Australian Government
Department of Industry, Innovation and Science

Business

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Regional Jobs and Investment Packages - Business Innovation Application Form

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Instructions

About the Regional Jobs and Investment Packages

The $220 million Regional Jobs and Investment Packages (RJIP) supports the Australian Government's commitment to stimulate economic growth in Australian regions.

The program's intended outcomes are to drive economic growth and create jobs in ten pilot regions by investing in projects that will

- diversify regional economies
- stimulate long term growth
- deliver sustainable employment
- enable applicants to enter new markets and sectors

There are ten packages under the program and each package is a locally-led pilot, enabling each region to determine local priorities and growth industries to drive economic growth in their region and create jobs.

A Local Planning Committee will be responsible for developing their Local Investment Plan that outlines industry growth sectors, new market opportunities and future workforce needs. Grants will be available in targeted competitive funding rounds to projects that align with the priorities in each region's Local Investment Plan.

The program will invest in projects that will have long-term outcomes and will benefit the regions beyond the life of the program. Project outcomes should be sustainable without the need for ongoing government funding. The program will only support new activities that go beyond business as usual or day-to-day functions.

The program does not fund any projects that have already started or where contracts are in place at the time of application.

Completing this form

Please read the Program Guidelines before completing this application form.

Disclosure of information

The Commonwealth's use and disclosure of your information (provided in this application or otherwise) is set out in the Regional Jobs and Investment Packages Program Guidelines. Ensure that you have read this document and understand the information contained therein. For further information regarding the Department of Industry, Innovation and Science's (the department's) obligations in accordance with the Privacy Act, refer to the department's Privacy Policy

Google Places

The address search fields in this form use Google Places to help fill in the address details. By using this feature you agree to be bound by Google's Terms of Service and are subject to Google's Privacy Policy.

Getting help

If you require assistance completing this application form please contact us on 13 28 46 or at business.gov.au. Our website and staff can help you with forms, finding business information and services and allow you to provide feedback, comments or suggestions.

You should also read and understand the program guidelines and sample grant agreement before completing an application. View these documents at business.gov.au.

Requirements

This form functions best when it is completed using the most recent version of your internet browser. This form is not compatible with Internet Explorer 8 or earlier browsers. If you are using an earlier browser version, you may have difficulty in displaying the form correctly or it may not display at all.

Important information

Save Regularly. Click the 'Save for Later' button regularly while completing this form to ensure the information entered is saved. Saved forms will be retained for a maximum of 30 days. If you do not save or submit your form within this timeframe, you will need to start a new form.

Do not use your internet browser's 'back' or 'refresh' buttons as this will cause the form to close and any unsaved information will be lost. Navigate between sections of the form by using the tabs at the top of the form or by clicking 'Continue' or 'Go Back' at the bottom of each page.

Sharing the form

The form can be viewed by more than one person by sharing the form's unique tracking code. However, sharing the form increases the risk of losing unsaved information. The reason for this is that only one person at any one time, has saving permissions for the application form. If the form is shared, save regularly as the last person that accesses the form has the saving permission. It is recommended that the form tracking code is not shared widely so as to avoid inadvertent loss of information.

Attachments

All attachments marked as required must be attached before your application can be submitted. Files with ".pdf, .rtf, .doc, .docx, .xls, .xlsx" extension types can be uploaded. Total file size of all attachments in the application should not exceed 20MB.

Submitting your form

Applications may be submitted at any time up until 5.00pm AEST on the closing date of your region. Please check your region's closing date by selecting your region on our information page.

You will be provided with a receipt to confirm that your submission has been successful. Please keep this receipt for your records by using the “Download the form and receipt” link or by emailing yourself a copy of the receipt and submission. Both of these options are available in the “To keep a copy of the completed form” box on the Submission Complete page.

If you have any enquiries relating to submission of your form, you will need to provide your receipt number.

Eligibility

Eligibility

This section will help you determine whether you are eligible to apply for the program.

Does your organisation have an ABN? *

For trustees applying on behalf of a trust, this refers to the ABN of the trust.

- (●) Yes
- ( ) No

Is your organisation a company, incorporated in Australia? *

- (●) Yes
- ( ) No

You have identified that the RJIP region this application refers to is the Bowen Basin region (QLD). Is this correct? *

You can confirm RJIP region boundaries by referring to the map on the region page or in Appendix D of the program guidelines.

- (●) Yes
- ( ) No

Will your proposed project provide benefit to the Bowen Basin region (QLD)? *

- (●) Yes
- ( ) No

Is your organisation non tax-exempt? *

A "Non Tax Exempt Organisation" means an entity that is not exempt from income tax under Division 50 of the Income Tax Assessment Act 1997 (Cth) or under Division 1AB of Part III of the Income Tax Assessment Act 1936 (Cth).

- (●) Yes
- ( ) No

Will your project have at least $100,000 in total expenditure? *

- (●) Yes
- ( ) No

Will your project expand or grow your business? *

- (●) Yes
- ( ) No

Do you have approval from your board (or support from the owner or chief executive officer if there is no board) that the project is supported, and you would be ready to commence within 12 weeks of executing the grant agreement and that you can complete the project and meet the costs of the project not covered by grant funding? *

Evidence of the approval will need to be attached to the application.

- (●) Yes
- ( ) No

Upload a copy of the approval from your board or support from the chief executive officer if there is no board.

Attachment *

File: Evidence of Board Support - Tropical Pines.pdf

Applicant information

Joint application

Joint applications are acceptable, provided you have a lead applicant who is the main driver of the project and is eligible.

Is this a joint application? *

◯ Yes

◉ No

The lead applicant must complete this form. If you are unsure of the status of your application as a joint application please contact us on 13 28 46 or at business.gov.au.

Type of applicant

In this section you must indicate what type of entity you operate under.

All entities must have an ABN.

Select which type of entity your organisation is: *

◉ a company incorporated in Australia

To be eligible the company must be incorporated in Australia under the Corporations Act 2001, have an ABN and an ACN and be non-tax-exempt.

◯ an incorporated trustee on behalf of a trust

Applicant details

Enter your ABN and click the Validate button to retrieve your registration details.

Australian Business Number (ABN) *

60 058 309 505

Australian Company Number (ACN)

058 309 505

The entity name refers to the name that appears on all official documents or legal papers. The entity name may be different from the business name.

Entity name

TROPICAL PINES PTY LTD

Your business may have registered one or more business names. If you operate under a business or trading name you can enter alternate name(s) here. If your business or trading name is not listed here select 'Other'.

Business/trading name

☒ GST registered

ANZSIC details

What is the applicant's main business activity under the Australian and New Zealand Standard Industrial Classification (ANZSIC)?

The Australian and New Zealand Standard Industrial Classification (ANZSIC) is a classification system used by government to group data about organisations based on their primary business activity.

The ANZSIC codes and titles are available from the Australian Bureau of Statistics (ABS) website.

Phone 13 28 46 if you require assistance.

ANZSIC division *

A Agriculture, Forestry and Fishing

ANZSIC class *

0529 Other Agriculture and Fishing Support Services

Address details

Provide your Business Street Address (Australian Head Office)

Google Places - start entering your address to search Google Places and if found will autofill the fields below. If not found, please enter the address details directly in the fields below.

Address line 1 *

32 Pineapple Drive

Address line 2

Address line 3

Suburb * State * Postcode *

Hidden Valley | QLD | 4703

Is the Postal Address the same as the Business Street Address entered above? *

◯ Yes

◉ No

Provide your Postal Address

Google Places - start entering your address to search Google Places and if found will autofill the fields below. If not found, please enter the address details directly in the fields below.

Address line 1 *

PO Box 1054

Address line 2

Address line 3

Suburb * | State * | Postcode *

Yeppoon | QLD | 4703

Website address

Provide your business' website address

www.puregoldpineapples.com.au

Project site address

Will the project's activities occur solely at the above listed head office address? *

A project site address must be a street address, not a postal address.

(●) Yes

( ) No

Latest financial year figures

Has the applicant existed for a complete financial year? *

(●) Yes

( ) No

Select the latest complete financial year. *

2015/16

Latest financial year figures

We collect the following data from all applicants across all grant programs. We use this data to better understand your organisation and to help us develop better policies and programs.

All amounts in the table below must show a whole dollar value e.g. $1 million should be presented as $1,000,000. The turnover value must be that of the entity that is making the grant application (the 'applicant'), regardless of whether the entity belongs to a consolidated group for tax purposes.

	FY 2015/16
Sales revenue (turnover) *	$23,373,700
Total revenue from the sale of goods and services, as reported in the applicant's Business Activity Statement (BAS).	
Export revenue *	$0
Total revenue from export sales, as reported in the applicant's Business Activity Statement (BAS).	
R&D expenditure *	$109,397
Expenditure on Research and Development, i.e. creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society, and the use of this stock of knowledge to devise new applications.	
Taxable income *	$1,190,233
Taxable income or loss as per the Applicant's Business Income Company Tax Return Form.	
Employees, including working proprietors and salaried directors	

(headcount) *

57

Number of individuals who are entitled to paid leave (sick and holiday), or generate income from managing the business.

Independent contractors (headcount) *

0

Number of individuals engaged by the business under a commercial contract (rather than an employment contract) to provide employee-like services on site.

Ultimate holding company

Does the applicant have an Ultimate Holding Company? *

◯ Yes

◉ No

Project details and funding

Project title and description

If your application is successful, the details you provide below will be published on the departmental website. Published project details will include:

- *name of the applicant*
- *title of the project*
- *a description of the project and its intended outcomes*
- *amount of funding awarded.*

Provide a project title. *

Example project title: Aquaculture Value Added Processing Facility.

New fruit processing facility for Central Queensland

Provide a brief project description for publication on our website. *

Ensure your project description focuses on your project's key activities and outcomes. Explain what it is you are going to do and how it will benefit the region. If the application is successful this project description may be used by the Australian Government in published material.

Example Project Description: The project will construct a salmon processing facility, including extension of an existing factory building, fitout, equipment installation and effluent treatment facilities to support the region's salmon farmers and improve output.

This Project revolves around improving opportunities for farmers and thereby, their regional economies. Tropical Pines wishes to boost food production in the Bowen Basin by building and operating a $12.5M value-added processing facility adjacent to its current operations in Yeppoon, Central Queensland. This will help to meet consumer demand for processed fruits that are of a higher quality and have a longer shelf life than existing products on the market, will create new product for the national industry, and create additional agricultural exports. Benefits for the region include reducing the current waste of fruit grown in the region, improving farm returns for regional growers and significant economic growth.

Summary of activities and outcomes

Provide a summary of your project including the key activities and outcomes

ACTIVITIES
$3M 2000m2 factory
$8.386M capital equipment: HPP technology & Processing equipment
$230,000 labour & IT costs
$849,00 leasing, interest & legal costs (ineligible).

Following extensive research and undertaking commercial viability and financial feasibility studies, it has been determined that the Australian processed fruit and juice market will allow a new entrant with high quality and differentiated product offerings.

OUTCOMES
This Project will:
- Process fruit that wastes on farms
- Increase output and profit for producers
- Meet consumer/international demand for processed fruit products
- Introduce leading-edge technology
- Generate 46 local jobs including 14 Company FTEs employed in Year 1
- Boost the skills/knowledge and train regional people in the use of leading edge food technology
- Provide a more sustainable way of managing fruit supply to meet demand
- Allow the Company to increase its profits (long term and shareholder returns)
- Allow Central Queensland fruit suppliers to reduce the amount of wasted fruit
- Generate $19.33M in the local economy from construction and $35.4M annually for Australia from Year 2

- Enhance other economies by replicating the facility - Sunshine Coast & Nth Queensland.

Project employment

What is the total expected full time equivalent employment (employees and independent contractors) generated **during the project period** *

46

What is the total expected full time equivalent long term employment (employees and independent contractors) generated **following the project period** *

26

Project plan

You must provide a plan of the project activities you will conduct.

A strong project plan should include the following

- *scope*
- *implementation methodology*
- *timetable*
- *budget and cost estimates for all significant activities*
- *status of relevant approvals.*

Project Plan *

File: Project Plan Tropical Pines.pdf

Project milestones and key activities

Provide details on the activities occurring at each milestone. Add new milestones as required.

The start date of milestone 1 is the expected project start date. The end date of your last milestone activity will be the project end date.

