

VATIS Ltd
18 Crofton Way
Swanmore
Hampshire

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Mary McAllan
Director of Economic Development
Scottish Government
5 Atlantic Quay
150 Broomielaw
Glasgow G2 8LG

11 Sept 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 the second independent drawdown report 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 May onsite in Port Glasgow. The review was undertaken on 11 September 2018 by telephone interview.

LOAN DRAWDOWN ASSURANCE REPORT

Drawdown Number: 3

Date of Drawdown Request: Sept 2018

Summary

My last visit to FMEL was at the end of July. I believe this was a significant point in recovery action and it is encouraging that there have been no key date slippages since then. The ship outfitting sub-contract is in place and I anticipate that by my Quarterly Review (25/26 Sep) the electrical sub-system contract will be in place. Recruiting has been strong and FMEL is on track against previously declared work force numbers. I understand that there continue to be concerns over lack of clarity on the requirement (with decisions taking too long). An examination of these issues will also form part of my Quarterly report.

Over the next 3 months I will be looking for the identified key dates to start to move left (i.e occur earlier) and this will form a significant element of the subsequent (early January) Quarterly Review.

I have no reservations in recommending draw down is approved.

Luke van Beek CBE
VATIS Ltd
Independent Expert