Rule 2.25 | Form 2.16B(Scot)

The Insolvency Act 1986

Statement of administrator's proposals

Pursuant to paragraph 49 of Schedule B1 to the Insolvency Act 1986 and Rule 2.25 of the Insolvency (Scotland) Rules 1986

Name of Company	Company number
Lake District Biogas Limited	SC491828

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

~~I~~ / We (a) Mr Paul Robert Appleton and Mr Paul Steven Cooper, both of David Rubin & Partners, 26-28 Bedford Row, London, WC1R 4HE

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

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

(b) Insert date

(b) 15 March 2019

Signed ______________

Joint / Administrator~~(s)~~

Dated 15 March 2019

Contact Details:

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

26-28 Bedford Row	
London	
WC1R 4HE	Tel 020 7400 7900
DX Number	DX Exchange

THURSDAY

S81Q7EH5
SCT 21/03/2019 #266
COMPANIES HOUSE

When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF
DX 235 Edinburgh / LP 4 Edinburgh-2

IN THE COURT OF SESSION: P47/19

IN THE MATTER OF

LAKE DISTRICT BIOGAS LIMITED - IN ADMINISTRATION

AND

THE INSOLVENCY ACT 1986

THE JOINT ADMINISTRATORS' REPORT AND STATEMENT OF FORMAL PROPOSALS AS REQUIRED BY PARAGRAPH 49 OF SCHEDULE B1 OF THE INSOLVENCY ACT 1986 AND RULE 2.25 OF THE INSOLVENCY (SCOTLAND) RULES 1986

LAKE DISTRICT BIOGAS LIMITED – IN ADMINISTRATION

JOINT ADMINISTRATORS' REPORT AND PROPOSALS - PARA 49

CONTENTS

APPENDICES

LAKE DISTRICT BIOGAS LIMITED – IN ADMINISTRATION

STATEMENT OF FORMAL PROPOSALS AND REPORT OF THE JOINT ADMINISTRATORS AS REQUIRED BY PARAGRAPH 49 OF SCHEDULE B1 OF THE INSOLVENCY ACT 1986

1. INTRODUCTION

Paul Cooper and I, Paul Appleton, both of David Rubin & Partners, 26-28 Bedford Row, London WC1R 4HE were appointed Joint Administrators of Lake District Biogas Limited ("the Company") on 21 January 2019. The appointment was made by the Directors pursuant to Paragraph 22 of Schedule B1 to the Insolvency Act 1986 ("the Act").

The Joint Administrators act jointly and severally in the exercising of any and all functions exercisable by an administrator appointed under the provisions of Schedule B1 of the Act.

2. STATUTORY INFORMATION

The Company's statutory information is set out in Appendix 1 of this report.

3. BRIEF TRADING HISTORY AND RESULTS

3.1 The Company developed an on-site Anaerobic Digestion ("AD") plant to generate renewable energy at the Lake District Creamery ("the Creamery") in Aspatria, West Cumbria, which is owned by First Milk Cheese Company Limited ("First Milk"), the UK dairy co-operative. The plant utilises production residues from the dairy to generate biogas, which is converted into bio-methane and then fed into an onsite Combined Heat and Power ("CHP") system and the local gas grid, where it is consumed by the dairy and the local community. Initial gas to grid connection took place in December 2015. The Company has a tripartite relationship with First Milk, encompassing tenancy, feedstock supply and effluent treatment arrangements.

3.2 The Company originally anticipated that the total construction, commissioning and start up working capital costs of the plant would be £10m. The first £5m of these funds was raised via Seed Enterprise Investment Scheme ("SEIS") and Enterprise Investment Scheme ("EIS") fundraising transactions in April 2015. The remainder of the start-up funds were raised via a £5.5m 12.5% Loan Note Offering, which was successfully completed in October 2015. Following a further funding round of £700,000 in October 2016, both debt instruments were refinanced in 2018 via the issue of an £8.6m 7.5% two-year interim/bridge to sale facility.

3.3 The Company's original operation and maintenance ("O&M") contractor was Clearfleau Limited ("Clearfleau"), which was also the Engineering, Procurement and Construction ("EPC") contractor for the project. Clearfleau was, therefore, responsible for the design and build of the plant and its operation and maintenance, to include the 'gas to grid' assets and the pre-existing effluent treatment plant, which treats process wash water from the dairy.

3.4 Extracts from the Company's Financial Statements are as detailed overleaf:

	Year ended 30-Nov-17 (Statutory) £	Year ended 30-Nov-16 (Statutory) £
Turnover	2,266,830	551,590
Gross Profit	1,345,876	155,461
Operating (Loss) after Taxation	(1,583,789)	(1,223,654)
Profit and Loss Account	(3,394,363)	(1,810,574)
Shareholders' Funds	1,604,638	3,188,427

3.5 Concerns were raised by the Board during 2017 that the operations and maintenance costs were significantly higher than projected, whilst performance was not at the levels expected or contracted. Clearfleau tendered its resignation from the O&M contract in December 2017. The local management and operational staff were transferred from Clearfleau to the Company as appropriate.

3.6 Clearfleau's resignation preceded six months of continued cost overruns, supply interface issues with First Milk and significant operational volatility. Clearfleau claimed an amount of circa £700,000 was due to it in respect of outstanding O&M invoices, although the validity of this debt was and is disputed by the Company. Clearfleau was itself placed in Administration in March 2018.

3.7 The Board instructed technical advisors, Natural Capital Analysis, to investigate the operational position and produce a report of its findings. This report was completed in February 2018 and enabled the Board to create a turnaround proposal for the business, which was to be implemented by Renewables Unlimited LLP ("RU"), a company run by one of the Company's Directors, Gordon Archer, under the direction of the Board.

3.8 RU implemented a number of measures to reduce costs and a new plant manager was employed. It was anticipated that the Company would move from a substantial trading loss in the year ended 30 November 2017 to a target annual EBITDA of £800,000 by the year ended 30 November 2019. This would be achieved by a reduction in plant expenditure, an increase in income and, ultimately, the injection of fresh capital. A key component was the renegotiation of the commercial contracts with First Milk.

3.9 However, in July 2018, First Milk terminated the Feedstock Agreement and lease to the Company's premises, and attempted to remove the Company's operatives from site. Following intensive negotiations, a standstill resolution was agreed between the parties with regard to the settlement of outstanding invoices, feedstock costs and the ongoing treatment of trade effluent. Binding Heads of Terms were signed in October 2018.

3.10 The Board, which comprised representatives of RU, Loan Note Holders and Shareholders, became deadlocked as to the future direction of the Company and how it should fulfil its obligations to all stakeholders. On 4 December 2018, Gordon Archer and his fellow operational Director, Mark O'Dowd, resigned. Mr Archer and Mr O'Dowd considered that the Board had become polarised and was therefore unable to agree on the substantive issues that needed to be addressed in order to turn the business around. Around the time of these resignations, significant payments (circa £345,000) were made to RU and another entity controlled by Mr Archer in respect of management fees and loan repayments, without the knowledge or approval of the wider Board.