Milestone 1

Milestone title *

Planning and tendering

Milestone description *

Project Manager employed/Project Team commence
Detailed Plans drawn, submitted to Council & approved
Lock in Forward Rate Agreement for purchase of equipment to be sourced overseas
Discussions with fruit suppliers
Marketing plan commences
Production line plans drawn and final costings
Tender process commenced / tenders called
HPP Machine and cutting equipment ordered from overseas / 30% deposits paid to suppliers
Tender decision made
1st payment to builder

Milestone 1 acquittal paperwork

Milestone start date *

08 Jan 2018

Milestone end date *

29 Jun 2018

Milestone 2

Milestone title *

Construction

Milestone description *

Facility construction commenced
Construction of processing lines commenced by contractor off-site
Other machinery and services ordered / deposits paid to suppliers
Milestone 1 paid by Government
2nd & 3rd payments to building contractor
Council inspections
Project Team review project progression and risk review undertaken; adapt plan as necessary
Milestone 2 acquittal paperwork submitted
New employee recruitment commences

Milestone start date *

03 Jul 2018

Milestone end date *

14 Sep 2018

Milestone 3

Milestone title *

Construction completed, fit-out, commissioning, Quality control, production

Milestone description *

2 Council inspections
Machines arrive
Processing line equipment installed
Installation/fit out of machinery, cold rooms & freezers; electrical work carried out
Milestone 2 paid by Govt
Health inspection for food
Final contractor payments
Project Team review
Configuration of IT processes to coordinate with new machinery/processes
Commissioning of new equipment
Final international payments
New employees commence/begin training
Milestone 3 paperwork
Production commences
Milestone 3 paid

Milestone start date *

17 Sep 2018

Milestone end date *

25 Jan 2019

Milestone 4

Milestone title *

Completion

Milestone description *

Project completion and final acquittal paperwork completed
Milestone 4 payment from Government received
Launch event held

Milestone start date * 28 Jan 2019

Milestone end date * 30 Apr 2019

Project duration

You must be ready to commence your project within 12 weeks of executing a grant agreement with the Commonwealth.

Project start date 08 Jan 2018

Project end date 30 Apr 2019

Project budget

Provide details on your project costs over the life of the project including both eligible and ineligible costs.

Amounts must be GST exclusive. Your project must have at least $100,000 in eligible expenditure.

We only provide grant funding based on eligible expenditure. Refer to the Program Guidelines for guidance on eligible expenditure.

Cost item	FY 2017-18	FY 2018-19	FY 2019-20	Total
Labour		$150,000		$150,000
Materials		$3,000,000		$3,000,000
Plant and equipment	$3,000,000	$5,386,000		$8,386,000
Information technology		$80,000		$80,000
External consultants				$0
Other				$0

Sub total eligible expenditure	$3,000,000	$8,616,000	$0	$11,616,000
Ineligible costs		$849,000		$849,000
Total project costs	$3,000,000	$9,465,000	$0	$12,465,000

If your application is successful you will be required to provide documents to support estimated project costs before your grant agreement is finalised. Examples of supporting documents are equipment supplier quotes, contractor quotes, etc.

Source of funding

Enter the following information to show how you will fund the eligible project costs.

Amounts must be GST exclusive. Note the minimum grant amount under the program is $50,000.

Contributions from a partner organisation or other non-government sources are considered an 'applicant' contribution.

a. Applicant's contribution ($A) *

$5,808,000

b. Program grant amount ($A) *

$5,808,000

c. Other government funding ($A)

Total eligible project costs ($A)

$11,616,000

Grant percentage

50

Total government grant percentage

50

No more than 50 per cent of your total eligible project costs can be funded from Commonwealth, state or local government grants. You must fund at least 50 per cent of the eligible project costs.

Your contribution

To describe your funding strategy for the project, enter the required information below.

Fund Type	**Amount ($A)**	**Description on the source of funding**
Cash flow		
Loans		

Equity	$5,808,000	* Equity Investment: Agribusiness Fund - AIMS Funds Management
Other		
Total	$5,808,000	

You are required to provide the following:

An accountant declaration to confirm your business can fund its share of the project costs. *

You must use the accountant declaration template at https://www.business.gov.au/assistance/regional-jobs-and-investment-packages#keydocuments.

File: Regional Jobs and Investment Packages Accountant declaration Tropical Pines.pdf

Merit criteria

To be competitive you will need to score highly against each merit criterion. Your application will be assessed against the indicators listed beneath each merit criterion. The merit criteria are weighted as indicated by the points. The amount of detail and supporting evidence you provide should be commensurate with the project size, complexity and grant amount requested. You should define, quantify and provide evidence to support your answers.

You may attach any other documents that support your application and/or claims made in relation to the merit criteria.

Merit criterion one (20 points)

The extent to which your project addresses the Local Investment Plan's investment sectors and strategic priorities *

You may demonstrate this through identifying how your project aligns with:

1. *investment sectors identified in the plan*
2. *the strategic priorities in the plan - for example by unlocking further investment, reaching new markets or creating sustainable employment.*

FOOD/AGRIBUSINESS SECTOR PRIORITIES
Addresses Bowen Basin Region's Plan under Food & Agribusiness:
•One of 5 key pillars
•Region produce commodities worth $2.45B in 2014/15
•Aligns with Qld Government's 2040 vision to double agribusiness production
•Part of "agriculture, forestry and fishing" employment - 5.7% of the region's total employed persons
•Nearly 9,000 businesses (25%) in the Mackay/Fitzroy & Central West regions involved in agriculture/forestry/ fishing.

INCREASED VALUE ADD
Will significantly value-add to current regionally produced product:

•HPP machine will:
-Produce fruit products with extended shelf life; keep taste & nutritional properties
-Allow new product development possibilities
-Allow export of local products
-Provide safe product – eliminating pathogenic/spoilage microorganisms

•HPP currently only used in Australia for juice so there are many opportunities to add value to a variety of Qld fruits

•Significant quantities of process-grade fruits available, to be better-utilised

•Engage a Nutritionist to ensure products have optimum nutrition/flavour

•Of +2.2M tonnes of fruit (pineapple, mango, banana, custard apple, lychees, berries, melons citrus, tomato) regionally produced, less than 30,000 tonnes (approx 1.3%) are processed in Qld

•A small percentage of produce regionally grown (including no pineapples) undergo value-adding within region and are sent intra/ interstate and overseas. We miss out on processing, packaging and transport benefits.

At various times of the year fruit supply exceeds demand and prices crash. Processing the fruit/giving it a longer shelf life lessens price impacts and is an better way to manage supply/demand.

The Project will overcome waste issues and will provide farmers with a return for this produce:
•Generally, between 20-40% of produce usually gets rejected for cosmetic reasons and is destroyed on-farm
•Tonnes per annum thrown away by Qld growers includes 50,000t blueberry/bananas; 10,000t mandarins; 2,000t melons.

We have the opportunity to significantly increase regional benefits by processing our produce. In 2012, the gross value of agricultural food chain was $172B: 30% originates from primary production; 70% - processing. Generally, processed product is worth 4.5 times the input value, so $500 tonne of pineapple is worth $2,250 when processed.

IMPROVED DIGITAL CONNECTIVITY
HPP machine has technology that will integrate with Company's IT systems to analyse efficiency/waste, ensuring the whole factory is efficient and will produce high quality product. Company will work closely with CSIRO/CQUniversity scientists to further develop digital/ HPP opportunities.

WATER/OTHER EFFICIENT TECHNOLOGY
The factory design features:

•Short distances between units of operation:
-allows fruit to be pristine
-provide best yields
-reduces damage to fruit

•Minimise water during wash down/sanitising processes via ozone generator that is piped to usage points where fine sprays wash the fruit, using 50% less water & reduces build-up of organic matter - a breeding ground for microorganisms

•Aids factory cleanliness
Reduce harsh chemical use.

TECHNOLOGICAL PRODUCTIVITY GAINS
Innovative aspects relate to the HPP machine being the first of its kind in the Bowen Basin, providing additional productivity. The significant benefits of High Pressure Pasteurisation (HPP) technology are detailed in Appendix A of the Project Plan (attached). IT upgrades as part of the new facility will include initiating supply chain sophistication systems that link with producers/importers/ transport companies to supply and freight automated demand information.

The HPP machine:
•Throughput + 500kg per hour
•2 high-pressure intensifiers can work separately for optimised reliability/uptime
•Operating efficiency 82.7%
•Allows region to compete with others who process fruit juice via HPP. Also allow us to market new HPP products as HPP is not used for cut fruit in Australia, providing significant opportunity to establish as a key supplier of longer life products.

IMPROVED SUPPLY CHAIN CONNECTIVITY - EXPORT
Bowen Basin supply chain connectivity will improve. The international fruit/vegetable ingredients market is estimated to be US$180 billion by 2019. This includes concentrates, pastes, purees, NFC juices, pieces and powders. Phyto sanitary approval for the export of fresh fruits/vegetables into China/other Asian countries is difficult, but if processed, there are no limits.

Even countries do allow fresh produce, some fruits can't be exported as they don't last for ship transport - not cost competitive. HPP technology will create premium processed products.

Once national markets are developed, we will investigate international opportunities (detailed in Food Feasibility Report attached):
•Export to New Zealand
•Countries with high quality demands: Japan/China
•Contract an export person
•Quality products with high nutritional/microbiological quality & enhanced shelf life.

Merit criterion two (30 points)

The level of net economic benefit the project will create for your business and the region during and beyond the project period *****

You may demonstrate this through identifying:

1. *expected number and types of local jobs created by the project in the immediate and long term, including skill level and sustainability*
2. *how your project will improve the competitiveness and sustainability of your business*
3. *the extent to which your project will create new markets, products or other opportunities for your business. Describe the market opportunity, route to market and commercial viability of your product or service.*
4. *the impact your project may have on your competitors in your region. You should demonstrate that your proposed project will not adversely affect other businesses in the region.*
5. *the impact your project will have on building a sustainable workforce including the impact of any employment, training and reskilling activity*
6. *the economic benefits your project will deliver to the region including*

- *the extent your project will benefit other businesses and organisations e.g. local suppliers*
- *the potential for other companies or organisations in the region to create jobs as a result of your project*
- *linkages with existing regional industry clusters, networks or research institutions*
- *increasing opportunities for Indigenous economic participation*

Economic modelling conducted by Livingstone Shire Council staff (attached) has been used as a basis for the following employment and economic impacts.

During construction, the Project will employ 46 local FTEs and will generate $19.33M in the local economy. Once completed, the Company's operations will require 14 additional FTEs:
•General Manager
•Day/Night Production & Quality Assurance Managers
•Accounts & Marketing Managers
•Machine operators
•Packaging employees
•Cool Room Attendant
•Receptionist.

We will use people with highly-specialised fruit processing skills who will upskill locals. Trainees will undertake Cert III or IV qualifications while working. All employment opportunities will be available for current long-term unemployed people and minority groups to apply.

From Year 2 onwards economic modelling predicts the facility will generate 26 local jobs, injecting $17.2M annually into the local economy.

PROJECT WILL IMPROVE OUR COMPETITIVENESS AND SUSTAINABILITY
This Project provides significant competitive and sustainable opportunities for Tropical Pines. The Financial Feasibility Study (pg 11 attached) indicates the Project will have a 44% Compound Annual Growth Rate EBIT of 44% by year 5, earning:
Year 1: loss of $1M
Year 2: $3M
Year 3: $7.5M
Year 4: $13M
Year 5: $13M.

CREATION OF NEW MARKETS, PRODUCTS OR OTHER OPPORTUNITIES
A HPP Feasibility Study has been conducted by Altomark Pty Ltd and is attached to this application. It features:
•Manufacturing products for domestic & international markets
•Australian processed fruit/juice market is large enough to allow for a new entrant with high quality and differentiated product offerings
•Great opportunity in developed markets
•Product focus on available cost-effective raw materials, market trends/gaps, available capital & enterprise economics
•Interest from existing juice manufacturers in HPP juice products
•Significant quantities of processing grade fruits available in Bowen Basin
•Minimised freight costs/product quality degradation prior to processing (especially in Qld conditions) providing better products
•Freight costs for incoming produce not being an impediment
2 key new product groups initially produced: HPP fruit juices (6 types) & fruit preparations/pieces (6 types).

