases where the company did not have any title to the assets, or in the case of the raw material stock subject to retention of title claims. The principal realisable assets across the Group related to intangible assets, namely goodwill and intellectual property.

As explained previously, the Group was inextricably linked from an operational perspective and in order to maximise value for the intangible assets across the Group for the benefit of the creditors, continued trading would have been necessary in the individual Taprooms to preserve the value of the intangible assets.

This is supported by the offer received from Molson Coors who confirmed that they would only proceed on the basis that they could acquire the businesses and assets of the Group, and that the Taprooms continued to trade. This would not have been achievable in a liquidation or non-trading administration of the Taprooms.



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Liquidation scenario valuations

HSB and the Joint Administrators engaged asset valuation experts, SIA and Christie & Co ("Christie's"), to provide independent valuations of both the Group's assets and of the Taprooms as standalone businesses.

On the basis of the valuations, the outcome to creditors would be significantly worse in a liquidation or non-trading administration compared to the offer received in the pre-packaged transaction due to the limited value of the Group's owned assets in a liquidation scenario and the erosion of the value of goodwill (see later in this document for a breakdown of the valuations obtained and additional commentary).

Additionally, the pre-pack offer significantly reduces the level of claims principally from the leased asset providers and landlords.

3) Trading administration

As a result of the brewery lease being forfeited prior to the appointment of administrators it would not have been possible to trade the Brewery in administration.

While it would have been possible to trade the Taprooms with a view to concluding a sale of the Group (on the basis of obtaining beer from other breweries outside of the Group), trading on in administration would have provided a worse outcome to creditors than the pre-packaged transaction achieved. In reaching this conclusion we have considered the following:

- i) The market appetite for an acquisition of the businesses has already been tested thoroughly. Given the extensive nature of the process already carried out, we do not consider that a better offer for the either the Group, the Taprooms or brewery would be achieved from continuing the sale process in an administration. In addition, trading in administration could further risk the goodwill value in the businesses;
- ii) The trading performance of the Taprooms in administration. Given the marginal profitability of the Taprooms pre-administration, the overall costs of trading in administration (after taking into account the additional costs of specialist agents who would need to be engaged to trade the Taprooms due to the strict licensing issues regarding bars, and the potential ransom payments that may be required in order to maintain the supply of stock in the Taprooms and retain staff) would result in two of the three Taprooms trading at a loss and the third Taproom being breakeven.
- iii) A period of trading in administration would have increased the professional fees incurred, further depleting funds available to creditors.
- iv) The increased level of creditor claims that would arise if a sale of the businesses could not be achieved at the end of the administration trading period.



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4) Pre-packaged administration

The Joint Administrators consider that the pre-packaged sale of the businesses and assets of the Group maximises the return for creditors. This conclusion has been reached following consideration of the options available (as outlined above), and in consideration of the following factors:

- i) After extensive marketing of the businesses to a large number of financial investors and trade parties, the Insolvency Practitioners are satisfied that they have progressed with the best offer received (see marketing section below);
- ii) The Joint Administrators consider that the sale of the businesses and assets as a pre pack sale will result in higher realisations for creditors both across the Group and in the individual entities when compared to anticipated realisations of the assets in a wind down or trading administration scenario;
- iii) The pre-pack offer significantly reduces the level of potential claims principally from the leased asset providers, landlords and employees.

Consultation with major creditors

The Lender has fixed and floating charges over the assets of the Group. The charges over each entity were created and registered with Companies House as follows:

- 1. HSB – created on 18 July 2018 and registered on 19 July 2018.
- 2. SE8 – created on 18 July 2018 and registered on 19 July 2018.
- 3. TN23 – created on 18 July 2018 and registered on 19 July 2018.
- 4. SE18 – created on 16 July 2018 and registered on 17 July 2018.

The Lender has been regularly consulted with and kept up to date on the Early Options process throughout, by the Director. The Lender has consented to the pre-pack transactions by way of releasing its security.

The primary asset finance creditor, Close Brewery Rentals Limited, has been regularly consulted with by the Director, and the Joint Administrators understand that an agreement has been made between them and the Purchaser in respect of acquiring the assets it financed.

The two other major creditors of each of the four Group entities are HMRC and the retail bondholders.

The Director contacted the Group's contact at HMRC on the 28th May explaining the financial position of the Group.

A call was held with a group of the larger retail investors where an update was provided to them on the situation both in their capacity as major unsecured creditors (bondholders) and in their capacity as shareholders. The Director has also provided ad hoc updates to all the bondholders throughout the sales process.