3.11 Following Mr Archer and Mr O'Dowd's resignations, the management of the business passed to the non-executive Directors. With reduced funds available following the aforementioned payments, the recently restored relationship with First Milk was immediately placed under additional pressure. Moreover, the Administrators of Clearfleau were actively pursuing the Company for repayment of sums purportedly owed, as discussed above. Efforts were made to meet operational priorities and allow the plant to continue functioning, including payments to key suppliers and service agents. The Board recognised the need to transfer the operation of the plant to specialist contractors and, with effect from 17 December 2018, engaged Future Biogas Limited ("FBL") in this regard.

4. BACKGROUND TO THE APPOINTMENT OF ADMINISTRATORS

4.1 As a result of the continuing strain on cashflow, the Company was facing difficulties in making key payments, particularly in respect of feedstock supply and digestate removal. In addition, there were two instances of power failure related damage to the plant in December 2018, which adversely effected production and meant that unforeseen emergency costs were incurred. The Board, conscious of its obligations to stakeholders, therefore considered it prudent to approach professional advisers to assist in assessing the short- and long-term viability of the business in its current form.

4.2 Accordingly, David Rubin & Partners was approached by representatives of the Company for insolvency advice. We had sight of certain financial and other pertinent information, including recent management accounts. The Company's balance sheet as at 31 October 2018 showed a significant reduction in net assets over the eleven months since the completion of the last set of filed accounts.

4.3 Following an initial review of its financial affairs, it became apparent that the Company had substantial net liabilities and, when viewed together with its struggles to meet supplier and other key payments as and when they fell due, we considered that the Company was insolvent both on a cashflow and balance sheet basis.

4.4 It view of the above, it was clear that the Company should enter into some form of insolvency procedure. The Company had substantial turnover and, on the basis of our initial review, a viable underlying business. It was determined that rescuing the Company by means of a Company Voluntary Arrangement was not a viable proposition in the short term, in view of the size of its liabilities and the absence of a funder willing to provide a cash injection at the level which would be required. A creditors' voluntary liquidation, meanwhile, would necessitate the cessation of trade and, therefore, a significant reduction in the value of the Company's business and assets. Accordingly, it was considered that an Administration, which would permit trading to continue and allow either a going-concern sale of the business and assets or, potentially, a rescue of the Company at a later stage, would ultimately enable the highest level of return to creditors.

5. PURPOSE OF THE ADMINISTRATION ORDER

5.1 Paragraph 3(1) of Schedule B1 to the Act states that Administrators must perform their functions with the objective of:

(a) rescuing the company as a going concern, or

(b) achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in Administration), or

(c) realising property in order to make a distribution to one or more secured or preferential creditors.

5.2 It was clear from the outset that purpose (a) would not be achievable in the short-to-medium term as the Company was continuing to trade at a loss, and it had only been possible to raise relatively small levels of capital in comparison to the Company's liabilities. However, given a period of operational stability and the successful raising of funds for necessary capital expenditure, there is a possibility of achieving this objective following the trading of the Administration.

5.3 Notwithstanding the above, the value of the Company's assets, being the plant and machinery, which comprise the biogas plant, was likely to be significantly enhanced in the event that the Company was placed into Administration as opposed to Creditors' Voluntary Liquidation. It was considered that a going concern sale was likely to be achievable, as a number of parties had expressed interest in purchasing the business prior to our appointment. The Joint Administrators would need to assess the financial position on appointment and determine the level of realisable assets. If this option was pursued, we would, in due course, also need to instruct Agents to value the business and assets, and undertake an appropriate marketing process.

5.4 Accordingly, the second purpose of achieving a better result for the creditors as a whole than would be likely if the Company were wound up (without first being in Administration) was considered likely to be achievable.

5.5 In the event that the second purpose was not achievable, it was considered likely that the third purpose of Administration (i.e. realising property in order to make a distribution to one or more Secured or Preferential Creditors) would be achievable.

5.6 We were therefore confident that, even if objective (a) could not be fulfilled, there was a high likelihood that objective (b) could be achieved, and, failing that, objective (c).

5.7 Accordingly, the Directors resolved to place the Company into Administration and Paul Cooper and myself were appointed as Joint Administrators at 4.25pm on 21 January 2019. The Administration is registered in the Court of Session, Edinburgh, under reference number P47/19.

6. ACTION TAKEN BY THE ADMINISTRATORS SINCE APPOINTMENT

6.1 The manner in which the affairs and business of the Company have been managed, since the appointment of Joint Administrators, is set out below.

Business Operations - Overview and Funding

6.2 Following appointment, immediate contact was made with the Directors and Senior Management of the Company, to inform them of the situation and advise that their powers of management had ceased as a result of the Administration.

6.3 The decision to put the Company into Administration was taken with a view to giving a replacement management team the period of balance sheet and operational stability needed to complete the remaining stages of the turnaround plan. It was also considered that the appointment of Administrators could assist in facilitating the possible restructuring of some of the Company's payment obligations to its larger unsecured creditors.

6.4 In the more immediate term, placing the Company into Administration also made it much easier to proceed with the first stage of a much needed injection of working capital into the business, which was required in order to allow the Company to continue trading and, therefore, preserve the value of its business and assets, pending the receipt of a substantial Renewable Heat Incentive ("RHI") subsidy payable to the Company by Ofgem in respect of gas produced in the fourth quarter of 2018.

6.5 It was agreed that funding would be provided by a combination of certain of the Directors, LGT Vestra and FBL. We immediately instructed Stephenson Harwood LLP to draft a funding agreement, which needed to comply with Scottish administration regulations and legislation on the priority of expenses and, therefore, is subject to Scottish law and jurisdiction.

6.6 There followed a protracted legal process as the various rights and obligations of the parties needed to be addressed in conjunction with the order of priority under insolvency legislation, particularly in respect of the existing security granted to Ch-1 Investment Partners LLP in respect of the Loan Note Holders.

6.7 The matter was completed on 31 January 2019, and, at this point, funds totalling £334,000, representing the agreed minimum commitment, were released to the Administrators. The funding cap was set as £475,000 and the loans attract an interest rate of 12.5% per annum. The funds were paid into a separate designated trust account to ensure that they could be readily identified and remained segregated from any other monies received.

Appointment of New Management

6.8 FBL has now been formally engaged to take over the operation of the plant. FBL is one of the UK's most successful anaerobic digestion operators and this appointment should significantly enhance the Company's ability to deliver the rest of the turnaround plan. In consultation with the Board and FBL, we have also appointed a new Financial Director, who has extensive industry experience, to oversee the business's finances. In addition to day to day oversight of the financial position and funding requirements, he will monitor the performance of the business and provide P&L and cash flow projections for the business going forward.