Discussions with leading food service company & meal replacement companies that deliver to-the-door is that they:
•Are pro-Australian purchasers
•Want minimal processing to meet consumer demand
•Want to meet nutritionist's recommendations to increase % of fruit in consumer diets
•Are keen for HPP fruit products as a great alternative to fresh product as it lasts longer
•Use the same logic as successful food chains such as Olivers Fast Food.

REGIONAL ECONOMIC BENEFITS FOR BUSINESSES AND ORGANISATIONS
The Project will provide many regional opportunities and apart from the HPP machine and fruit cutting machine, all other elements of the Project will be Australian. It is expected that $4.882M of the spend will provide opportunities to local builders, contractors and suppliers. This will include the following:
•Building contractor, tradespeople & labourers
•IT & electrical
•Engineers
•Concrete & roofing suppliers
•Fabrication of processing lines.

Discussions with growers confirms their interest in the Project & they look forward to:
oIncreased supply as we can use their produce for drinks/cut fruit products
oReduced transport costs as they don't have to transport their fruit as far
oSupply of additional fruit types, providing more farm productivity/diversification.

After completion, other long-term jobs will increase for:
•Labourers/maintenance
•Increased work for transport companies
•Agronomists
•Refrigeration technicians

•Suppliers of consumables
•Packaging suppliers.

REGIONAL INDUSTRY LINKAGES
Project Team members have links with many industry organisations which provide valuable insights/connectivity to the food/ agribusiness industry:
•Vice Chair of GrowCom
•Works with Biosecurity Qld
•Successfully lobbied State Government on behalf of local producers to gain Category C funding after TC Marcia
•Deputy Chair of Produce Marketing Association-Australia/NZ
•Liaising regularly with State Development and Department Agriculture and Fisheries projects.

Livingstone Shire Council's letter of support (attached) indicates their commendation and support. Company management works closely with State Development officers and will involve them, as well as Capricorn Enterprise to brief local suppliers on opportunities the Project will provide for local contractors and suppliers.

INCREASING INDIGENOUS OPPORTUNITIES
Supply opportunities related to the construction and ongoing operations will be open to all businesses including Indigenous suppliers.

Merit criterion three (30 points)

The value for money offered by your project *****

You may demonstrate this through identifying

1. *the likelihood of the project going ahead without the grant funding. Explain how the grant will impact the project in terms of size, timing and reach if applicable.*

2. *the expected return on investment for the project (including details about the projected return relative to the grant amount invested into the project).*

3. *the extent to which the project leverages additional partnerships, cash or in-kind contributions from other organisations.*

4. *the extent to which the project leverages additional cash contributions beyond the mandatory 50 per cent.*

TIMING
It is important that this Project progresses as soon as possible:
•The new processing facility will allow the region to gain significant competitive advantage by offering HPP fruit products to market first, as these will be new products for the national industry. First to market is always an advantage.
•The facility will provide impetus for further developments including the freeze-drying opportunity that can only be awarded to one Australian company – if the Project doesn't proceed, the licence will go elsewhere (likely to a city, rather than a regional area)

Due to the economic and regional outcomes, and the importance of the Project for the region, it has the support of various MPs:
•William (Bill) Byrne, State Member for Rockhampton
•Dr Anthony Lynham, State Minister for State Development and Minister for Natural Resources and Mines
•Michelle Landry, Federal Minister for Capricornia
•Leeanne Enoch, State Minister for Innovation, Science and the Digital Economy / Minister for Small Business.

EXPECTED RETURN ON INVESTMENT FOR THE PROJECT
Profitability ratios for the Company that have been determined as part of the Financial Feasibility of the Project (attached – refer pg 16) indicate:
Return on Equity
Year 1: loss of 41%
Year 2: 32%
Year 3: 88%
Year 4: 157%
Year 5: 158%

Gross Profit Margins
Year 1 - Nil
Year 2 – 58%
Year 3 – 58%

Year 4 - 60%
Year 5 - 60%

Net Profit Margins
Year 1 - Nil
Year 2 – 18%
Year 3 – 26%
Year 4 - 31%
Year 5 - 32%

State/Federal Government
The once-off $5.808M investment by the Federal Government for this Project will:
•During construction, generate $19.33M in the local economy and 46 local jobs
•During construction, generate $29.35 million in the Australian economy and 82 jobs
•Realise $35.4M annually, once the Company is in full production – 7 times the Government's initial investment each year.

These figures are based on economic modelling conducted by Livingstone Shire Council (attached):
•Model 1 based on addition of $12.5M building construction
•Model 2 based on addition of 14 jobs in Food Product Manufacturing
•Model 3 based on addition of 26 jobs in Food Product Manufacturing from end of Year 2

EXTENT TO WHICH THE PROJECT LEVERAGES ADDITIONAL PARTNERSHIPS
The new facility will allow the Topical Pines to take up additional opportunities and has been designed to allow for additional equipment and processing line space. This includes a possible partnership with Enwave Corporation, a business that has developed rapid rying technology from research by University of British Columbia.

They are looking to licence their technology to partners around the world and following discussions this year, it is hoped that Tropical Pines will be granted the only Australia licence to use the technology to process tropical fruits. Currently, one of Enwave's United States customers has signed the contract for dried fruit which will (among other markets), supply the US Defence Force. This indicates the type of opportunities that would flow from being awarded the licence.

During the construction phase of the Project, further discussions would take place with Enwave to develop this opportunity further with the view to partner with them for the Australian licence. A possible major client for dried products is the Australian Defence Force.

Merit criterion four (20 points)

Your capacity, capability and resources to carry out the project *****

You may demonstrate this through identifying

1. *your track record with similar projects*
2. *your access to personnel with the right skills and experience*
3. *your readiness to commence the project with appropriate approvals planned for or in place*
4. *details in your project plan which include*

- *key risks*
- *identifying key milestones*
- *project budget*
- *how you will manage project dependencies for example sourcing key resources and approvals from issuing authorities.*

WE ARE EXPERIENCED AND SUCCESSFUL PROJECT MANAGERS
Tropical Pines management have progressive mindsets towards new developments and have long-term vision. The company has had significant achievements in the last five years which are attributed to the ability and strategy to manage growth to make sensible management decisions along the way. Management/the Company features:
•Great success due to good planning: clear business plan, goals and purpose.
•Being good at analysis – analyse everything to see how we can improve it
•Encouraging a great business culture

•Very low turnover, with extremely engaged staff.

The Project Team members have experience with a range of large projects and achievements including:
•Built a $2M new packaging facility and office in Yeppoon in 2012 - fully funded by Tropical Pines
•Similar $3.6M facility about to be built on the Sunshine Coast: approvals received, land purchased and project manager engaged - fully funded by Tropical Pines
•Built own equipment for packing sheds including latest technology
•At the forefront of engaging in social media for sales and marketing of produce, especially engaging with female social networks – been a great success in the last 18 months
•Business has increased and pineapple business has grown by 70% in the last 4 years
•Record profits in the last four years
•Capital value of company – grown by 60% since 2012 investment in the new shed.

s22 [redacted]

The team collectively, has skills that will ensure the Project will be carried out on time, on budget and to a high standard. The combined skills encompass expertise in:
•Management and legislation
•Financial management and reporting
•Executive management, change management and leadership
•Stakeholder and retailer collaborations
•Quality control
•Strategy and risk management
•Business process redesign
•Project management.

WE ARE READY TO COMMENCE THE PROJECT WITH APPROPRIATE APPROVALS PLANNED FOR OR IN PLACE
A Project Plan has been prepared and is attached to this application. It includes sections on:
•Scope and quality criteria
•Resources
•Implementation and milestones
•Tolerances, dependencies and approvals
•Procurement process
•Budget and cost estimates
•Risk management plan.

A great deal of background work for this Project has already been completed:
•Extensive research has been completed on the new products, equipment and opportunities
•Feasibility Study on financial viability of the Project was prepared by Capricorn Investment Partners in December 2016 (attached)
•Feasibility Study of High Pressure Processing facility in Central Queensland was conducted in August 2016 (attached)
•It has been confirmed that Mark Shadbolt will be employed to establish the business and direct the Project Management Team
•Factory schematics drawn
•The factory will be constructed adjacent to Tropical Pines' current facility which is on land owned by the Company.

Supporting documents

Supporting documents

Any supporting documentation you would like to attach to the application can be uploaded here. The following restrictions apply to attachments:

- Total file size of all attachments in the application should not exceed 20MB
- only files with the following file type extensions can be uploaded (.pdf, .rtf, .doc, .docx, .xls, .xlsx)

For assistance with any technical issues experienced while completing this application form or attaching documents, please Contact Us. Our website and staff can help you.

If you wish to include additional documents, these should be limited to those directly relevant to, and in support of, your application

File: Combined Economic Impact Models x 3.pdf

File: Topical Pines Facility Financial Feasibility.pdf

File: Tropical Pines HPP Feasibility Study.pdf

File: Letter of Support Livingstone Shire Council.pdf

Contact details

Primary contact

Person authorised to act on behalf of the applicant. (Note: At least one phone number or mobile must be entered and all the remaining fields below are mandatory unless stated otherwise.)

Title

s2

Given Name *

s22

Family Name *

s22

Position Title *

Managing Director

Please enter either a phone or mobile number *

Phone

s22

Mobile

Email *

s22 @tropicalpines.com.au

Provide the postal address of the primary contact.

Google Places - start entering your address to search Google Places and if found will autofill the fields below. If not found, please enter the address details directly in the fields below.

Address line 1 *

32 Pineapple Drive

Address line 2

Address line 3

Suburb *

Hidden Valley

State *

QLD

Postcode *

4703

Is the applicant the primary contact's employer? *

- (●) Yes
- ( ) No

Feedback

How did the applicant hear about the program? *

- [ ] Advertisement
- [ ] Attend Public Forum
- [ ] Call Centre
- [ ] Direct Mail / Email
- [ ] Industry Group
- [ ] Internet
- [ ] Newspaper / Magazine
- [x] Word of mouth
- [ ] Social Media
- [ ] Other

Applicant declaration

Privacy and confidentiality provisions

I acknowledge that this is an Australian Government program and that the department will use the information I provide in accordance with the following:

- Australian Government Public Data Policy Statement,
- Commonwealth Grants Rules and Guidelines,
- Program Guidelines,
- applicable Australian laws.

Accordingly, I understand that the department may:

1. share information in this application with other government agencies for any purposes, including government administration, research or service delivery; and

2. publish non–sensitive information in this application in the public domain, including on the department's website;

unless otherwise prohibited by law.

I confirm that I have read and understood the privacy, confidentiality and disclosure provisions outlined in the Program Guidelines.

☒ By checking this box I agree to all of the above declarations and confirm all of the above statements to be true *

Applicant declaration

I declare that I have read and understood the Program Guidelines.

I declare that the proposed project outlined in this application and any associated expenditure has been endorsed by the applicant's Board or person with authority to commit the applicant to this project.

I declare that the information contained in this application together with any statement provided is, to the best of my knowledge, true, accurate and complete. I also understand that giving of false or misleading information is a serious offence under the *Criminal Code 1995* (Cth).

I declare that the applicant will comply with, and require that its subcontractors and independent contractors comply with, all applicable laws.

I understand that I may be requested to provide further clarification or documentation to verify the information supplied in this form and that the Department of Industry, Innovation and Science (the Department) may, during the application process, consult with other government agencies, including State and Territory government agencies, about the applicant's claims and may also engage external technical or financial advisors to advise on information provided in the application.

I acknowledge that if the Department is satisfied that any statement made in an application is incorrect, incomplete, false or misleading the Department may, at its absolute discretion, take appropriate action. I note such action may include excluding an application from further consideration; withdrawing an offer of funding; using the information contained in the application for a fraud investigation that would be consistent with the Australian Government's Investigations Standard and Fraud Control Guidelines and for management purposes and/or terminating any Agreement between the Commonwealth and the recipient including recovering funds already paid.

I agree to participate in the periodic evaluation of the services undertaken by the Department.

I declare that I am authorised to complete this form and to sign and submit this declaration on behalf of the applicant.

I approve of the information in this application being communicated to the Department in electronic form.

