

SUPPLY PARTNERING - ADVICE WORK SPECIFICATION FOR SPECIALIST ADVICE

1. IDENTIFICATION

CID Enquiry Ref: 39180
Employer: Community Land Unit, Strengthening Communities Group,
Highlands & Islands Enterprise
Main contact: Andrew Anderson, andrew.anderson@hient.co.uk, 01463 244242
Commission description: **VALUATION, DUE DILLIGENCE AND NEGOTIATION SERVICES
RELATING TO POTENTIAL ACQUISITION OF
SOUTH UIST ESTATE LIMITED AND RELATED COMPANIES**

2. BACKGROUND AND CONTEXT

South Uist Estate Limited (SUE) and related subsidiaries Lothian Shelf 175 and Lothian Shelf 176 and South Uist Renewable Energy (SURE), a separate company with the same shareholders as SUE and possibly another separate company with the same shareholders, South Uist Sporting Interests (SUSI), own between them the greater part of South Uist, Eriskay and about three quarters of Benbecula, which together form a large crofting/sporting estate extending to roughly 93,000 acres in the Outer Hebrides.

For over two years, the local community has been investigating its aspiration to acquire the estate as a means to maximise community benefit through good stewardship, and potential development of the estate. The community formed a steering group who commissioned a feasibility study, a valuation of the assets and a business plan for the lodge and sporting activities. The group has also organised a ballot of the community who very convincingly endorsed the aspiration to acquire the estate. The steering group has now dissolved having completed the formation of a Company Limited by Guarantee without share capital, organised the election of Directors and handed over to those Directors. Four of the original steering group and three others were elected Directors.

South Uist Estate is owned by a consortium of nine families with primarily sporting interest in the estate. As far as we are aware there is a group of Directors common to SUE, its subsidiaries Lothian 175 and Lothian 176, the separate company SURE and possibly another separate company SUSI. SUE has a form of interposed lease with SURE giving renewable energy development rights to SURE over selected sites on the estate, and potentially another lease with SUSI. (*The whole issue of interposed leases is to be challenged by the Scottish Executive through a case they will be taking to the Land Court shortly, however the outcome of that case will not be known for perhaps 12 months, and appeals to higher courts could take perhaps up to five years in total*).

More recently, the Estate invited the community to consider a purchase of SUE Ltd and associated companies as opposed to a direct purchase of the land assets only. A negotiated settlement is by far the optimum route for the community. It could involve SUE rescinding its interposed land lease to SURE and could enable the community to acquire the whole estate and enjoy the potential of all the land related assets and rights. This method of transfer will require the community to engage in a due diligence process in order to fully understand the nature of the assets and liabilities associated with the company or companies which it aspires to acquire. That due diligence and valuation of the companies is part of this commission. The other part is the provision of services to support the directors in the negotiations to purchase the Estate either via an assets only acquisition or via an acquisition of companies. Advice on final tactics and acquisition method will be part of the brief.

3. SKILLS REQUIRED

- o Corporate accountancy including due diligence, company acquisition, taxation and negotiation
- o Land agency including estate valuation, sporting interest and lease (mineral, fishing, aquaculture, agricultural, crafting, sporting) valuation, negotiation
- o Legal relating to due diligence, company acquisition, asset acquisition, negotiation

4. SCALE AND TIMING

Duration: Up to 76 days
Start date: 15th December 2005
Finish date: 28th February 2006
Response times: Due diligence, asset valuation, costal and drainage liability, company structure, accounts and taxation reports by 31st January 2006

5. WORK SPECIFICATION/OUTPUTS

- To consider the value of the shares of SUE, Lothian 175, Lothian 176, SURE and any other relevant companies which either own or lease land or land related rights over the South Uist Estate lands and provide a breakdown of asset and share values that will inform the community in its negotiations to purchase all or parts of the assets/shares.
- Provide definitive advice on the asset purchase versus company purchase routes to acquisition.
- Negotiation to support and assist the community company Directors through the negotiations with the sellers and to ensure optimisation of that process and the best chance of achieving a funding package for the community, including appropriate legal, taxation, accountancy and land agency advice. Applicants for this commission will be invited to present to HIE and the community company Directors an indication of what their proposals would be and how those proposals would best support the aspirations of the community.
- Any observations or comments which you may wish to make regarding the proposed structure of any possible purchase of shares in SUE and its associated companies would be welcomed.