6.9 FBL's agreed monthly fee is £25,000 plus VAT, being a reduction on its normal rates. In addition to the monthly fee, and to acknowledge the integral role it will have in running the day to day activities of the business, the Company will accrue an additional £7,000 (exclusive of VAT) per month of fees for every month of the term of the agreement. Interest accrues on this sum at the rate of 10.5% per annum and will be payable on the eventual sale of the plant. In addition, FBL have taken responsibility for acquiring certain goods and services on behalf of the Company, to include chemicals and spare parts. This takes advantage of the reduced costs and expedited availability of such items to FBL, in recognition of which it is entitled to change an agreed mark-up on certain items. The parties also agreed an incentive-based mechanism whereby FBL would receive an exit fee in the event that the business and assets are sold at a value above £6.5m.

Other Matters Arising

6.10 The following matters were also addressed in the first seven days of appointment:

- Santander UK plc, the Company's bank, was informed that the Company had entered into Administration, and that the accounts should be frozen for all debits. The current account is being kept open to ensure the uninterrupted receipt of debtors and trading income.

- Insurance brokers were instructed to liaise with the Company's insurers, RSA Insurance Group plc ("RSA"), regarding the policies in place and to maintain cover. However, it transpired that, due to the Administration, RSA was no longer prepared to be on cover and as such issued notice of cancellation. Our insurance brokers were able to secure alternative arrangements, albeit subject to higher premiums, for property damage and business interruption on the insolvency facility through AXA Insurance Plc and public, products and employers' liability with AXA XL.

- McLay McAlister & McGibbon Chartered Accountants was instructed to assist the Administrators in respect of payroll calculations and pension arrangements for the salaried employees.
- Utility suppliers were contacted in order to maintain continuation of supply.
- Together with the Board and FBL, we considered staffing and other operational parameters and reviewed preliminary cash flows and other key data.
- We made immediate contact with key suppliers, the Administrators of Clearfleau and the solicitors retained by the Company to consider the ramifications, inter alia, of the resignations of Messrs Archer and O'Dowd.

Operational Report

6.11 FBL has prepared an operational report of the position from our appointment until early March 2019, which has been summarised below. It highlights the operational challenges and includes certain recommendations. Substantive engineering modifications and improvements have not been included, as these are subject to a separate review.

Overall site

6.12 The AD plant is built on land owned by the Creamery, situated next to and connected to the effluent treatment plant ("ETP"), which is owned by LDC. The Company operates both the AD and ETP plant. There appears to have been a difference of opinion between the various parties as to the extent to which the ETP was to remain in operation once the AD plant had been built. There is inadequate provision to divert sufficient volume of any "off specification" feedstock to allow it to be processed in an appropriate manner.

6.13 Safety, Health, Environment & Quality - From a safety perspective, there are a number of concerns, many of which can be addressed with a relatively low level of investment. There are also outstanding Environment Agency corrective actions to consider in conjunction with the Creamery.

AD Plant

6.14 Process stability for the AD plant is essential to deliver high uptime, optimise output and minimise chemical addition. The current focus has been on improving plant stability and quality of the AD solid digestate and effluent going to the ETP. This provides the opportunity to reduce both polymer and solid digestate disposal costs.

6.15 Initially, there were high levels of Hydrogen Sulphide ("H_2S") leaving the digesters, resulting in overloading of the carbon towers (incurring additional costs for early replacement) and regular flaring to prevent above specification biogas entering the upgrader. Ferric chloride dosing pumps have been replaced and the H_2S is now able to be controlled. In future, this will result in less frequent changes of carbon, and enable the upgrader to process the required amount of biogas.

6.16 However, during the last week of February 2019, the AD plant suffered severe biological degradation, most likely through overloading of the fragile bacteria. Both digesters went to zero biogas output, but it was possible to turn off Digester 1 quickly and production is currently ramping back up. Digester 2 bacteria effectively stopped reproducing entirely and will, therefore, take longer to re-start the production of biogas.

Gas to grid

6.17 The carbon beds require a small amount of oxygen to remove H_2S, which is currently provided by the injection of air into the process. This leads to the grid entry unit running nearer to a trip and, coupled with an unstable plant, this results in the flow to grid ceasing regularly. There are also delays in getting the injection to grid restarted.

6.18 On 24 February 2019, a heat exchanger on the upgrader failed, but, fortunately, FBL had a spare heat exchanger in stock and was able to supply and install this the next day. However, the fridge compressor and associated control system had to be replaced and needed to be ordered, which resulted in five days of down time.

6.19 Historically, the site struggles during the summer to flow sufficient gas, due to lack of use on the grid. FBL has discussed this issue with the gas network operator, and they have agreed to change their grid pressure. This will significantly improve or, potentially, eliminate the challenge to keep the gas flowing all year round.

CHP (combined heat and power plant)

6.20 The CHP has been offline due to the current service provider remotely inhibiting its restart due to non-payment. A different service provider has now been selected and is installing a different control system and servicing the unit.

Effluent Treatment Plant (ETP)

6.21 The AD effluent enters the ETP part way through the process rather than at the front end. Therefore, during normal operation the ETP runs very near the limit, there is negligible resilience in the system to handle in process deviations, either from the Creamery or the AD plant. The ETP is old, relies extensively on operator intervention and needs investment to optimise, improve capacity, safety, environmental compliance and reliability. Whilst significant investment is needed in the ETP, a much smaller sum is needed to deliver consistent output from the AD plant.

Forward View

6.22 FBL is focusing on the following areas:

- Staff training supported by operating procedures, including actions in the event of process upset;
- Co-locating the management and operators in one place. Improving performance culture and ethos on site;
- Extensive senior manager support to establish good working relationships and protocols with the Creamery and drive turnaround at the Company;
- Routine planned maintenance and spares. Extensive catch-up is needed on overdue maintenance e.g. CHP, upgrader, presses and calibration of the ETP's flow meters;
- Minor capital improvements – oxygen rather than air injection, automated chemical dosing improvements as well as urgent Health and Safety items;

- Alarm prioritisation and reduction, including the ability to view ETP and AD control screens from one location; and
- Biological support and optimisation.

7. CONDUCT OF THE ADMINISTRATION

7.1 As required by Schedule B1 to the Act, we have filed notice of our appointment with the Registrar of Companies, served formal notice on the Company and advertised our appointment in the Edinburgh Gazette.

7.2 We were required as soon as reasonably practicable after our appointment to write to all creditors of the Company, notifying them of our appointment. We eventually obtained details of the Company's creditors from the Directors and, on 8 February 2019, we sent formal notice to all known creditors.

