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20 July 2018

## **PROJECT POSEIDON: LOAN DRAWDOWN ASSURANCE REPORT**

Reference: Project Poseidon VATIS

### **Background**

The Scottish Government has provided a commercial loan facility to Ferguson Marine Engineering Limited (FMEL) – the Project Poseidon Commercial Loan – and has identified the need for independent operational expert advice relating to the Loan. This is to monitor FMEL’s performance against its vessel delivery programme and resourcing plan and provide assurance that Loan conditions and expectations are being met.

The Loan Agreement states that FMEL will provide the following information for review:

“a build update report on the build out of vessels 801 and 802 plus cost overruns and other issues, details of cost estimations in connection therewith and any such other information as relevant to the delivery of the vessels and to the running of the business”

One condition precedent to drawing the Loan is:

“satisfactory assurance from the Scottish Ministers’ independent operational expert that progress of the build of the vessels known as 801 and 802 is proceeding in accordance with the overall resource program presented by FMEL on 28 and 29 May 2018 at Port Glasgow, taking account of factors that are outside FMEL’s control.”

### **Report**

The report below is an independent view of the progress of the build of the vessels known as 801 and 802 with respect to the overall resource program presented by FMEL on 28 and 29 May 2018 at Port Glasgow. The review was undertaken on 19 July 18 on site.

## LOAN DRAWDOWN ASSURANCE REPORT

Drawdown Number: 2

Date of Drawdown Request: X 2018

### Summary

My last visit was at the end of May. Since then I see considerable progress both in terms of work on the new ferries and enlarging and improving the workforce. Inevitably the delay in obtaining a loan has had an impact on the programme, however I was shown strong evidence that leads me to believe the delay is recoverable. Key issues now are continuing the recruitment and engaging the sub-contractors to install electrical systems and undertake accommodation fit out. These are in hand and I have no reservations in recommending draw down is approved.

Luke van Beek CBE  
VATIS Ltd  
Independent Expert