☒ By checking this box I agree to all of the above declarations and confirm all of the above statements to be true *

☒ By including my name in this application it is deemed to be my signature for the purpose of this application *

State your name *

s22

State your email address *

s22 @tropicalpines.com.au

Livingstone Shire Council area

Economic impact model

Economic impact modelling enables the Livingstone Shire Council area to explore how change in employment or output(sales) in one sector of the local economy will impact on all other sectors of the economy, by modelling the flow-on effects across different industries.
This provides the Livingstone Shire Council area with powerful evidence to advocate against industrial closures or strategically target new industry sectors which are likely to have the greatest positive economic impact.
Different industries will have different flow on effects. Adding jobs in a particular sector will not only add to the value of that sector, but also to other industries related to the supply chain (eg. suppliers, wholesalers) and service industries (retail, food services, administration) which will expand to service the additional workforce. Jobs in associated industries may be added in the local area or outside it, based on journey to work information.
The economic impacts are calculated using an input-output model which is derived from the local economy microsimulation model by National Economics (NIEIR).
To use the model, simply input the number of jobs (per year) to be added to (+) or removed (-) from the economy in a particular industry sector. The results show the theoretical addition (or loss) to the local economy of jobs and value added by industry sector. It also shows the proportion of the new employment that would occur inside and outside the Livingstone Shire Council area.

Industry: Building Construction
Impact modeled: ADDITION of $12.5 million sales
Company name: Tropical Pines EI - 1

Impact Summary

Livingstone Shire Council area - Modelling the effect of adding $12.5m sales in Building Construction - Inflation adjusted

Summary	Output ($m)	Value-added ($m)	Local jobs	Residents jobs
Starting position Livingstone Shire Council area (year ended June 2016)	--	--	--	--
Building Construction	134.94	33.07	239	431
All industries	2,527.03	1,056.36	10,041	18,101
Impacts on Livingstone Shire Council area economy	--	--	--	--
Direct impact on Building Construction sector	12.50	3.06	22	--
Industrial impact	6.12	2.43	20	--
Consumption impact	0.71	0.31	3	--
Total impact on Livingstone Shire Council area economy	**19.33**	**5.81**	**46**	**33**
▪ Type 1 multiplier (direct & industrial)	1.49	1.79	1.92	--
▪ Type 2 multiplier (direct, industrial & consumption)	1.55	1.90	2.08	--
Impact on Australian economy	--	--	--	--
Total impact outside Livingstone Shire Council area	10.02	4.32	36	49
Total impact on Australian economy	**29.35**	**10.12**	**82**	**82**

Source: National Institute of Economic and Industry Research (NIEIR) ©2016. Compiled and presented in economy.id by .id, the population experts.
Note: All $ values are expressed in 2015-16 base year dollar terms.

Impact on Output

The direct addition of $12.5 million annual output in the Building Construction sector of the Livingstone Shire Council area economy would lead to an increase in indirect demand for intermediate goods and services across related industry sectors. These indirect industrial impacts (Type 1) are estimated to be an additional $6.12m in Output, representing a Type 1 Output multiplier of 1.49.

There would be an additional contribution to the Livingstone Shire Council area economy through consumption effects as correspondingly more wages and salaries are spent in the local economy. It is estimated that this would result in a further increase in Output of $0.71m .

The combination of all direct, industrial and consumption effects would result in total estimated rise in Output of $19.33m in the Livingstone Shire Council area economy, representing a Type 2 Output multiplier of 1.55.

These impacts would not be limited to the local economy. Industrial and consumption effects would flow outside the region to the wider Australian economy to the tune of $10.02m in Output.

The combined effect of economic multipliers in the Livingstone Shire Council area and the wider Australian economy is estimated to be $29.35m added to Australia's Output.

Impact on Local Employment (jobs)

The direct addition of $12.5 million annual output in the Building Construction sector of the Livingstone Shire Council area economy is estimated to lead to a corresponding direct addition of 22 jobs in the local Building Construction sector. From this direct expansion in the economy it is anticipated that there would be flow on effects into other related intermediate industries, creating an additional 20 jobs. This represents a Type 1 Employment multiplier of 1.92.

This addition of jobs in the local economy would lead to a corresponding increase in wages and salaries, a proportion of which would be spent on local goods and services, creating a further 3 jobs through consumption impacts.

The combination of all direct, industrial and consumption effects would result in a total estimated increase of 46 jobs located in the Livingstone Shire Council area. This represents a Type 2 Employment multiplier of 2.08.

Employment impacts would not be limited to the local economy. Industrial and consumption effects would flow outside the region to the wider Australian economy creating a further 36 jobs.

The combined effect of economic multipliers in the Livingstone Shire Council area and the wider Australian economy is estimated to be an addition of 82 jobs.

Impact on value added

The direct addition of $12.5 million annual output in the Building Construction sector of the Livingstone Shire Council area economy would lead to a corresponding direct increase in value added of $3.06m. A further $2.43m in value added would be generated from related intermediate industries. These indirect industrial impacts represent a Type 1 value added multiplier of 1.79.

There would be an additional contribution to the Livingstone Shire Council area economy through consumption effects as correspondingly more wages and salaries are spent in the local economy. It is estimated that this would result in a further increase in value added of $0.31m.

The combination of all direct, industrial and consumption effects would result in an estimated addition in value added of $5.81m in the Livingstone Shire Council area economy, representing a Type 2 value added multiplier of 1.90.

These impacts would not be limited to the local economy. Industrial and consumption effects would flow outside the region to the wider Australian economy to the tune of $4.32m in value added.

The combined effect of economic multipliers in the Livingstone Shire Council area and the wider Australian economy is estimated to be $10.12m added to Australia's value added.

Impact on GRP

Value added by industry represents the industry component of Gross Regional Product(GRP). The impact on the Livingstone Shire Council area's GRP as a result of this change to the economy is directly equivalent to the change in value added outlined in the section above.

In summary, GRP in the Livingstone Shire Council area is estimated to increase by $5.81m.

The effect on the Australian economy (including Livingstone Shire Council area) is estimated to be a growth in Gross Domestic Product(GDP) of $10.12m.

Impact on employment by industry sector

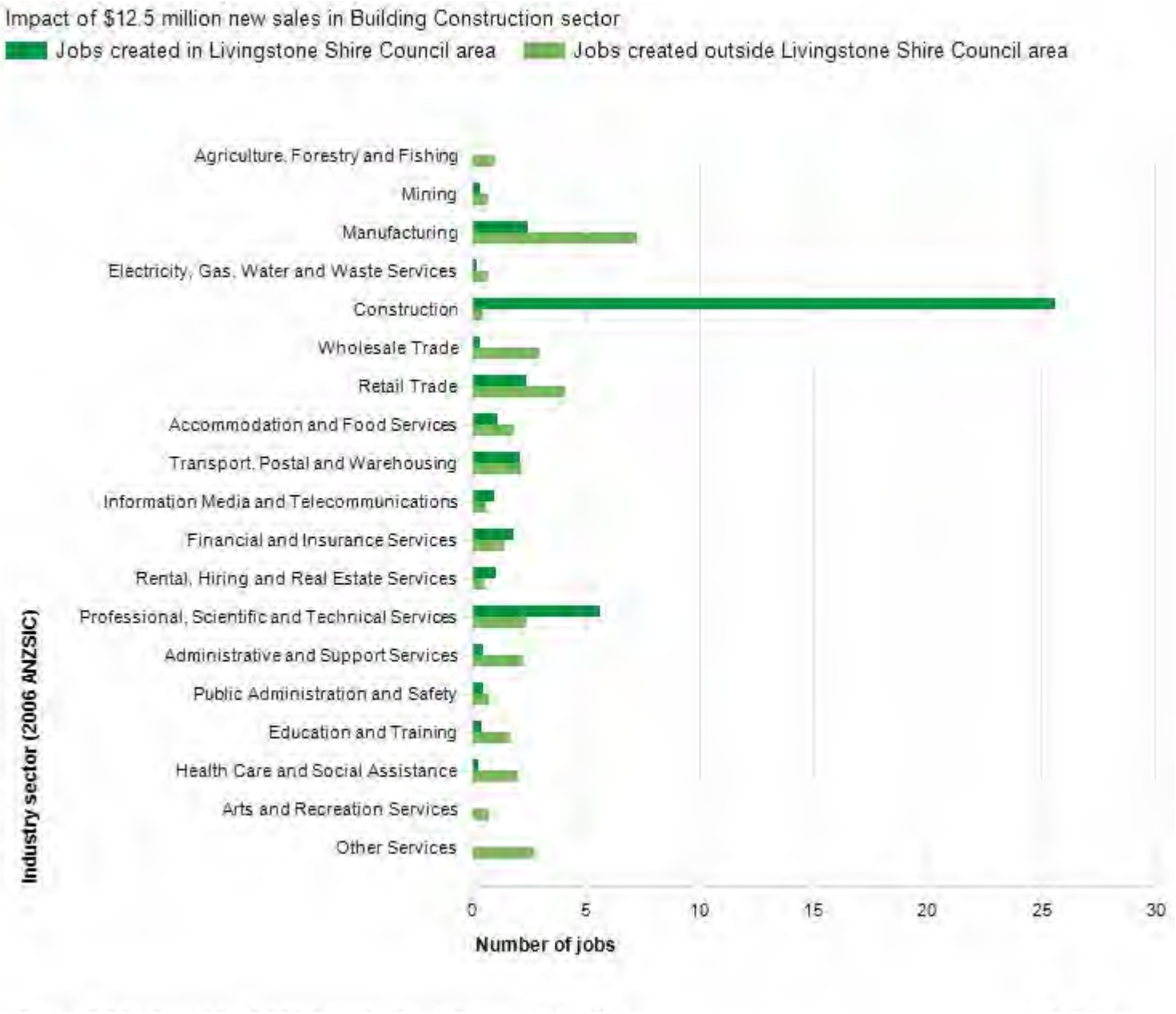
This table shows a detailed breakdown of how employment will be affected by the addition of $12.5 million annual output in the Building Construction sector of the Livingstone Shire Council area economy. This includes both the direct industrial impact (Type 1) and ongoing consumption impact (Type 2).

Employment by industry sector

Livingstone Shire Council area - Impact of $12.5 million new sales in 'Building Construction' output (Type 1 & 2 combined impact)	Employment impacts			
Industry sectors (1-digit ANSIC)	Existing jobs in the Livingstone Shire Council area*	Jobs created in the Livingstone Shire Council area	Jobs created outside of the Livingstone Shire Council area	Jobs created for Livingstone Shire Council area residents
Agriculture, Forestry and Fishing	855	0	1	0
Mining	141	0	1	0
Manufacturing	853	2	7	1
Electricity, Gas, Water and Waste Services	179	0	1	0
Construction	868	26	0	18
Wholesale Trade	318	0	3	0
Retail Trade	1,148	2	4	2
Accommodation and Food Services	1,128	1	2	1
Transport, Postal and Warehousing	498	2	2	1
Information Media and Telecommunications	75	1	1	0
Financial and Insurance Services	149	2	1	1
Rental, Hiring and Real Estate Services	257	1	1	1
Professional, Scientific and Technical Services	358	6	2	5
Administrative and Support Services	257	1	2	0
Public Administration and Safety	624	0	1	0
Education and Training	950	0	2	0
Health Care and Social Assistance	903	0	2	0
Arts and Recreation Services	125	0	1	0
Other Services	357	0	3	0
Total Industries	10,041	46	36	33

Source: National Institute of Economic and Industry Research (NIEIR) ©2016. Compiled and presented in economy.id by .id The population experts

Employment by industry sector



Source: National Institute of Economic and Industry Research (NIEIR) ©2016
Compiled and presented in economy.id by .id the population experts

Resident employment impacts

The combination of all direct, industrial and consumption effects of adding $12.5 million annual output to the Building Construction sector of the Livingstone Shire Council area economy would be an estimated increase of 33 jobs located in the Livingstone Shire Council area and 49 jobs located outside the Livingstone Shire Council area – a total of 82 jobs.

As some of the Livingstone Shire Council area's residents leave the area to work and residents of other areas enter the Livingstone Shire Council area to work, not all of these jobs will be filled by Livingstone Shire Council area residents. It is estimated that of the 82 jobs created, 33 or 40.5% would be expected to be filled by Livingstone Shire Council area residents.

Industry employment impacts

The combination of all direct, industrial and consumption effects of adding $12.5 million annual output to the Building Construction sector of the Livingstone Shire Council area economy would result in an estimated increase of 46 jobs located in the Livingstone Shire Council area.