In addition to the work of developing the strategy for the Administration, including liaising with the Directors, evaluating the business with FBL and overseeing the Company's trading as explained above, the Joint Administrators and their staff have undertaken, *inter alia*, the following tasks:

a) Opening a designated bank account, a designated trust bank account and dealing with the movement of funds, both as regards collection of book debts and the trading activities.

b) Applying for the Joint Administrators' bonds, as required by the Insolvency Practitioners Regulations 2005.

c) Publishing the necessary statutory advertisement in respect of the Administration proceedings in the Edinburgh Gazette.

d) Informing the Keeper of the Register of Inhibitions and Adjudications in Scotland of the Administration.

e) Completing various searches at Companies House to obtain statutory information on the Company.

f) Submitting a VAT 769 notifying HMRC that the Company is now in Administration.

g) Corresponding with the Company's pre-Administration bank, Santander UK plc, to freeze its bank accounts.

h) Attending site in Cumbria to gain an understanding of the plant's operation and processes.

i) Dealing with issues surrounding balance sheet liquidity and funding issues.

j) Discussions with parties, who have expressed an interest in the business and assets.

k) Liaising with Ofgem, Northern Gas and the Green Gas Certification Scheme with regard to the Administrators' appointment.

l) Acknowledging creditors' claims, answering telephone enquiries and correspondence therewith.

m) Obtaining a case reference and submitting the relevant forms to the Redundancy Payments Service for an employee whose services were no longer required ("RPS").

n) Dealing with employees' queries and concerns to include Union representatives.

o) Administering the payments of employees' and contractors' wages.

p) Requesting a Statement of Affairs to be submitted by the Directors of the Company.

q) Statutory and administrative duties, including the completion of case and bond reviews on a period basis.

r) Cashiering tasks in relation to the allocation of funds, payments and bank reconciliations.

8. RECEIPTS AND PAYMENTS ACCOUNT

A copy of the Joint Administrators' receipts and payments account for the period from 21 January 2019 to 15 March 2019 is attached at Appendix 3. A trading account is attached at Appendix 3A. All figures are net of VAT, where applicable. We would comment on the accounts as follows:

8.1 RECEIPTS

8.1.1 Book Debts

The amount of £340,595.38 was received from Ofgem in respect of the RHI subsidy due to the Company for the fourth quarter of 2018.

The amount of £40,404.62 was received from Barrow Shipping Ltd in settlement of pre-Administration accounts for the wholesale of gas.

8.1.2 Third Party Funds

As discussed above at 6.5-6.7, loans totalling £334,000 were provided by certain of the Directors, LGT Vestra and FBL in order to fund the trading of the Administration.

8.2 PAYMENTS

8.2.1 Trading Loss

The Joint Administrators are continuing to trade the business and details in respect of payments made in this regard to date are shown at Appendix 3A and discussed below.

8.2.2 Bank Charges

Charges totalling £330 have been levied by Barclays Bank plc on payments made from the Administration accounts.

8.3 UNPAID EXPENSES

8.2.3 Expenses incurred but not yet paid include statutory advertising and specific insurance bonding of £174 and £1,920 respectively. In addition, staff travel and subsistence costs of circa £700 have yet to be recharged.

8.2.4 Post-appointment, Stephenson Harwood LLP solicitors ("SH") has been retained in relation to the following matters:

Funding - Preparing a draft agreement and reviewing substantive changes; discussing the structure of the transaction; liaising with Scottish counsel in relation to Scottish rules in particular regarding the use of a trust account; discussions with regard to the operation of funding, order of priority, fixed v floating charge assets and secured lending; drafting advance notice of funding and completion formalities

Other - Discussions with the Administrators in relation to the purpose of an indemnity; instructing Scottish counsel to prepare initial draft of deed and circulating draft documents.

Post appointment formalities; FBL's terms and conditions; employment issues; Clearfleau Ltd claim; potential claim against former Directors; correspondence with Scottish counsel on issues of jurisdiction and applicable law in relation to on-going matters above.

As at 4 February 2019, SH's accrued time costs for these matters were £22,863.50 (excluding disbursements and VAT). In addition, Shepherd and Wedderburn LLP ("SW") have been retained, via SH, to assist in respect of specific matters relating to Scottish law and practice. As at 31 January 2019, SW's costs were £7,885.50 (excluding disbursements and VAT).

Both SH and SW have specialist Insolvency departments and were chosen on that basis after taking into account the size and complexity of the legal issues. They charge fees on a time costs basis and have provided us with an analysis of the time spent to date. All post appointment fees have yet to be discharged.

8.3 TRADING RECEIPTS

8.3.1 The Company's main sources of revenue are through the wholesale of gas and the receipt of associated subsidies. Payments in this regard are made on a periodic basis and, as none have fallen due in the Administration to date, there have been no trading receipts.

8.3.2 The forecast income for the wholesale of gas from March 2019 to May 2020 is circa £639,000, rising from £29,000 per month to £50,000 per month as the plant's operations are streamlined and the improvements, as detailed at 6.22, take effect.

8.3.3 Income from Renewable Heat Incentives is due quarterly from May 2019 to May 2020 and should generate total income of circa £2.1m, rising from circa £270,000 to £540,000, assuming that the turnaround plan is successfully implemented.

8.3.4 Additional income should be received during the year in respect of Feed In Tariff ("FIT") incentives for electricity supply and the sale of Green Gas certificates. The quantum is currently being assessed.

8.3.5 The above figures will, of course, be impacted upon by the operational difficulties experienced in respect of the failure of the AD plant and the CHP. There is also an insurance claim being pursued in respect of the power failures in December 2018. Future funding of £141,000, pursuant to the terms of the funding agreement, will be received shortly, and it may be necessary to source further loans to fund operational improvements at commercial rates.

8.4 TRADING PAYMENTS

8.4.1 Purchases

Purchases made in the Administration period to date total £126,431.26, comprising payments to First Milk for the supply of whey permeate. This includes the payment of pre-appointment supplies to ensure the continued supply of feedstock, without which the plant could not operate.

8.4.2 **Direct Expenses**

Amounts totalling £48,794.01 and £26,457.20 have been paid to Messrs WR & JE Dixons and Silverwoods Waste Management Limited respectively for waste disposal services. Again, this includes an element of pre-appointment costs as these suppliers' services ensure that the plant can operate. A total of £12,041.64 has been paid to First Milk in respect of agreed service charges.

8.4.3 **Repairs and Maintenance**

Amounts totalling £43,278.70 and £9,327.12 were paid to Heat & Powers Services Ltd and Shaun Bell Electrical Ltd respectively for essential repair and maintenance work undertaken on the Company's plant and machinery. Again, this includes the settlement of certain pre-appointment costs to ensure a continuation of supply.

8.4.4 **Consumable Stores**

A total of £20,281.58 has been paid to Flogas Britain Limited for the supply of propane. FBL has been paid £25,187.40 as a reimbursement of essential chemical costs sourced on the Company's behalf at short notice.