6. LOCATION

Delivery: Much of the work should be possible to do from the vendor's own offices, some will require visits to South Uist, for example the asset valuation.
Home Base: Anywhere
Meetings: Negotiation could either happen on South Uist or perhaps Edinburgh (the base for the sellers solicitors)
Travelling: Will be required to South Uist to meet with Community Directors

7. SPECIAL REQUIREMENTS

- Reports to the Employer:
- **An updated valuation report** An up-to-date of the valuation of the company's principle asset – 93,000 acres of land known as South Uist Estate. A valuation was carried out by Sarah Tyson of CKD Galbraith. CKD Galbraith now provide factoring services to the seller and therefore an independent and up-to date valuation is required. The asset valuation provided should include, but is not limited to, a breakdown of the sporting rights, all mineral, fish farm, building, farm and other leases, and include reflection of any sensitivities which have materialised, for example relating to the sustainability of snipe shooting, or the unsigned nature of many of the leases, if that is indeed still the case. Confirmation of the value of the sporting if leased (per annum rental, fishings, shooting and deer).
 - **Structure** A clear description of all of the relevant companies including, the inter-relationships between those companies, what assets each hold, what leases they have landlord interest in and what leases they have tenant interest in, what those interests are, what liabilities they have of any type, what employees they have and any liabilities they have relating to those employees. This information needs to be presented in a logical and easily referable form to aid the community Directors and their advisors in any negotiations with the current owners.

- **Accounts** Audited accounts for the last three years and up-to-date management accounts will be provided as will the 'due diligence' reports for each of the companies. The consultant is also expected to carry out due diligence on the selling company's current financial position and on any projections prepared by the selling company's directors.
- **Taxation** Advice and quantification of the taxation advantages to the current owners of selling the companies rather than the land assets including a method of calculating the savings in different scenarios of acquisition.
- **Drainage and Costal Protection** A full inventory of the liabilities associated with the estates drainage system and relating costal protection.

Reports to support invoices A brief description of the outputs delivered must be included with each invoice

Insurance: Professional Indemnity Insurance of £1m

Client Confidentiality: Strict confidentiality will be required. The only parties who should be aware of the details of the project and the reports should be the consultants team, the community company directors and key HIE Network staff to be specified

8. TYPE OF CONTRACT & FEE BASIS

(Please choose one in each section)

Contract Type	(Tick)	Notes
One off contract (Specific commission)	√	
Call off contract - HIE Co-ordinated (Available to all LECs and HIE Groups)		
Call off contract – LEC only (Available to the contracting LEC only)		
Preferred supplier status (No guarantee of any work)		
Nature of Advice		
Client Related Advice	√	Typically working with Network clients Although this is a HIE commission there will be significant contact and working with the Directors of the community company.
Network Related Advice		Working with Network staff - sometimes called consultancy
Payment Basis		
Day Rate including all expenses		
Day Rate plus expenses (travel time, mileage and other receipted expenses)		
Fixed Price (lump sum including all expenses)	√	If a fixed lump sum can not be provided for all of the scope, a fixed lump sum should be provided for as much of the scope as possible, and day rates plus expenses plus an estimated number of days provided for the remainder of the scope.

9. CRITERIA FOR SELECTION

Criteria	Relative Importance (H/M/L)
Skills and experience	H
Understanding of client's needs	H
Value for money	H
Availability	H
Track record	M
Experience and/or comfort working closely with community company directors	H
Ability to provide internally or via collaboration the full range of services sought	M

10. SUBMISSION OF TENDERS

Format of tenders: 5 hard copies clearly addressed as follows:
Tender Documents (39180)
Advice Procurement Team
Highlands & Islands Enterprise
Cowan House
Inverness Retail & Business Park
Inverness
IV2 7GF

Return date and time for tenders: 12 noon on Friday 9th of December 2005

Interview dates (if required): Wednesday 14th December 2005, provisionally in Inverness

Expected award date: 15th December 2005

Supporting information: Electronic copies of the tender (in Word or PDF format) should also be included on a CD along with any submission

11. COST GUIDE FOR SUPPLIERS

Expected day rate range: Unknown

Expected commission total costs: Not to exceed £75k

12. OTHER INFORMATION

The preferred option for tenders is that one integrated team/group of collaborators provide the service. However, it is possible to bid for parts of the work as follows:

Lot 1 Asset valuation and report on drainage and costal protection liabilities

Lot 2 Accountancy advice including on due diligence, accounts, company acquisition, taxation and negotiation preferred method of acquisition

Lot 3 Legal advice on due diligence, company structure report, preferred method of acquisition.

This tender is also being advertised on the Highlands & Islands Enterprise website (<http://www.hie.co.uk/tenders.htm>) and responses to queries will be posted on this site

The number of days for the assignment are an estimate and if you expect them to be incorrect please indicate this in your proposal detailing any reasons.

Please note that the Network is not bound to accept the lowest or any tender returned in response to this specification.