Of the 46 jobs created within the Livingstone Shire Council area, 26, or 55.7% would be added within Construction the sector. This includes the direct jobs created in the sector, and the effect of flow-on jobs within the same sector. The largest increase in jobs outside Construction would be in Professional, Scientific and Technical Services (6), Manufacturing (2) and Retail Trade (2).

A total of 36 jobs are estimated to be created outside the Livingstone Shire Council area, with the largest number being in Manufacturing (7) Retail Trade (4) and Wholesale Trade (3).

Impact on value added by industry sector

This table shows a detailed breakdown of how adding $12.5 million annual output in the Building Construction sector of the Livingstone Shire Council area economy will impact on the value added of each industry sector. This highlights the relationships between industry. This includes both the direct industrial impact (Type 1) and ongoing consumption impact (Type 2).

Value-added by industry

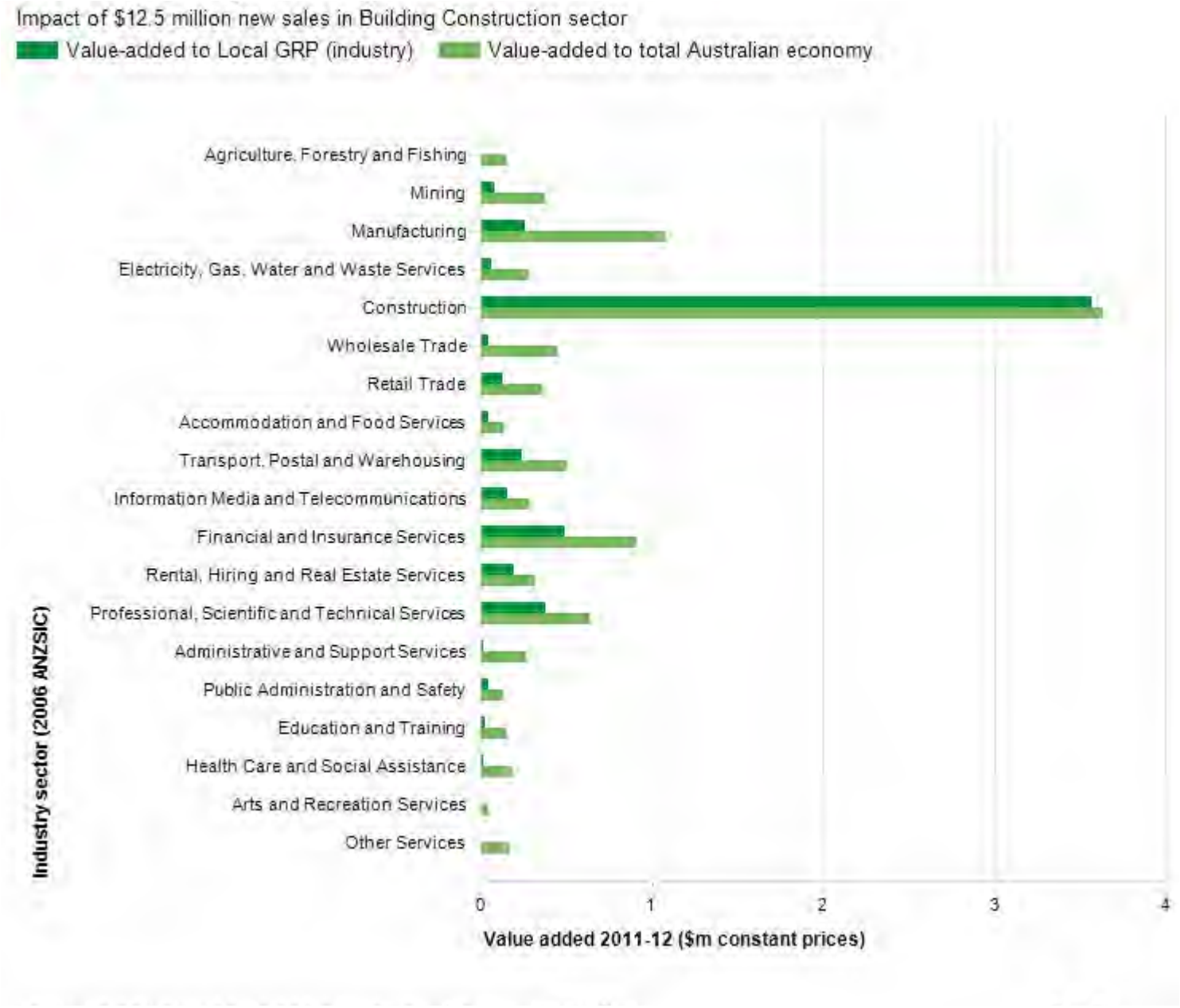
Livingstone Shire Council area - Impact of $12.5 million new sales in 'Building Construction' output (Type 1 & 2 combined impact)

Value added 2013-14 ($m constant prices)

Industry sectors (1-digit ANSIC)	Value-added to the Livingstone Shire Council area	Percentage change	Value-added to Australian economy
Agriculture, Forestry and Fishing	$0.01	0.0%	$0.16
Mining	$0.09	0.1%	$0.38
Manufacturing	$0.26	0.3%	$1.08
Electricity, Gas, Water and Waste Services	$0.06	0.1%	$0.28
Construction	$3.57	2.5%	$3.63
Wholesale Trade	$0.05	0.1%	$0.46
Retail Trade	$0.13	0.2%	$0.36
Accommodation and Food Services	$0.05	0.1%	$0.13
Transport, Postal and Warehousing	$0.24	0.4%	$0.51
Information Media and Telecommunications	$0.16	1.3%	$0.29
Financial and Insurance Services	$0.50	1.2%	$0.91
Rental, Hiring and Real Estate Services	$0.19	0.4%	$0.33
Professional, Scientific and Technical Services	$0.38	1.6%	$0.64
Administrative and Support Services	$0.02	0.1%	$0.27
Public Administration and Safety	$0.04	0.1%	$0.13
Education and Training	$0.03	0.0%	$0.16
Health Care and Social Assistance	$0.02	0.0%	$0.19
Arts and Recreation Services	$0.00	0.0%	$0.05
Other Services	$0.00	0.0%	$0.18
Total Industries	$5.81	0.5%	$10.12

Source: National Institute of Economic and Industry Research (NIEIR) ©2016. Compiled and presented in economy.id by .id The population experts

Value-added by industry



Source: National Institute of Economic and Industry Research (NIEIR) ©2016
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The combination of all direct, industrial and consumption effects of adding $12.5 million annual output to the Building Construction sector of the Livingstone Shire Council area economy would result in an estimated increase in value added of $5.81m in the Livingstone Shire Council area economy.
The Construction sector of the economy is estimated to increase in value added by 2.5%, with the total Livingstone Shire Council area economy estimated to grow by 0.5%.
The main impacts in value added within Livingstone Shire Council area, outside of Construction, are in Financial and Insurance Services (0.50m), Professional, Scientific and Technical Services (0.38m) and Manufacturing (0.26m).

Livingstone Shire Council area

Economic impact model

Economic impact modelling enables the Livingstone Shire Council area to explore how change in employment or output(sales) in one sector of the local economy will impact on all other sectors of the economy, by modelling the flow-on effects across different industries.
This provides the Livingstone Shire Council area with powerful evidence to advocate against industrial closures or strategically target new industry sectors which are likely to have the greatest positive economic impact.
Different industries will have different flow on effects. Adding jobs in a particular sector will not only add to the value of that sector, but also to other industries related to the supply chain (eg. suppliers, wholesalers) and service industries (retail, food services, administration) which will expand to service the additional workforce. Jobs in associated industries may be added in the local area or outside it, based on journey to work information.
The economic impacts are calculated using an input-output model which is derived from the local economy microsimulation model by National Economics (NIEIR).
To use the model, simply input the number of jobs (per year) to be added to (+) or removed (-) from the economy in a particular industry sector. The results show the theoretical addition (or loss) to the local economy of jobs and value added by industry sector. It also shows the proportion of the new employment that would occur inside and outside the Livingstone Shire Council area.

Industry: Food Product Manufacturing
Impact modeled: ADDITION of 14 jobs
Company name: Tropical Pines EI - 2 Years 1-2

Impact Summary

Livingstone Shire Council area - Modelling the effect of adding 14 jobs in Food Product Manufacturing - Inflation adjusted

Summary	Output ($m)	Value-added ($m)	Local jobs	Residents jobs
Starting position Livingstone Shire Council area (year ended June 2016)	--	--	--	--
Food Product Manufacturing	198.07	52.04	448	250
All industries	2,527.03	1,056.36	10,041	18,101
Impacts on Livingstone Shire Council area economy	--	--	--	--
Direct impact on Food Product Manufacturing sector	6.19	1.63	14	--
Industrial impact	2.89	1.24	11	--
Consumption impact	0.18	0.08	1	--
Total impact on Livingstone Shire Council area economy	**9.25**	**2.94**	**26**	**12**
▪ Type 1 multiplier (direct & industrial)	1.47	1.76	1.78	--
▪ Type 2 multiplier (direct, industrial & consumption)	1.50	1.81	1.84	--
Impact on Australian economy	--	--	--	--
Total impact outside Livingstone Shire Council area	9.83	4.12	35	48
Total impact on Australian economy	**19.08**	**7.07**	**61**	**61**

Source: National Institute of Economic and Industry Research (NIEIR) ©2016. Compiled and presented in economy.id by .id, the population experts.
Note: All $ values are expressed in 2015-16 base year dollar terms.

Impact on Output

The direct addition of 14 jobs in the Food Product Manufacturing sector of the Livingstone Shire Council area economy is estimated to lead to a corresponding direct addition of $6.19m in Output from the local Food Product Manufacturing sector. From this direct expansion in the economy it is anticipated that there would be a flow on effects into other related intermediate industries, creating a further increase of $2.89m in Output. This represents a Type 1 employment multiplier of 1.47.

There would be an additional contribution to the Livingstone Shire Council area economy through consumption effects as correspondingly more wages and salaries are spent in the local economy. It is estimated that this would result in a further increase in Output of $0.18m .

The combination of all direct, industrial and consumption effects would result in total estimated rise in Output of $9.25m in the Livingstone Shire Council area economy, representing a Type 2 Output multiplier of 1.50.

These impacts would not be limited to the local economy. Industrial and consumption effects would flow outside the region to the wider Australian economy to the tune of $9.83m in Output.

The combined effect of economic multipliers in the Livingstone Shire Council area and the wider Australian economy is estimated to be $19.08m added to Australia's Output.

Impact on Local Employment (jobs)

The direct addition of 14 jobs in the Food Product Manufacturing sector of the the Livingstone Shire Council area economy would lead to a further increase in indirect demand for intermediate good and services across related industry sectors. These indirect industrial impacts (Type 1) are estimated to result in an additional 11 jobs, representing Type 1 Employment multiplier of 1.78.

This addition of jobs in the local economy would lead to a corresponding increase in wages and salaries, a proportion of which would be spent on local goods and services, creating a further 1 jobs through consumption impacts.

The combination of all direct, industrial and consumption effects would result in a total estimated increase of 26 jobs located in the Livingstone Shire Council area. This represents a Type 2 Employment multiplier of 1.84.

Employment impacts would not be limited to the local economy. Industrial and consumption effects would flow outside the region to the wider Australian economy creating a further 35 jobs.

The combined effect of economic multipliers in the Livingstone Shire Council area and the wider Australian economy is estimated to be an addition of 61 jobs.

Impact on value added

The direct addition of 14 jobs in the Food Product Manufacturing sector of the Livingstone Shire Council area economy would lead to a corresponding direct increase in value added of $1.63m. A further $1.24m in value added would be generated from related intermediate industries. These indirect industrial impacts represent a Type 1 value added multiplier of 1.76.

There would be an additional contribution to the Livingstone Shire Council area economy through consumption effects as correspondingly more wages and salaries are spent in the local economy. It is estimated that this would result in a further increase in value added of $0.08m.

The combination of all direct, industrial and consumption effects would result in an estimated addition in value added of $2.94m in the Livingstone Shire Council area economy, representing a Type 2 value added multiplier of 1.81.

These impacts would not be limited to the local economy. Industrial and consumption effects would flow outside the region to the wider Australian economy to the tune of $4.12m in value added.