8.4.5 **Subcontractors**

Amounts totalling £41,504.91 have been paid to EngSolutions (Cumbria) Ltd, KT Engineering Cumbria Limited, JR Mechanical Services and GH Operations respectively. These subcontractors were retained based on their expertise and specialist knowledge, and their services have been essential in allowing the Joint Administrators to continue trading the business. The subcontractors' fees are charged on a time cost basis plus disbursements at cost.

8.4.6 **Professional Fees**

The amount of £25,000 has been paid to FBL in respect of its consultancy services for January 2019. FBL has been retained to oversee the operation of the plant, and its role and the basis of its fees are discussed above at Section 6.

The amount of £3,000 has been paid to IS FD Ltd ("IS") in respect of its fees for providing the services of the Finance Director, Ian Simpkin. Mr Simpkin been retained to provide key financial review and oversight services, including establishing the Company's financial position as at the date of Administration, managing and directing financial matters in the ongoing trading of the business, preparing cashflow forecasts, financial reports, projections and commentary, and work in relation to the valuation of the business and potential fundraising.

IS's fees were agreed on the basis of an initial advance of £3,000, together with a monthly fee of £3,000, and further fees for any additional work completed beyond that contracted, on a time-cost basis.

8.4.7 **Utilities**

The amount of £10,542.17 has been paid to Npower Ltd for the supply of electricity for the period from 21 January 2019 to 31 January 2019. The amount of £4,277.50 has been paid to First Milk for the supply of bore water, which is used to dilute chemicals used in the AD process following the failure of the Company's pumps.

8.4.8 **Wages and Salaries**

Wages totalling £13,134.22 have been paid to employees for the months of January and February 2019.

8.4.9 **Future Expenditure**

It is currently difficult to assess the quantum of future expenditure due to the current operational difficulties, which will necessitate costs being incurred outside of budgeted parameters. Moreover, historic design faults, lack of maintenance and negligible spares are likely to result in unforeseen costs.

For creditors' information, the current minimum budgeted monthly costs are as follows:

	£
Feedstock Purchases and Digestate Removal	71,250
Power and Utilities	28,000
Chemicals	78,600
Employment	23,382
Maintenance and Engineering	16,869
General and Administrative	14,705
	232,806

9. STATEMENT OF AFFAIRS

The Directors were asked to prepare a Statement of Affairs pursuant to Paragraph 47 of Schedule B1 to the Act. The Directors have requested our assistance in the preparation of the Statement of Affairs and, with assistance from the new Financial Director, we have completed this task. However, the Directors have not yet had an opportunity to examine and approve the statement. The draft Statement of Affairs is included at Appendix 4.

The creditors' claims are based on the last known position from the Company's records. Creditors, if they have not already done so, are requested to submit a formal proof of debt in order that the final position may be ascertained, although it is not the responsibility of the Joint Administrators to formally agree claims.

10. CREDITORS, PRESCRIBED PART AND DIVIDEND PROSPECTS

10.1 **Secured Creditors**

Ch-1 Investment Partners LLP holds a fixed and floating charge over the Company's assets as security trustee, created on 1 March 2017 and registered at Companies House on 2 March 2017.

10.2 **Preferential Creditors**

There will be preferential claims for those employees, who are owed unpaid wages and holiday pay. Under the provisions of Schedule 6 of the Insolvency Act 1986, any amounts outstanding to employees in respect of unpaid wages (up to a maximum of £800) and outstanding annual leave entitlements are afforded priority over the claims of floating charge creditors and ordinary unsecured creditors.

It is likely that a significant element of any preferential claims will be subrogated to the Secretary of State, following payment to the employees by the RPS.

Although the Joint Administrators are yet to receive notification of the preferential creditors' claims, based on current information, it is expected that the preferential claims in respect of arrears of pay and holiday pay, including the claim that will be made by the RPS, will be negligible.

It is envisaged that there will be sufficient funds available to enable a distribution to be paid to preferential creditors in full settlement of any claims.

10.3 **Prescribed Part**

Pursuant to section 176A of the Insolvency Act 1986, where a floating charge is created after 14 September 2003, a prescribed part of the Company's net property shall be made available to unsecured non-preferential creditors.

The charge registered against the Company was created after 15 September 2003 and, therefore, the provisions of S176A will apply in this Administration.

10.4 **Non-Preferential Unsecured Creditors**

In addition to the Company's liabilities to the secured and preferential creditors, there are also trade and expense creditors and Crown liabilities, as set out in the attached Statement of Affairs.

To date, the Joint Administrators have received claims from unsecured creditors totalling £737,490.38.

10.5 **Dividend Prospects**

Preferential creditors are expected to be paid in full. It is too early at this stage to provide a meaningful estimate of the likely level of distributions to the secured creditor and unsecured non-preferential creditors. As discussed above, the Joint Administrators are exploring whether a rescue of the Company is achievable. If not, the level of any dividend to unsecured creditors will be dependent on whether a sale of the business is achievable and the price of any such sale.

11. INVESTIGATION BY THE JOINT ADMINISTRATORS

The Joint Administrators will investigate and, if appropriate, pursue any claims that the Company may have under the Companies Acts 1985 and 2006 or the Act. The Joint Administrators are required, within three months of their appointment, to submit a return on the conduct of all persons, who have acted as either Directors or shadow directors of the Company during the period of three years ending on the date of the Joint Administrators' appointment. To facilitate the preparation of that return and our enquiries into the Company's affairs, the Joint Administrators have already invited creditors to provide them with information on any matters of concern.

12. CREDITORS' MEETING BY CORRESPONDENCE

An initial creditors' meeting is being convened by correspondence, in accordance with Paragraph 58 of Schedule B1 to Act, to consider the Joint Administrators' proposals and specific resolutions, as required by the Insolvency (Scotland) Rules 1986 ("the Rules"), as regards the basis of the Administrators' remuneration and expenses and the timing of their discharge from personal liability on vacating office.

Formal notice of the business being conducted, which includes the Resolutions being proposed, has been sent to all creditors for their reference. Please note that you will be bound by our proposals if they are approved by the requisite majority of creditors. It is, therefore, important that you read this document carefully.

Creditors, singly or as a group, whose debts amount to at least 10% of the total debts of the Company, may request a meeting. Any requests for an initial creditors meeting must be made in writing to my office within 5 business days from the date that my letters to creditors informing them that the Joint Administrators' Proposals are available for reading or downloading from my Firm's website were sent out to creditors. If the request is by a group of creditors, the following must be provided along with the request:

(a) A list of creditors concurring with the request, showing the amounts of their respective debts in the Administration;

(b) From each creditor concurring, written confirmation of his concurrence; and

(c) A statement of the purpose of the proposed meeting.