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Marketing of the businesses and assets

KPMG were engaged by HSB on 2 May 2019 to help it to explore the investment, refinancing and sale options available to the Group as part of an Early Options process.

The appropriate marketing strategy to expose the businesses and assets of the Group to the widest range of possible likely buyers in the time available was considered.

The Group was marketed to 142 parties (123 financial investors and 19 trade investors). A teaser document was prepared and circulated to potentially interested parties, and an Information Memorandum was put together providing further detail around the opportunity. KPMG also assisted in the provision of data to interested parties.

Following consultation with our corporate finance colleagues who have specialist knowledge of this sector, the Director concluded that given the circumstances surrounding the Group, marketing the businesses via the internet would not have reached any additional parties over and above the 19 trade investors identified by management and KPMG's sector specialists as having a detailed understanding of the sector, that would allow them to understand the future potential of the Brand, and the expansion opportunities for the Brewery, to be able to submit an offer for value in the limited time available. Further, the Director was concerned that opening up the sale process to parties via the internet would have created speculative interest from parties who were interested in seeking to acquire single sites at a discount which would have distracted management from focusing on maximising the value for the Group through targeting the trade investor community.

Following the issue of the teaser document 20 parties progressed to signing non-disclosure agreements and management held 9 meetings with separate interested parties.

The entire Group was presented to the market as part of this process. While the option was available for an interested party to purchase either the shares or the businesses and assets of Group or individual Group entities, only 2 indicative offers were received by the deadline date of the 14 May 2019. These offers were received from prominent trade parties. One party submitted offers on two separate bases – one for the shares of the Group on a solvent basis and one for the businesses and assets of the Group on an insolvent basis, and the other party submitted an offer for the businesses and assets of the Group on an insolvent basis.

After the initial indicative offer deadline, a number of further issues came to light with regards to the lease position at the brewery. This caused a delay in the due diligence process, as the interested parties needed certainty around these lease issues.

A revised indicative offer deadline was then set for 6 June 2019. Two offers were received from the same trade parties, both for the businesses and assets of the Group as a whole on an insolvent basis. After consideration of these offers, Management decided that one offer was materially higher and would provide a better outcome for creditors. This was an offer made by Molson Coors (the 'Purchaser').



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Since the offers received were on a businesses and assets basis only and not for the Group's underlying share capital, the Director of each Group entity resolved to file a NOI as described earlier in this document.

Following receipt of the offers the Director, following legal advice, made the decision to sign an exclusivity agreement with the Purchaser on the basis that he believed that this offer represented the best outcome to creditors and the purchaser confirmed that they would not proceed with any further due diligence in order to finalise their offer unless exclusivity was granted. The exclusivity agreement prevented the Group or its advisors approaching or progressing discussions with any other party in connection with Group. As a consequence of the exclusivity agreement period there was no opportunity to advertise the Group on the internet during the NOI period.

Valuation of the businesses and assets

Valuation of physical assets of the Group

SIA Group (SIA) were engaged by HSB to carry out an independent third-party valuation of the Group's physical assets. SIA provided a valuation based on Market Value In-Situ (as a going concern) and Ex-Situ (in a break-up scenario).

This valuation has been prepared in accordance with the Royal Institution of Chartered Surveyors' (RICS) – Global Standards 2017 (RICS Red Book).

The value attributed to each Group's assets was as follows:

- HSB: £74,000 'in-situ' and £39,250 'ex-situ'
- SE18: £21,000 'in-situ' and £8,000 'ex-situ'
- TN23: £19,500 'in-situ' and £8,000 'ex-situ'
- SE8: £14,000 'in-situ' and £3,750 'ex-situ'

The valuation by SIA was undertaken by individuals who have extensive experience of conducting asset valuations. SIA have confirmed to us that they do not have any conflicts in acting, and carry adequate professional indemnity insurance.

Comparison of valuations to the pre-pack offers

The tables below show the total sale consideration received from the Purchasers in respect of each entity within the Group. In each entity, the total consideration received exceeds the total asset valuations in a liquidation scenario, thereby giving a better overall outcome to creditors.