The combined effect of economic multipliers in the Livingstone Shire Council area and the wider Australian economy is estimated to be $7.07m added to Australia's value added.

Impact on GRP

Value added by industry represents the industry component of Gross Regional Product(GRP). The impact on the Livingstone Shire Council area's GRP as a result of this change to the economy is directly equivalent to the change in value added outlined in the section above.

In summary, GRP in the Livingstone Shire Council area is estimated to increase by $2.94m.

The effect on the Australian economy (including Livingstone Shire Council area) is estimated to be a growth in Gross Domestic Product(GDP) of $7.07m.

Impact on employment by industry sector

This table shows a detailed breakdown of how employment will be affected by the addition of 14 jobs in the Food Product Manufacturing sector of the Livingstone Shire Council area economy. This includes both the direct industrial impact (Type 1) and ongoing consumption impact (Type 2).

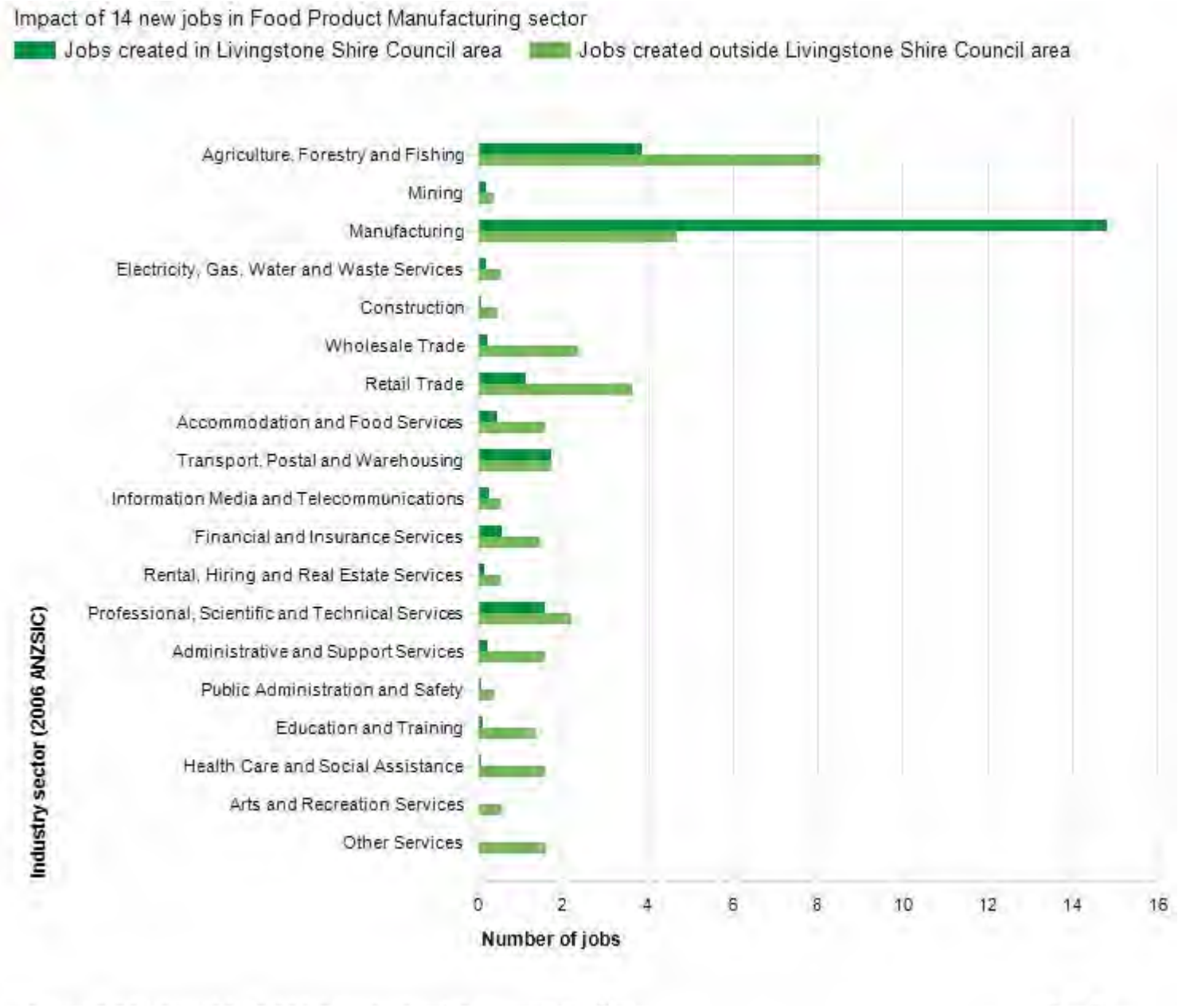
Employment by industry sector

Livingstone Shire Council area - Impact of 14 new jobs in 'Food Product Manufacturing' output (Type 1 & 2 combined impact)

Industry sectors (1-digit ANSIC)	Employment impacts			
	Existing jobs in the Livingstone Shire Council area*	Jobs created in the Livingstone Shire Council area	Jobs created outside of the Livingstone Shire Council area	Jobs created for Livingstone Shire Council area residents
Agriculture, Forestry and Fishing	855	4	8	3
Mining	141	0	0	0
Manufacturing	853	15	5	4
Electricity, Gas, Water and Waste Services	179	0	1	0
Construction	868	0	0	0
Wholesale Trade	318	0	2	0
Retail Trade	1,148	1	4	1
Accommodation and Food Services	1,128	0	2	0
Transport, Postal and Warehousing	498	2	2	1
Information Media and Telecommunications	75	0	1	0
Financial and Insurance Services	149	1	1	0
Rental, Hiring and Real Estate Services	257	0	1	0
Professional, Scientific and Technical Services	358	2	2	1
Administrative and Support Services	257	0	2	0
Public Administration and Safety	624	0	0	0
Education and Training	950	0	1	0
Health Care and Social Assistance	903	0	2	0
Arts and Recreation Services	125	0	1	0
Other Services	357	0	2	0
Total Industries	10,041	26	35	12

Source: National Institute of Economic and Industry Research (NIEIR) ©2016. Compiled and presented in economy.id by .id The population experts

Employment by industry sector



Source: National Institute of Economic and Industry Research (NIEIR) ©2016
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Resident employment impacts

The combination of all direct, industrial and consumption effects of adding 14 jobs to the Food Product Manufacturing sector of the Livingstone Shire Council area economy would be an estimated increase of 12 jobs located in the Livingstone Shire Council area and 48 jobs located outside the Livingstone Shire Council area – a total of 61 jobs. As some of the Livingstone Shire Council area's residents leave the area to work and residents of other areas enter the Livingstone Shire Council area to work, not all of these jobs will be filled by Livingstone Shire Council area residents. It is estimated that of the 61 jobs created, 12 or 19.9% would be expected to be filled by Livingstone Shire Council area residents.

Industry employment impacts

The combination of all direct, industrial and consumption effects of adding 14 jobs to the Food Product Manufacturing sector of the Livingstone Shire Council area economy would result in an estimated increase of 26 jobs located in the Livingstone Shire Council area.

Of the 26 jobs created within the Livingstone Shire Council area, 15, or 57.7% would be added within Manufacturing the sector. This includes the direct jobs created in the sector, and the effect of flow-on jobs within the same sector. The largest increase in jobs outside Manufacturing would be in Agriculture, Forestry and Fishing (4), Transport, Postal and Warehousing (2) and Professional, Scientific and Technical Services (2).

A total of 35 jobs are estimated to be created outside the Livingstone Shire Council area, with the largest number being in Agriculture, Forestry and Fishing (8) Retail Trade (4) and Wholesale Trade (2).

Impact on value added by industry sector

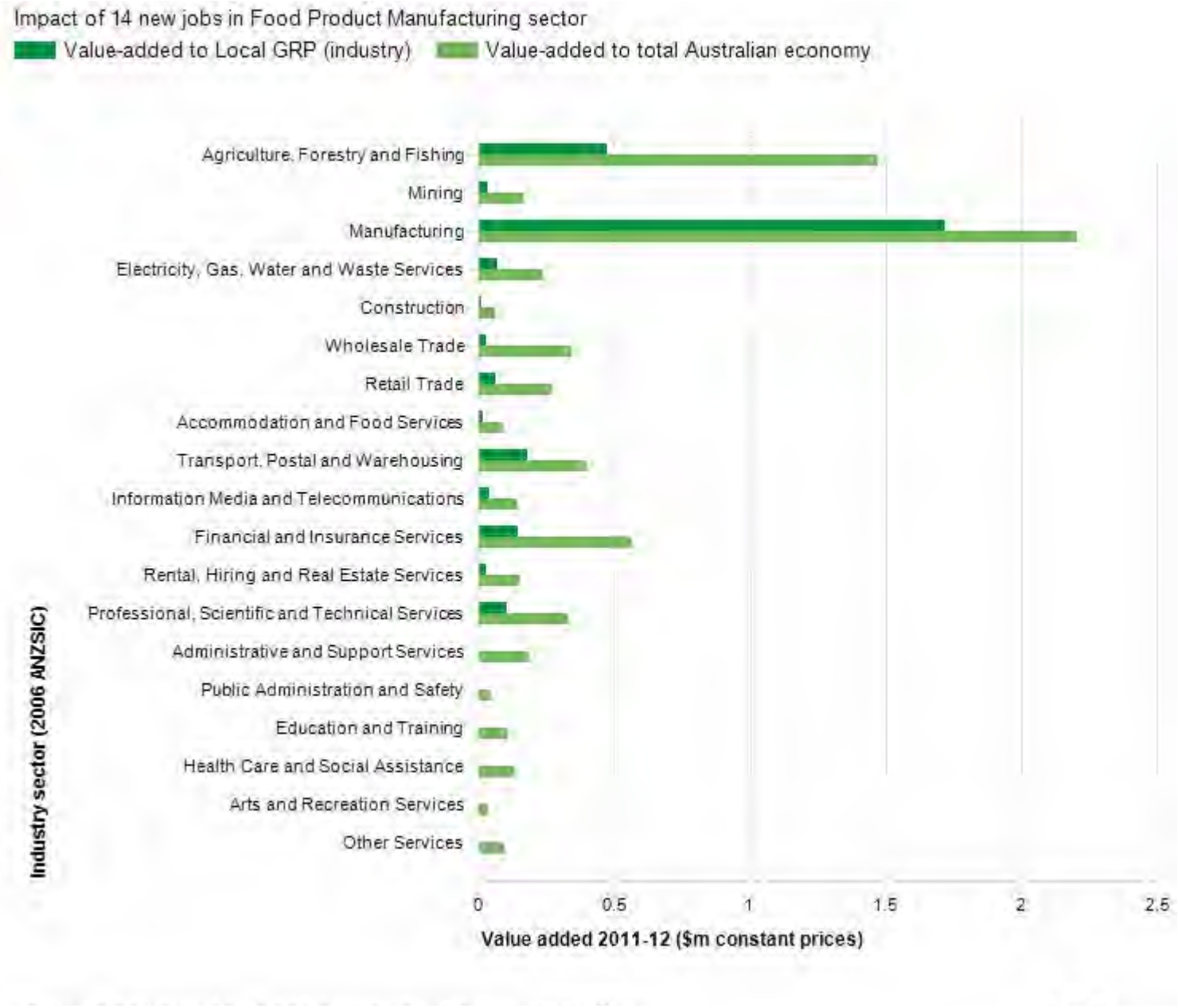
This table shows a detailed breakdown of how adding 14 jobs in the Food Product Manufacturing sector of the Livingstone Shire Council area economy will impact on the value added of each industry sector. This highlights the relationships between industry. This includes both the direct industrial impact (Type 1) and ongoing consumption impact (Type 2).