13. ENDING OF ADMINISTRATION

The options available to the Joint Administrators for the exit from the Administration are as follows:

- Compulsory Winding Up
- *Creditors' Voluntary Liquidation*
- Company Voluntary Arrangement
- Return of control to the Directors
- Dissolution of Company (i.e. striking off the Companies House register)

The Joint Administrators envisage that the most likely scenario is that the Company will move from Administration to Creditors' Voluntary Liquidation in accordance with the provisions of Paragraph 83 of the Act so that the Liquidators may adjudicate creditors' claims and pay a dividend to creditors following a sale of the business. However, as discussed above, we are also exploring the possibility of a rescue of the Company and, with creditors' agreement, an exit from Administration to a Company Voluntary Arrangement.

14. JOINT ADMINISTRATORS' REMUNERATION

14.1 In accordance with Rule 2.25(j) of the Rules, it is proposed that the basis upon which the Joint Administrators' remuneration should be fixed is by reference to the time properly given by them and their staff in attending to matters arising in the Administration.

14.2 We have now reviewed our time costs for the period in Administration from 21 January 2019 to 15 March 2019. The Joint Administrators' time costs for this period total £126,608, representing 359:36 hours at an average hourly rate of £352.08. A detailed report of our time costs is attached at Appendix 2.

15. PRE-APPOINTMENT COSTS

As stated in Appendix 2, unpaid pre-appointment costs are not part of the above Proposals subject to approval under paragraph 53. Time costs incurred in the pre-appointment period, as set out in Appendix 2A total £16,455.50, representing 55:12 hours at an average hourly rate of £298.11. The Joint Administrators have written off the balance of their unpaid pre-

Administration time costs and will, therefore, not be seeking creditors' approval for their payment.

16. EC REGULATION ON INSOLVENCY PROCEEDINGS

It is considered that the EC regulation applies and that these proceedings are main proceedings as defined in Article 3 of the EC Regulation as the Company was incorporated in Scotland and the centre of main interest of the Company is in Scotland within the United Kingdom.

17. JOINT ADMINISTRATORS' FORMAL PROPOSALS

The Joint Administrators hereby make the following proposals, in accordance with Paragraph 49 of Schedule B1 to the Act, for the achievement of the purpose of the Administration, and creditors are asked to consider and cast their votes thereon, or put forward any modifications they wish using the voting form sent to them by post:-

i) That the Joint Administrators will continue to manage the Company's affairs in accordance with the statutory purpose until such time as the Administration ceases to have effect.

ii) That, as funds may become available for unsecured creditors, the Joint Administrators may, at their discretion, establish in principle the claims of unsecured creditors for subsequent adjudication by a subsequent liquidator, and that the costs of so doing be met as a cost of the Administration as part of the Joint Administrators' remuneration.

iii) That a creditors' committee may be formed, if the creditors resolve to do so, provided that three or more creditors are willing to serve on it. If the Administration moves to creditors' voluntary liquidation, any creditors' committee, which is in existence immediately before the Company ceases to be in Administration, shall continue in existence after that time as if appointed as a liquidation committee under Section 101 of the Act. If a committee is formed, the Administrators and the Joint Liquidators (when appointed), will consult with it from time to time on the conduct of the Administration and liquidation proceedings. Where it is considered appropriate, the committee's sanction will be sought to proposed action instead of convening a meeting of all the creditors.

iv) That, should a creditors' committee be formed and the Joint Administrators consider that an extension beyond an Administration's statutory duration of one year would be advantageous, the Joint Administrators will consult with the committee prior to taking the necessary steps. If a creditors' committee is not appointed, the Joint Administrators shall either apply to the Court or seek a Decision of the appropriate classes of creditors for the consent to an extension.

v) That the basis of the Joint Administrators fees will be fixed and their Category 2 disbursements will be agreed by the creditors' committee. If no creditors committee is formed, it is proposed that the remuneration of the Joint Administrators be fixed by reference to the time given by the Joint Administrators and the various grades of their staff according to their firm's usual charge out rates in attending to matters arising in the Administration, that the Joint Administrators be authorised to draw category 2 disbursements in accordance with their firm's published tariff and they be entitled to draw sums on account of their remuneration and disbursements as and when funds permit.

vi) That, without prejudice to the provisions of Paragraphs 59 to 72 of Schedule B1 to the Act, the Joint Administrators may carry out all other acts that they consider to be incidental to the Proposals above to assist in their achievement of the overriding purpose of the Administration.

vii) That, if appropriate, the Joint Administrators take any action they consider necessary with a view to the approval of a Company Voluntary Arrangement in relation to the Company.

viii) That the Joint Administrators take whatever other actions they deem appropriate in the interests of creditors. This includes placing the Company into liquidation if it appears that this would be in the best interests of the general body of creditors. In these circumstances, it is proposed that the Joint Administrators shall become the Joint Liquidators, and any act required or authorised under any enactment to be done by the Joint Liquidators may be done by either or both persons from time to time holding office. Creditors are advised that, pursuant to Paragraph 83(7)(a) of Schedule B1 to the Act, they may appoint different persons as the proposed Joint Liquidators, provided the nomination is made after the receipt of these Proposals and before these Proposals are approved.

ix) That the Joint Administrators' liability, in respect of any action of theirs as Joint Administrators, shall be discharged in accordance with Paragraph 98 of Schedule B1, immediately upon the appointment ceasing to have effect.

PAUL APPLETON - JOINT ADMINISTRATOR

DATE: 15 March 2019

APPENDIX 1

STATUTORY INFORMATION

Date of incorporation:	24 November 2014
Registered number:	SC491828
Registered Office:	McLay McAlister & McGibbon LLP 145 St. Vincent Street Glasgow Scotland G2 5JF
Trading Address:	Lake District Creamery Station Road Aspatria Wigton Cumbria CA7 2AR
Issued Share Capital:	4,989,001 A Ordinary shares of £1 each fully paid 10,000 B Ordinary shares of £100 each fully paid
Directors:	*Gordon Joseph Archer (resigned 4 December 2018)* Frank Colhoun Matthew Benedict Evans Robert Francis Raymond Jolliffe Thomas Alexander Northway Mark Anthony O'Dowd (resigned 4 December 2018)

Shareholders:

Share	**Votes**	**Shares**
Class	Held	**In issue**
A Shares	49.00%	4,989,001
B Shares	51.00%	10,000
Total	100.00%	4,999,001
Share of Voting Rights		
Vestra Clients	47.87%	
Evans / Spacey / Jolliffe	10.69%	
Northway	10.71%	
Archer / O'Dowd	20.91%	
First Milk Energy Ltd	7.65%	
Clearfleau Ltd	1.53%	
Pedley / Faben	0.64%	
Total	100.00%	

APPENDIX 2

JOINT ADMINISTRATORS' TIME COSTS AND EXPENSES

Pre-Appointment Costs: Statement under Rule 2.25(1) of the Insolvency (Scotland) Rules 1986

Unpaid pre-appointment costs as an expense of the Administration are:-

(i) subject to approval under Rule 2.39C, and

(ii) not part of the proposals subject to approval under paragraph 53.

