

ABBREVIATIONS

For the purpose of this report the following abbreviations shall be used:

“the Act”	Insolvency Act 1986 (as amended)
“the Administrators”	John Charles Reid and Dominic Lee Zoong Wong of Deloitte LLP
“the Bank”	Clydesdale Bank Plc
“CAPA”	CAPA UK Limited
“Chesham”	Commercial property at Weir House Trout Farm, Latimer Road, Chesham, Buckinghamshire HP5 1QQ
“CID”	Confidential Invoice Discounting
“Co-op”	The Co-operative Bank
“the Company”	Powwow Water Company Limited (in Administration)
“the Court”	The Court of Session, Edinburgh
“Deloitte”	Deloitte LLP
“the Director”	James Clement Park
“DLA”	DLA Piper Scotland LLP
“EA”	Environment Agency
“Fillongley”	Commercial property at Tamworth Road, Fillongley, Coventry CV7 8DZ
“HMRC”	HM Revenue & Customs
“JLL”	Jones Lang Lasalle LLP (formerly King Sturge LLP)
“Metis”	Metis Partners LLP
“Murray White” and “MWL”	Murray White & Co Limited or Murray White London Limited
“Nestle”	Nestle Waters Powwow Limited
“POU”	Point of use mains water business
“PP”	The Prescribed Part of the Company’s net property subject to S176A of the Act
“QFCH”	Qualifying Floating Charge Holder
“the Rules”	Insolvency (Scotland) Rules 1986 (as amended)
“SIP7 (Scotland)”	Statement of Insolvency Practice 7 (Scotland) – Presentation of Financial Information in Insolvency Proceedings
“SIP9 (Scotland)”	Statement of Insolvency Practice 9 (Scotland) – Remuneration of Insolvency Office Holders
“SIP13 (Scotland)”	Statement of Insolvency Practice 13 (Scotland)
“VAT BDR”	VAT Bad Debt Relief
“WAW”	Wild About Water (UK) Limited

It was concluded that pursuing a sale of the business and assets would maximise realisations.

3.4 Sale of business

A list of prospective purchasers was collated comprising parties who had contacted the Administrators directly and other potential suitors identified by the Administrators as a result of previous transactions within the water industry. As the business was no longer trading, it was not possible to undertake a wider marketing campaign to sell the business as a going concern and the process was restricted due to the limited available time and information to assist prospective purchasers' diligence.

Whilst we received a number of expressions of interest for certain of the Company's assets there was no real interest for the business in its entirety. This was compounded by the fact that the Company did not have control of the bottling plant in Fillongley. However, on 6 and 9 April 2010 respectively, two separate sale agreements were signed with WAW to acquire all related POU assets and bottled assets respectively. A total consideration of £250,000 was received. We understand that the bottled water business was subsequently sold to Eden Springs UK Limited by WAW, although the Administrators were not party to this transaction.

3.5 Intellectual Property Rights

Following our appointment we instructed agents, Metis, to market the Company's IPR for sale. In the initial stages Metis experienced difficulty in obtaining full control of the Company's IPR after it became apparent that it was being managed and had been registered to an unrelated company under the control of the Director. This caused significant problems resulting in only one offer being received for the IPR following an initial closing date to receive offers.

Our agents thereafter entered into discussion with the Company's former IT director to obtain full control of the IPR. After protracted negotiations with the IT director and discussion with an interested party who was keen to secure control of the IPR, a successful sale was concluded in October 2010, realising £22,000.

3.6 Book debts

The most significant asset of the Company was its customer debtor book. In order to preserve value and maintain continuity of supply it was agreed that WAW would carry out the collection of all book debts.

Shortly after our appointment, it came to our attention that the Director had purported to have sold a significant amount of the Company's book debts older than 120 days to Murray White on the day of our appointment, for a nominal consideration. It should be noted that no sums were received by the Company for those book debts. Under the terms of the CID facility, all book debts were secured to the Bank.

As Murray White and MWL had been targeting customers pursuing recovery of the Company's book debts, the Bank were required to raise injunctions in both the Scottish and English courts to intervene. Subsequently, successful injunctions were granted by the courts.

The Bank operated a separate pre-appointment bank account on behalf of the Company into which approximately £1.3m of book debts has been received. These debts are not included in the Administrators' Receipts and Payments Account at Appendix 2. As the Bank has suffered a shortfall of approximately £0.3m under its CID facility, there will be no recovery to the Administration from this source.

On this basis, pursuance of any remaining book debt recoveries would not benefit the Company's preferential or unsecured creditors. Notwithstanding, no agent, third party or solicitor has been instructed either by the Bank or the Administrators to pursue recovery of all book debts, which remain secured to the Bank under its CID facility or owed to the Company.