Value-added by industry

Livingstone Shire Council area - Impact of 14 new jobs in 'Food Product Manufacturing' output (Type 1 & 2 combined impact)	Value added 2013-14 ($m constant prices)		
Industry sectors (1-digit ANSIC)	Value-added to the Livingstone Shire Council area	Percentage change	Value-added to Australian economy
Agriculture, Forestry and Fishing	$0.47	0.5%	$1.47
Mining	$0.03	0.1%	$0.17
Manufacturing	$1.72	1.7%	$2.20
Electricity, Gas, Water and Waste Services	$0.07	0.1%	$0.24
Construction	$0.01	0.0%	$0.07
Wholesale Trade	$0.03	0.1%	$0.35
Retail Trade	$0.06	0.1%	$0.27
Accommodation and Food Services	$0.02	0.0%	$0.09
Transport, Postal and Warehousing	$0.18	0.3%	$0.40
Information Media and Telecommunications	$0.04	0.3%	$0.14
Financial and Insurance Services	$0.15	0.3%	$0.57
Rental, Hiring and Real Estate Services	$0.03	0.1%	$0.15
Professional, Scientific and Technical Services	$0.11	0.4%	$0.33
Administrative and Support Services	$0.01	0.0%	$0.19
Public Administration and Safety	$0.01	0.0%	$0.05
Education and Training	$0.01	0.0%	$0.11
Health Care and Social Assistance	$0.01	0.0%	$0.14
Arts and Recreation Services	$0.00	0.0%	$0.03
Other Services	$0.00	0.0%	$0.10
Total Industries	$2.94	0.3%	$7.07

Source: National Institute of Economic and Industry Research (NIEIR) ©2016. Compiled and presented in economy.id by .id The population experts

Value-added by industry



Source: National Institute of Economic and Industry Research (NIEIR) ©2016
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The combination of all direct, industrial and consumption effects of adding 14 jobs to the Food Product Manufacturing sector of the Livingstone Shire Council area economy would result in an estimated increase in value added of $2.94m in the Livingstone Shire Council area economy.

The Manufacturing sector of the economy is estimated to increase in value added by 1.7%, with the total Livingstone Shire Council area economy estimated to grow by 0.3%.

The main impacts in value added within Livingstone Shire Council area, outside of Manufacturing, are in Agriculture, Forestry and Fishing (0.47m), Transport, Postal and Warehousing (0.18m) and Financial and Insurance Services (0.15m).

Livingstone Shire Council area

Economic impact model

Economic impact modelling enables the Livingstone Shire Council area to explore how change in employment or output(sales) in one sector of the local economy will impact on all other sectors of the economy, by modelling the flow-on effects across different industries.
This provides the Livingstone Shire Council area with powerful evidence to advocate against industrial closures or strategically target new industry sectors which are likely to have the greatest positive economic impact.
Different industries will have different flow on effects. Adding jobs in a particular sector will not only add to the value of that sector, but also to other industries related to the supply chain (eg. suppliers, wholesalers) and service industries (retail, food services, administration) which will expand to service the additional workforce. Jobs in associated industries may be added in the local area or outside it, based on journey to work information.
The economic impacts are calculated using an input-output model which is derived from the local economy microsimulation model by National Economics (NIEIR).
To use the model, simply input the number of jobs (per year) to be added to (+) or removed (-) from the economy in a particular industry sector. The results show the theoretical addition (or loss) to the local economy of jobs and value added by industry sector. It also shows the proportion of the new employment that would occur inside and outside the Livingstone Shire Council area.

Industry: Food Product Manufacturing
Impact modeled: ADDITION of 26 jobs
Company name: Tropical Pines EI - 2 Years 3 on

Impact Summary

Livingstone Shire Council area - Modelling the effect of adding 26 jobs in Food Product Manufacturing - Inflation adjusted

Summary	Output ($m)	Value-added ($m)	Local jobs	Residents jobs
Starting position Livingstone Shire Council area (year ended June 2016)	--	--	--	--
Food Product Manufacturing	198.07	52.04	448	250
All industries	2,527.03	1,056.36	10,041	18,101
Impacts on Livingstone Shire Council area economy	--	--	--	--
Direct impact on Food Product Manufacturing sector	11.49	3.02	26	--
Industrial impact	5.37	2.30	20	--
Consumption impact	0.33	0.14	2	--
Total impact on Livingstone Shire Council area economy	**17.19**	**5.47**	**48**	**22**
▪ Type 1 multiplier (direct & industrial)	1.47	1.76	1.78	--
▪ Type 2 multiplier (direct, industrial & consumption)	1.50	1.81	1.84	--
Impact on Australian economy	--	--	--	--
Total impact outside Livingstone Shire Council area	18.26	7.66	65	90
Total impact on Australian economy	**35.44**	**13.12**	**113**	**112**

Source: National Institute of Economic and Industry Research (NIEIR) ©2016. Compiled and presented in economy.id by .id, the population experts.
Note: All $ values are expressed in 2015-16 base year dollar terms.

Impact on Output

The direct addition of 26 jobs in the Food Product Manufacturing sector of the Livingstone Shire Council area economy is estimated to lead to a corresponding direct addition of $11.49m in Output from the local Food Product Manufacturing sector. From this direct expansion in the economy it is anticipated that there would be a flow on effects into other related intermediate industries, creating a further increase of $5.37m in Output. This represents a Type 1 employment multiplier of 1.47.

There would be an additional contribution to the Livingstone Shire Council area economy through consumption effects as correspondingly more wages and salaries are spent in the local economy. It is estimated that this would result in a further increase in Output of $0.33m .

The combination of all direct, industrial and consumption effects would result in total estimated rise in Output of $17.19m in the Livingstone Shire Council area economy, representing a Type 2 Output multiplier of 1.50.

These impacts would not be limited to the local economy. Industrial and consumption effects would flow outside the region to the wider Australian economy to the tune of $18.26m in Output.

The combined effect of economic multipliers in the Livingstone Shire Council area and the wider Australian economy is estimated to be $35.44m added to Australia's Output.

Impact on Local Employment (jobs)

The direct addition of 26 jobs in the Food Product Manufacturing sector of the the Livingstone Shire Council area economy would lead to a further increase in indirect demand for intermediate good and services across related industry sectors. These indirect industrial impacts (Type 1) are estimated to result in an additional 20 jobs, representing Type 1 Employment multiplier of 1.78.

This addition of jobs in the local economy would lead to a corresponding increase in wages and salaries, a proportion of which would be spent on local goods and services, creating a further 2 jobs through consumption impacts.

The combination of all direct, industrial and consumption effects would result in a total estimated increase of 48 jobs located in the Livingstone Shire Council area. This represents a Type 2 Employment multiplier of 1.84.

Employment impacts would not be limited to the local economy. Industrial and consumption effects would flow outside the region to the wider Australian economy creating a further 65 jobs.

The combined effect of economic multipliers in the Livingstone Shire Council area and the wider Australian economy is estimated to be an addition of 113 jobs.

Impact on value added

The direct addition of 26 jobs in the Food Product Manufacturing sector of the Livingstone Shire Council area economy would lead to a corresponding direct increase in value added of $3.02m. A further $2.30m in value added would be generated from related intermediate industries. These indirect industrial impacts represent a Type 1 value added multiplier of 1.76.

There would be an additional contribution to the Livingstone Shire Council area economy through consumption effects as correspondingly more wages and salaries are spent in the local economy. It is estimated that this would result in a further increase in value added of $0.14m.

The combination of all direct, industrial and consumption effects would result in an estimated addition in value added of $5.47m in the Livingstone Shire Council area economy, representing a Type 2 value added multiplier of 1.81.

These impacts would not be limited to the local economy. Industrial and consumption effects would flow outside the region to the wider Australian economy to the tune of $7.66m in value added.

The combined effect of economic multipliers in the Livingstone Shire Council area and the wider Australian economy is estimated to be $13.12m added to Australia's value added.

Impact on GRP

Value added by industry represents the industry component of Gross Regional Product(GRP). The impact on the Livingstone Shire Council area's GRP as a result of this change to the economy is directly equivalent to the change in value added outlined in the section above.

In summary, GRP in the Livingstone Shire Council area is estimated to increase by $5.47m.

The effect on the Australian economy (including Livingstone Shire Council area) is estimated to be a growth in Gross Domestic Product(GDP) of $13.12m.

Impact on employment by industry sector

This table shows a detailed breakdown of how employment will be affected by the addition of 26 jobs in the Food Product Manufacturing sector of the Livingstone Shire Council area economy. This includes both the direct industrial impact (Type 1) and ongoing consumption impact (Type 2).

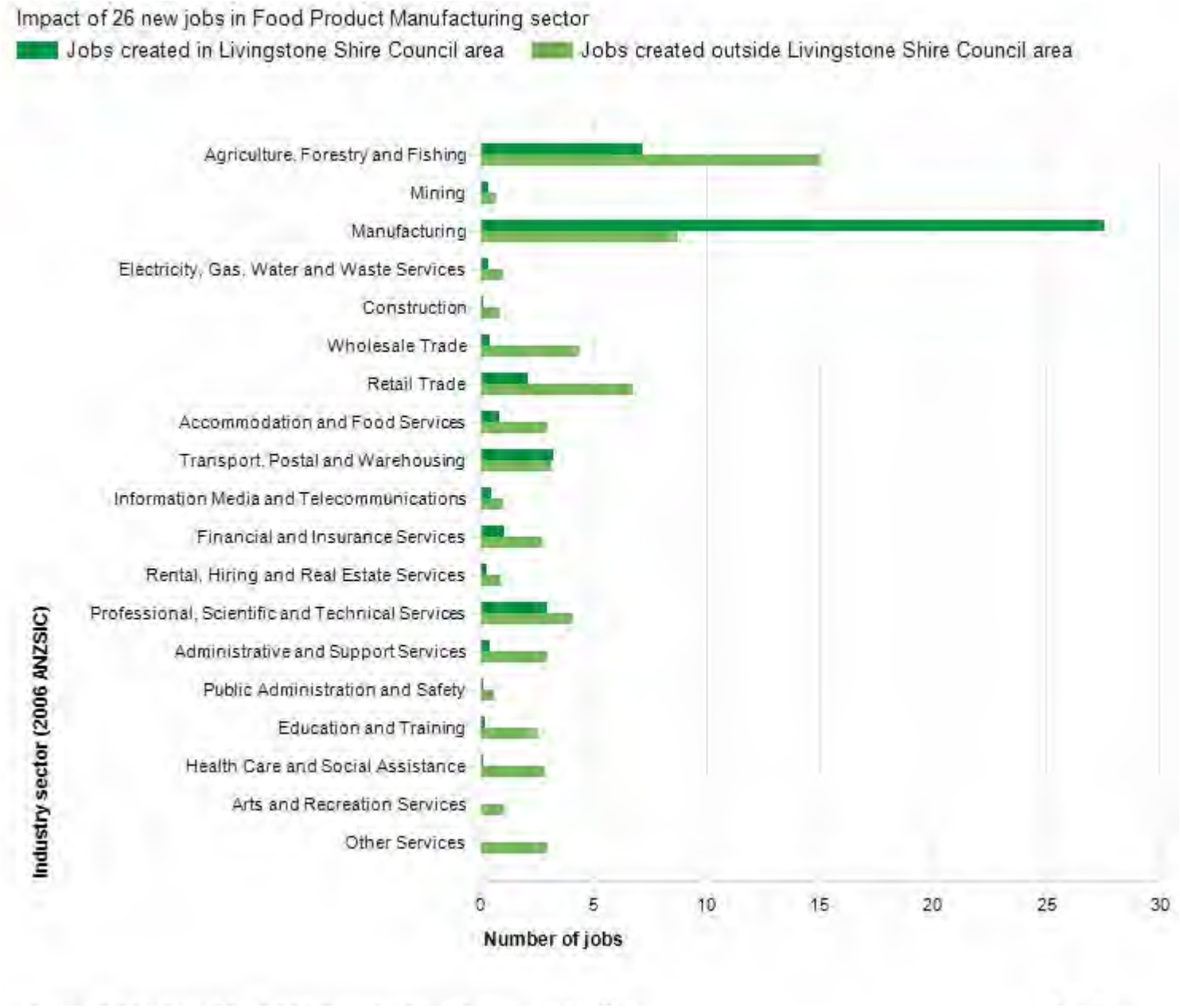
Employment by industry sector

Livingstone Shire Council area - Impact of 26 new jobs in 'Food Product Manufacturing' output (Type 1 & 2 combined impact)

Industry sectors (1-digit ANSIC)	Employment impacts			
	Existing jobs in the Livingstone Shire Council area*	Jobs created in the Livingstone Shire Council area	Jobs created outside of the Livingstone Shire Council area	Jobs created for Livingstone Shire Council area residents
Agriculture, Forestry and Fishing	855	7	15	5
Mining	141	0	1	0
Manufacturing	853	28	9	7
Electricity, Gas, Water and Waste Services	179	0	1	0
Construction	868	0	1	0
Wholesale Trade	318	0	4	0
Retail Trade	1,148	2	7	2
Accommodation and Food Services	1,128	1	3	1
Transport, Postal and Warehousing	498	3	3	2
Information Media and Telecommunications	75	0	1	0
Financial and Insurance Services	149	1	3	1
Rental, Hiring and Real Estate Services	257	0	1	0
Professional, Scientific and Technical Services	358	3	4	2
Administrative and Support Services	257	0	3	0
Public Administration and Safety	624	0	1	0
Education and Training	950	0	3	0
Health Care and Social Assistance	903	0	3	0
Arts and Recreation Services	125	0	1	0
Other Services	357	0	3	0
Total Industries	10,041	48	65	22

Source: National Institute of Economic and Industry Research (NIEIR) ©2016. Compiled and presented in economy.id by .id The population experts

Employment by industry sector



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Resident employment impacts

The combination of all direct, industrial and consumption effects of adding 26 jobs to the Food Product Manufacturing sector of the Livingstone Shire Council area economy would be an estimated increase of 22 jobs located in the Livingstone Shire Council area and 90 jobs located outside the Livingstone Shire Council area – a total of 112 jobs. As some of the Livingstone Shire Council area's residents leave the area to work and residents of other areas enter the Livingstone Shire Council area to work, not all of these jobs will be filled by Livingstone Shire Council area residents. It is estimated that of the 112 jobs created, 22 or 19.9% would be expected to be filled by Livingstone Shire Council area residents.