By a letter of engagement between David Rubin & Partners and the Company, dated 14 January 2019, the Company agreed to pay for our time costs for assistance and advice on a prospective Administration of the Company. Prior to our appointment, the Company paid us the sum of £15,000 in this regard. We have written off the balance of our unpaid pre-appointment time costs, and all other pre-appointment expenses have been settled. We will not, therefore, be seeking approval under Rule 2.39C.

Pre-Appointment Time Costs

The time costs we incurred between our first being consulted and the date of our appointment were £16,455.50 plus VAT for a total of 55:12 hours. This represents an average hourly charge out rate of £298.11. Prior to our appointment, we were advanced a sum of £15,000 plus VAT, and we have billed this amount on account. We have written off our outstanding pre-Administration time costs of £1,455.50 plus VAT. An analysis of the time spent is provided at Appendix 2A.

Overview

Our firm, David Rubin & Partners, was first consulted in the first week of December 2018. We held a number of meetings and telephone conferences with the Company's management, Directors and Shareholder representatives to determine the financial position of the Company and to consider what options might be available to the Directors.

The background to the Administrators' appointment is discussed at Section 4 of the main body of this report. In addition to extensive communication with the Company's Directors and other stakeholders, work undertaken prior to our appointment involved the review of the Company's financial information and its operational history, and the formulation of a strategy for trading the Administration upon our appointment.

Having established that an Administration was in the best interests of all stakeholders, both preserving maximum value for creditors and offering a possibility of rescuing the Company, we advised on the steps required to appoint Administrators and engaged the services of solicitors, Stephenson Harwood LLP, who were both competent to handle the complexities of the case and had no prior professional relationship with the Company or its management.

As the Company is incorporated in Scotland and the Administration proceedings are subject to Scottish law, we also engaged Shepherd and Wedderburn LLP, a firm of lawyers which specialise in Scottish insolvency, to provide expert advice in this regard.

Issues impacting on the level of costs

The appointment was made by the Directors pursuant to Paragraph 22 of Schedule B1 to the Act. It was necessary to obtain the charge-holder's consent to the proceedings and ensure the requisite satisfaction documentation was filed at Companies House in respect of another, historic, charge, which had been fulfilled.

Extensive liaison with the Directors, who are based in England, was required to ensure the appointment documentation was completely correctly and within the relevant statutory timeframes, ahead of filing at the Court of Session in Scotland.

Negotiations with the parties providing finance for the trading of the Administration, and liaison with solicitors in this regard, began in the pre-Administration period to ensure funding was in place to enable the Joint Administrators to meet essential payments as they fell due following their appointment.

Pre-appointment expenses

Our solicitors, Stephenson Harwood LLP ("SH"), incurred time costs of circa £12,000, in addition to disbursements of £884.50 plus VAT, in respect of their services in, *inter alia*, liaising with us, the Directors and Scottish counsel, reviewing the position in respect of the Company's center of main interest and specific matters relevant to the insolvency of energy supply companies, and obtaining the Joint Administrators' appointment

SH has a specialist Insolvency department and was chosen on this basis after taking into account the size and complexity of the legal issues involved. SH's fees are charged on a time cost basis.

In addition, Shepherd and Wedderburn LLP incurred costs of £5,250 for its services in providing specialist advice on Scottish Administration law and arranging the filing of the relevant appointment documents at the Court of Session.

All pre-appointment solicitors' fees have been settled. There are no other outstanding pre-appointment expenses.

Seeking Approval for Payments

As all pre-appointment expenses have been paid, and the Joint Administrators have written off the balance of their unpaid pre-appointment time costs, we will not be seeking creditors' approval under Rule 2.39C.

Post-appointment

The time costs we have incurred from the date of our appointment to 15 March 2019 amount to £126,608 plus VAT for a total of 359:36 hours. This represents an average hourly charge out rate of £352.08. We have not drawn any fees on account and this entire sum is outstanding. An analysis of the time spent is provided at Appendix 3A.

Case overview

The actions taken by the Joint Administrators and their staff following appointment are discussed, in detail, at Sections 6 and 7 of the main body of this report.

Issues affecting costs

In light of the Company's serious short-term cashflow issues, it was vital to secure up-front funding to finance the trading of the Administration. A seamless continuation of trading would preserve the value of the business and assets and allow the possibility of a rescue of the Company. A significant level of work was involved in liaising with the funders and our solicitors to reach an agreement on terms acceptable to all parties. The nature of the work involved, including consideration of the legal position in respect of the priority of payments, necessitated a high level of Partner and Manager involvement.

A high level of Partner and Manager time has also been incurred in liaising with our agents, FBL, to oversee the operation of the plant. The plant has faced numerous operational issues since our appointment as a result of historical issues, which are discussed in detail under "Operational Report" at Section 6.

In addition, all payments to suppliers, subcontractors and employees have been reviewed and processed by the Joint Administrators and their staff. Consideration has been given to reducing costs wherever possible, while also ensuring all necessary repair and maintenance work is carried out. In accordance with the turnaround plan, the Joint Administrators consider that the business will be of maximal value when the plant is operating at a high level of efficiency, and this principle has guided our trading expenditure.

As discussed at Section 6.10, we have liaised with insurer brokers to ensure adequate cover is in place. The Joint Administrators are also conscious of their environmental obligations and have liaised closely with FBL to ensure the Company is in compliance with all relevant regulations.

In an effort to keep costs to a minimum, the Joint Administrators, after careful consideration, have made one employee redundant. As well as reviewing the employee position from an operational efficiency standpoint, the Joint Administrators and their staff have had to ensure they comply with all legal obligations to employees.

As discussed in the main body of the report, Clearfleau has issue a significant disputed claim against the Company. The Joint Administrators have completed preliminary work in reviewing the position in this regard, together with liaison with other creditors.

The Joint Administrators have also taken initial steps to consider potential claims the Company may have against various parties in respect of antecedent transactions,

To view an explanatory note concerning Administrators' remuneration approved by the Joint Insolvency Committee, please visit the Publications folder on our website www.drpartners.com/cases, using the following log-on details:

USERNAME: L960@drco.co.uk PASSWORD: 069Ldm*!

Alternatively, please contact this office to arrange for a copy to be sent to you.