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<u>Hop Stuff Brewery Limited</u>		
Asset	Molson Coors valuation	SIA valuation
Inventory	11,980	5,000
Intangible assets	336,178	Not valued
Leasehold improvements (flooring)	85,121	-
Vehicles	8,225	9,250
Fixtures and fittings	16,240	15,000
Computer equipment	1,389	
Other assets	1	
Totals	459,134	39,250

<u>Taproom SE8 Limited</u>		
Asset	Molson Coors valuation	SIA valuation
Inventory	4,000	2,000
Intangible assets	72,038	Not valued
Fixtures and fittings	3,765	1,750
Computer equipment	328	
Bar/cellar/kitchen equipment	3,904	
Furniture	5,603	
Cash in tills	1,000	
Totals	90,638	3,750

<u>Yeomans Pubs & Bars Limited</u>		
Asset	Molson Coors valuation	SIA valuation
Inventory	4,000	1,500
Intangible assets	36,019	Not valued
Fixtures and fittings	4,064	6,500
Computer equipment	593	
Bar/cellar/kitchen equipment	12,836	
Furniture	1,645	
Cash in tills	1,000	
Totals	60,157	8,000

<u>Taproom TN23 Limited</u>		
Asset	Molson Coors valuation	SIA valuation
Inventory	4,000	1,000
Intangible assets	36,019	Not valued
Fixtures and fittings	5,005	7,000
Bar/cellar/kitchen equipment	21,882	
Furniture	1,165	
Cash in tills	1,000	
Totals	69,071	8,000



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Valuation of Leasehold interests

Christie's were engaged by the Joint Administrators to carry out an independent third-party valuation of the three Taprooms as standalone businesses.

Christie's valued the 3 Taprooms on the following bases:

- 1) Market Value as a fully equipped operational entity having regard to trading potential.
- 2) Market Value as a fully equipped operational entity having regard to trading potential assuming a restricted marketing period of 1 month.
- 3) Market Value subject to the special assumption that:
 - The business is closed
 - The property is vacant
 - The accounts and records of trade would not be available or relied upon by a prospective purchaser
 - The unit is fully fitted out in its current condition
 - The timescale for disposal is one month

The value attributed to each of the leases in terms of potential lease premiums was as follows:

	Basis 1	Basis 2	Basis 3
SE18	£0	£0	£0
TN23	£50,000	£0	£0
SE8	£125,000	£50,000	£0

Christie's have had regard to comparable evidence in the locality and also conducted a search on a more national basis in order to find properties with the same covenant/covenant strength.

The valuation by Christie's was undertaken by individuals who have extensive experience of conducting valuations of public houses and restaurants. Christie's have confirmed to us that they do not have any conflicts in acting, and carry adequate professional indemnity insurance.

Comparison of valuations to the pre-pack offers

The valuations show that in a best case scenario (Basis 1), where the Taprooms were fully operational and there were no restrictions on time to sell them, the maximum that Christie's believe could be achieved was £175,000 across the three Taprooms. This is comparable against the total amount attributed to the assets of the Taprooms by the Purchaser.

However, given the circumstances faced by the Group, there would certainly be limited time to sell the Taprooms, and this is reflected in the valuation in Basis 2 of £50,000 across the three Taprooms, which would likely have been faced by the Joint Administrators in a trading administration scenario. We have outlined the issues regarding a trading administration earlier in the document.



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The Administrators have therefore satisfied themselves that they are achieving the best outcome for each Company's creditors through completing the pre-pack transactions to the Purchaser.

Valuation of intangible assets

While Christie's considered the value of the intangible assets when looking at the valuation of each of the Taprooms as an operational business, we concluded that it was not appropriate in the circumstances to seek a valuation of intangible assets at HSB, given the uncertainty surrounding the HSB position, and the limited historic trading information that was available relating to the new brewery on which to base a valuation. The value of the intangible assets in HSB was established based on the offers received following the extensive marketing campaign that was undertaken.

The transaction

The transaction to sell the businesses and assets of each entity within the Group completed immediately upon the appointment of Administrators on 12 July 2019.

The businesses and assets of the Group have not been acquired from another insolvency process within the previous 24 months.

Purchaser and related parties

The Purchaser of the businesses and assets of each entity within the Group is Molson Coors Brewing Company Limited ('Molson Coors', Company number 00026018) whose registered office is: 137 High Street, Burton-Upon-Trent, Staffordshire, DE14 1JZ.

Molson Coors and its directors are each an unconnected third party and unrelated to the Directors, shareholders or secured lenders of the Group and their associates.

Guarantees

The sole Director of each Group entity provided personal guarantees for amounts due from the Company to a number of financiers, primarily the Lender and also to a number of asset finance providers in respect of certain assets.

The Lender is not financing the new business. Where the Director has provided a personal guarantee to other finance providers, the Purchaser has confirmed that they have either made, or will seek to make, their own agreement with these asset finance providers to acquire these assets or take over the leases.



