

Date: 16 June 2008  
Our Ref: 080616 AS Hammonds Aquavitae  
Your Ref: CEW/jmc/VEN.034-0675

Hammonds LLP  
7 Devonshire Square  
London EC2M 4YH

Dear Sirs

**Aquavitae (UK) Limited and Vitae Holdings Limited (both in Administration)**

Thank you for your letter of 12 June 2008, advising that your clients had been appointed Administrators of the above companies.

Aquavitae holds a water supply licence and a sewerage supply licence, granted by the Commission under section 6 of the Water Services etc. (Scotland) Act 2005 (the 2005 Act). Aquavitae has paid the following fees to the Commission in relation to those licences:

- An application fee of £4,750.00, paid when Aquavitae applied for its licences on 24 August 2007.
- The first instalment of £1,500.00 of its annual levy, paid on 28 March 2008 for the period 1 April to 30 June 2008. Both of these payments have been made pursuant to the fees scheme made by the Commission under section 9 of the 2005 Act and I attach a copy of both that fees scheme and the Commission's statement of policy in relation to it. As you will see from the terms of both documents, neither of these payments are of the nature of a deposit and we do not consider either payment to be refundable.

While Aquavitae continues to hold its licences, its liability for licence fees will continue to accrue. I enclose for the attention of your clients our invoice for the next instalment of £880.72 of Aquavitae's annual levy, which is due for payment by 1 July 2008.

I understand that Aquavitae still has some water and sewerage supply points registered to it in Scotland. You should note that a licensed provider which enters into administration will be classed as a defaulting trading party and may have its supply points transferred to other licensed providers by the Central Market Agency (CMA) in accordance with the Market Code, which is published on the CMA's website, [www.cmascotland.co.uk](http://www.cmascotland.co.uk).

In addition, the Commission has the power to revoke licences under paragraph 10 of schedule 2 to the 2005 Act and may seek to revoke a licence where it considers the licensee no longer has the ability to perform adequately the activities authorised by the licence, or where the licensee has breached the licence. I understand from Scottish Water that

Water Industry Commission for Scotland  
Ochil House  
Springkerse Business Park  
Stirling FK7 7XE

Chairman Sir Ian Byatt

Telephone 01786 430 200  
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Aquavitae has failed to pay its wholesale charges and is, therefore, in breach of its wholesale services agreement. This would place Aquavitae in breach of its licence conditions (you should note that a failure to pay any part of its annual levy would also place Aquavitae in breach of its licence conditions). If your clients wish for Aquavitae to continue trading in the market or otherwise realise residual value from the licensed business, they may wish to contact this office to discuss the options available to them. Alternatively, your clients may wish to ask the Commission to revoke the licence, which would be the quickest way to limit their exposure to further licence fees.

I enclose some further relevant documents: copies of the two licences held by Aquavitae and the invoice that the Commission issued to Aquavitae for the first instalment of its annual levy.

We have had no direct contact with Vitae Holdings Limited that would be of relevance. There is no statement of account between the Commission and Aquavitae for the supply of water because Scottish Water is the wholesaler that supplies water to Aquavitae.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Alan Sutherland', written in a cursive style.

Alan Sutherland  
Chief Executive