LAKE DISTRICT BIOGAS LIMITED - IN ADMINISTRATION

JOINT ADMINISTRATORS' PRE-APPOINTMENT TIME COSTS

Classification of work function	Hours					Total Cost £	Average hourly rate £
	Partners	Manager / Senior Manager	Admin / Senior Admin	Cashiers	Total hours		
Administration, Strategy and Planning							
Case planning, strategy & control	03:00	22:30	29:30	00:00	55:00	16,425.50	298.65
Accounting & Cashiering	00:00	00:00	00:00	00:12	00:12	30.00	150.00
Total hours and costs	03:00	22:30	29:30	00:12	55:12	16,455.50	298.11

JOINT ADMINISTRATORS' TIME COSTS

FOR THE PERIOD 21 JANUARY 2019 TO 15 MARCH 2019

Classification of work function	Hours					Total Cost £	Average hourly rate £
	Partners	Manager / Senior Manager	Admin / Senior Admin	Cashiers	Total hours		
Statutory compliance, admin and planning							
IPS set up & maintenance	00:00	00:00	04:00	00:00	04:00	480.00	120.00
Statutory filings,circulars, notices, etc.	05:00	00:00	42:18	00:00	47:18	10,730.00	226.85
Case planning, strategy & control	*00:00*	*01:42*	*09:30*	*00:00*	*11:12*	*1,811.50*	*161.74*
Taxation: PAYE, C/Tax & VAT	00:00	00:00	00:30	00:00	00:30	60.00	120.00
Accounting & Cashiering	00:00	00:00	00:00	10:54	10:54	2,377.00	218.07
Case reviews & Diary maintenance	00:00	00:00	00:18	00:00	00:18	60.00	200.00
Statutory reporting and compliance	01:00	15:00	25:24	00:00	41:24	11,139.00	269.06
Investigations							
Antecedant transactions	06:00	04:00	00:00	00:00	10:00	4,880.00	488.00
Realisation of assets							
Freehold & leasehold properties	00:00	01:30	00:00	00:00	01:30	592.50	395.00
Book debts collection	00:00	01:00	00:00	00:00	01:00	395.00	395.00
Tangible assets	02:00	03:00	02:00	00:00	07:00	2,657.00	379.57
Creditors							
Secured creditors	02:00	02:00	00:00	00:00	04:00	1,890.00	472.50
Unsec'd Creditors: correspondence & claims	04:30	07:30	19:54	00:00	31:54	9,295.50	291.39
Preferential creditors & employees	06:00	02:18	05:30	00:00	13:48	5,336.50	386.70
Trading							
Admin, strategy and planning	49:30	23:30	31:24	00:00	104:24	42,341.50	405.57
Sale and invoicing	00:00	05:18	00:00	00:00	05:18	2,093.50	395.00
Purchases and expenses	31:00	20:30	00:30	00:00	52:00	25,257.50	485.72
Employees and payroll	02:00	06:42	01:24	00:00	10:06	4,026.50	398.66
Accounting and cahiering	00:00	03:00	00:00	00:00	03:00	1,185.00	395.00
Total hours and costs	109:00	97:00	142:42	10:54	359:36	126,608.00	352.08

APPENDIX 3

LAKE DISTRICT BIOGAS LIMITED - IN ADMINISTRATION
JOINT ADMINISTRATORS' TRADING POSITION
FOR THE PERIOD FROM 21 JANUARY 2019 TO 15 MARCH 2019

	Period from 21-Jan-19 to 15-Mar-19 £	£
Income		Nil
Expenditure		
Purchases	126,431.26	
Direct Expenses	87,292.85	
Repairs & Maintenance	52,605.82	
Consumable Stores	45,468.98	
Subcontractors	41,504.91	
Professional Fees	28,000.00	
Utilities	14,819.67	
Wages	13,134.22	
		(409,257.71)
TRADING LOSS		(409,257.71)

APPENDIX 3A

LAKE DISTRICT BIOGAS LIMITED - IN ADMINISTRATION
JOINT ADMINISTRATORS' RECEIPTS & PAYMENTS ACCOUNT
FOR THE PERIOD FROM 21 JANUARY 2019 TO 15 MARCH 2019

	Period from 21-Jan-19 to 15-Mar-19	
	£	£
Trading loss		(409,257.71)
Receipts		
Book Debts	381,000.00	
Third Party Funds	334,000.00	
		715,000.00
Payments		
Bank Charges		(330.00)
Balance in hand		305,412.29
Represented by		
Current Account		265,977.46
Trust Account		20,001.31
VAT Receivable		19,433.52
		305,412.29

LAKE DISTRICT BIOGAS LIMITED

DRAFT ESTIMATED STATEMENT OF AFFAIRS AS AT 20th JANUARY 2019

	Book Value	Estimated to Realise	
		Forced Sale	Going Concern
	£	£	£
ASSETS SUBJECT TO FIXED CHARGE			
Contracts and Goodwill	Nil	1	5,000
Website and Domain Name	Nil	1	5,000
		2	10,000
Secured Loan Note Holders: Ch-1 Investment Partners LLP		(9,295,942)	(9,295,942)
Surplus/(Deficiency) carried down		(9,295,940)	(9,285,942)
ASSETS SUBJECT TO FLOATING CHARGE			
Plant and Machinery	[redacted]	1,125,811	4,850,000
Debtors	[redacted]	153,940	307,879
Cash at bank	[redacted]	48,309	48,309
Preference/TUV claims	[redacted]	1	1
		1,328,061	5,206,189
PREFERENTIAL CREDITORS			
Employees' preferential claims		(3,500)	0
NET PROPERTY		1,324,561	5,206,189
PRESCRIBED PART OF NET PROPERTY c/d		(267,912)	(600,000)
ASSETS AVAILABLE TO FLOATING CHARGE HOLDERS		1,056,649	4,606,189
Ch-1 Investment Partners LLP		(9,295,942)	(9,295,942)
SHORTFALL AS REGARDS FLOATING CHARGE HOLDERS		(8,239,293)	(4,689,753)
PRESCRIBED PART AVAILABLE TO UNSECURED CREDITORS b/d		267,912	600,000
UNSECURED CREDITORS			
Trade creditors	[redacted]		
Accruals	[redacted]		
Loans	[redacted]		
HM Revenue & Customs	[redacted]		
Directors Fees	[redacted]		
Employee Termination Costs	[redacted]		
First Milk Cheese Company Limited - Contigent Claims	[redacted]		
	[redacted]	(2,601,318)	(2,601,318)
DEFICIENCY AS REGARDS UNSECURED CREDITORS		(2,333,406)	(2,001,318)
Shortfall to Ch-1 Investments Partners LLP b/d		(8,239,293)	(4,689,753)
DEFICIENCY AS REGARDS CREDITORS		(10,572,699)	(6,691,071)
SHARE CAPITAL			
A and B Ordinary shares of £1 each fully paid		(4,999,001)	(4,999,001)
DEFICIENCY AS REGARDS CONTRIBUTORIES		(15,571,700)	(11,690,072)

The Statement of Affairs does not include the costs of any formal insolvency procedure