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Assets

The assets involved in the pre-pack transaction are summarised as follows;

Hop Stuff Brewery Limited

- Goodwill
- Intellectual property
- *Non financed assets*
- Stock
- Leasehold improvements
- Vehicles
- Fixtures and Fittings
- Computer equipment

Taproom SE8 Limited

- Goodwill
- Fixtures and fittings
- Stock
- Computer equipment
- Bar and Cellar equipment
- Kitchen equipment
- Cash in tills
 - o Cash float balance, part of a reconciliation exercise to be carried out post transaction

Yeomans Pubs & Bars Limited

- Goodwill
- Fixtures and fittings
- Stock
- Computer equipment
- Bar and Cellar equipment
- Kitchen equipment
- Cash in tills
 - o Cash float balance, part of a reconciliation exercise to be carried out post transaction

Taproom TN23 Limited

- Goodwill
- Fixtures and fittings
- Stock
- Bar and Cellar equipment
- Kitchen equipment



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- Cash in tills
 - o Cash float balance, part of a reconciliation exercise to be carried out post transaction

No licences to occupy the brewery or the three Taprooms have been granted by the Joint Administrators. Lease assignments for the Taprooms became effective on completion of the transaction, and the brewery lease, which had been forfeited, is subject to a separate agreement between the landlord and the Purchaser.

Sale consideration

Molson Coors transaction

The total sale consideration of £679,000 was paid in full by Molson Coors immediately on completion of the pre-pack sale.

The apportionment of the consideration was received as follows:

	HSB	SE18	SE8	TN23	Total
	£	£	£	£	£
Fixed charge Assets					
Intangible assets	336,178	36,019	72,038	36,019	480,254
Floating charge Assets					
Inventory	11,980	4,000	4,000	4,000	23,980
Leasehold improvements (flooring)	85,121	-	-	-	85,121
Vehicles	8,225	-	-	-	8,225
Fixtures and fittings	16,240	4,064	3,765	5,005	29,074
Computer equipment	1,389	593	328	-	2,310
Bar/cellarkitchen equipment	-	12,836	3,904	21,882	38,622
Furniture	-	1,645	5,603	1,165	8,413
Other inventory	1	-	-	-	1
Cash in tills	-	1,000	1,000	1,000	3,000
Total	459,134	60,157	90,638	69,071	679,000

The consideration was apportioned across the Group entities by the Purchaser.

There are no options, buy-back agreements, deferred consideration or other conditions attached to the transaction. As previously stated the cash in the tills is subject to a separate reconciliation exercise and the actual balances will be determined shortly after the sale

No security was required to be taken by the Joint Administrators regarding the transaction. This transaction is not part of a wider transaction.



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Conclusion

The Joint Administrators have accepted the appointment over the entities within the Group with the objective of achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration) in accordance with Paragraph 3(1)(b).

They are satisfied that the pre-packaged sale of the businesses and assets of each entity within the Group has enabled them to achieve this purpose, because the sale price achieved was the best available outcome in the circumstances, and a liquidation would have resulted in the immediate cessation of trade and significant erosion of value for each Group entity.

The Joint Administrators consider that they have acted in the best interests of the creditors as a whole when negotiating the pre-packaged sale and are of the opinion that the sale price achieved was the most reasonably obtainable in all circumstances.

The Joint Administrators will send out their proposals, providing further information regarding the company and their appointment, within two weeks of appointment and as soon as reasonably practicable.



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Appendix 8 Glossary

Company	Hop Stuff Brewery Limited- in Administration
Group	The Company together with; Taproom SE8 Limited Yeomans Pubs and Bars Limited Taproom TN23 Limited
Joint Administrators/we/our/us	Neil Gostelow and Will Wright
KPMG	KPMG LLP
Purchaser	Molson Coors
Secured creditor/Bank	Coutts & Company
Solicitors/Keystone	Keystone Law
TUPE	Transfer of Undertakings (Protection of Employment) Regulations 2006

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.

Appendix 9 Notice: About this statement of proposals

This statement of proposals ('proposals') has been prepared by Neil Gostelow and Will Wright, the Joint Administrators of Hop Stuff Brewery Limited – in Administration (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 purposes of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

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.*

Neil David Gostelow and William James Wright are authorised to act as insolvency practitioners by the Institute of Chartered Accountants in England & Wales.

We are bound by the Insolvency Code of Ethics.

The Officeholders are Data Controllers of personal data as defined by the Data Protection Act 2018. Personal data will be kept secure and processed only for matters relating to the appointment. For further information, please see our Privacy policy at – home.kpmg.com/uk/en/home/misc/privacy-policy-insolvency-court-appointments.html.

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

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