Industry employment impacts

The combination of all direct, industrial and consumption effects of adding 26 jobs to the Food Product Manufacturing sector of the Livingstone Shire Council area economy would result in an estimated increase of 48 jobs located in the Livingstone Shire Council area.

Of the 48 jobs created within the Livingstone Shire Council area, 28, or 57.7% would be added within Manufacturing the sector. This includes the direct jobs created in the sector, and the effect of flow-on jobs within the same sector. The largest increase in jobs outside Manufacturing would be in Agriculture, Forestry and Fishing (7), Transport, Postal and Warehousing (3) and Professional, Scientific and Technical Services (3).

A total of 65 jobs are estimated to be created outside the Livingstone Shire Council area, with the largest number being in Agriculture, Forestry and Fishing (15) Retail Trade (7) and Wholesale Trade (4).

Impact on value added by industry sector

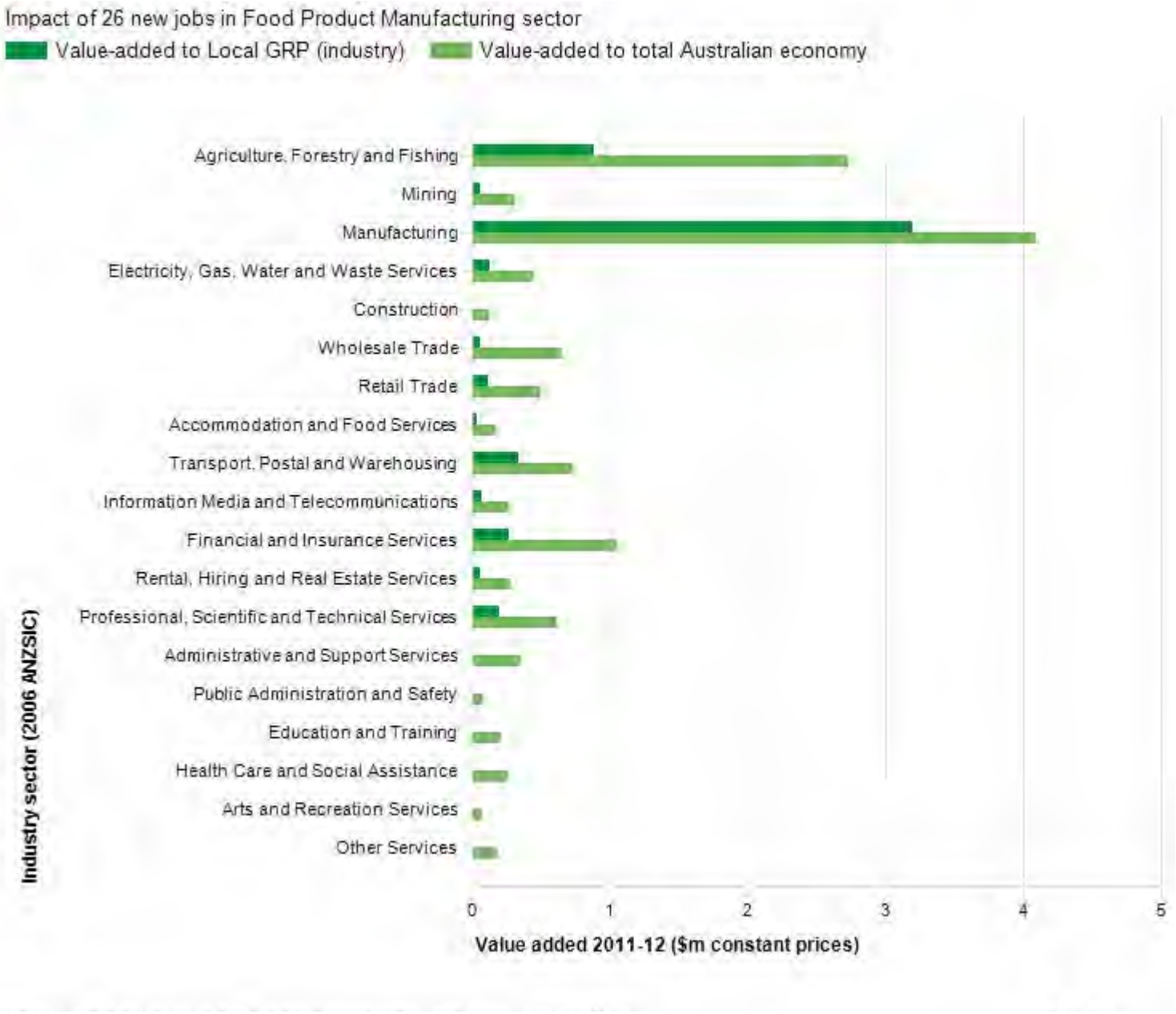
This table shows a detailed breakdown of how adding 26 jobs in the Food Product Manufacturing sector of the Livingstone Shire Council area economy will impact on the value added of each industry sector. This highlights the relationships between industry. This includes both the direct industrial impact (Type 1) and ongoing consumption impact (Type 2).

Value-added by industry

Livingstone Shire Council area - Impact of 26 new jobs in 'Food Product Manufacturing' output (Type 1 & 2 combined impact)	Value added 2013-14 ($m constant prices)		
Industry sectors (1-digit ANSIC)	Value-added to the Livingstone Shire Council area	Percentage change	Value-added to Australian economy
Agriculture, Forestry and Fishing	$0.88	0.8%	$2.74
Mining	$0.06	0.1%	$0.31
Manufacturing	$3.19	3.2%	$4.09
Electricity, Gas, Water and Waste Services	$0.13	0.2%	$0.44
Construction	$0.02	0.0%	$0.12
Wholesale Trade	$0.06	0.1%	$0.65
Retail Trade	$0.11	0.2%	$0.50
Accommodation and Food Services	$0.03	0.1%	$0.17
Transport, Postal and Warehousing	$0.34	0.5%	$0.74
Information Media and Telecommunications	$0.07	0.6%	$0.27
Financial and Insurance Services	$0.27	0.6%	$1.06
Rental, Hiring and Real Estate Services	$0.06	0.1%	$0.28
Professional, Scientific and Technical Services	$0.20	0.8%	$0.62
Administrative and Support Services	$0.01	0.1%	$0.35
Public Administration and Safety	$0.01	0.0%	$0.09
Education and Training	$0.01	0.0%	$0.21
Health Care and Social Assistance	$0.01	0.0%	$0.25
Arts and Recreation Services	$0.00	0.0%	$0.06
Other Services	$0.00	0.0%	$0.18
Total Industries	$5.47	0.5%	$13.12

Source: National Institute of Economic and Industry Research (NIEIR) ©2016. Compiled and presented in economy.id by .id The population experts

Value-added by industry



Source: National Institute of Economic and Industry Research (NIEIR) ©2016
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The combination of all direct, industrial and consumption effects of adding 26 jobs to the Food Product Manufacturing sector of the Livingstone Shire Council area economy would result in an estimated increase in value added of $5.47m in the Livingstone Shire Council area economy.
The Manufacturing sector of the economy is estimated to increase in value added by 3.2%, with the total Livingstone Shire Council area economy estimated to grow by 0.5%.
The main impacts in value added within Livingstone Shire Council area, outside of Manufacturing, are in Agriculture, Forestry and Fishing (0.88m), Transport, Postal and Warehousing (0.34m) and Financial and Insurance Services (0.27m).

Tropical PINEAPPLES 100% AUSTRALIAN

26th July 2017

Board Resolution

The Board of Tropical Pines Pty Ltd supports the company's submission for a grant under the "Regional Jobs and Investment Packages" initiative. Tropical Pines is in favour of the establishment of a separate food processing company in Yeppoon. This assessment is based on an independent feasibility study completed by Altomark Pty Ltd, an independent financial assessment completed by financial planning firm Capricorn Investment Partners Limited and indications of funding support from AIMS Agribusiness Fund and a major Australian bank.

Signed on behalf of the Board

s22

Chairman

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Yeppoon QLD 4703
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EMAIL admin@tropicalpines.com.au

www.kingoffruit.com.au
Tropical Pines Pty Ltd ABN 60 058 309 505

Livingstone SHIRE COUNCIL

25 July 2017

Our Ref: ED8.5.16
Enquiries: s22
Email: [redacted]

s22

Managing Director
Tropical Pines
PO Box 1054
YEPPOON QLD 4703

Dea[s22]

Letter of Support – Regional Jobs and Investment Packages funding application [*Fruit Processing Facility*]

On behalf of Livingstone Shire Council and our region's community I am both delighted and excited to offer this letter of support and endorsement for Tropical Pines to apply for funding from the Australian Government Regional Jobs and Investment Package for the establishment of a fruit processing plant at the Capricorn Coast.

Tropical Pines has been in operation for twenty-seven years and has created Australia's leading brand of fresh pineapple, Pure Gold and manages the crop from twenty-two farms year around and sells approximately forty-five percent of all Australia's Pure Gold pineapples. Our Council and community appreciate the ongoing significant economic contribution of Tropical Pines to the local economy through employment, business to business trade, event and sponsorship support.

Tropical Pines are applying for funding to build a new fruit processing facility at the Capricorn Coast which will drive local economic growth and most importantly create local ongoing jobs. The project will provide diversification in our region as the completion of this project will position Tropical Pines as the first Australian supplier to use High Pressure Pasteurisation technology to manufacture unique fruit based products. Enabling Tropical Pines to enter new markets and sectors and significantly increase the quantity of fruits produced in the region to meet demand.

This project will value add to existing regional project, stimulate long term growth and deliver sustainable employment. The $12.5 million construction will generate $19.33 million in the local economy and forty-six local jobs and $29.35 million in the Australian economy and eighty-two jobs. Once complete, from year two onwards it is predicted the facility will generate twenty-six local jobs, injecting $17.2 million annually into the local economy, creating an additional twenty-two indirect local jobs. The Australian economy will benefit during full production from a total of 113 new jobs, injecting $35.4 million annually into the Australian economy.

Livingstone Shire Council will spare no effort in providing support for this project. Council commends Tropical Pines application in its funding bid to the Australian Government for the establishment of a fruit processing plant at the Capricorn Coast. Should you require any further information or assistance please contact s22 Director Strategic Growth and Development on s22

Yours sincerely

s22

Chief Executive Officer

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www.livingstone.qld.gov.au
enquiries@livingstone.qld.gov.au
ABN 95 399 253 048

HPP Project Feasibility Report

Prepared by

Capricorn Investment Partners
December 2016

Contact details

Direct s22 [redacted]

Email s22 [redacted] *@capinvest.com.au*

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the Pentad Group

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the Pentad Group

Table of contents

Outline of Project

This report has been commissioned by the Queensland Department of State Development to determine the commercial viability of a fruit HPP facility in the Capricorn Coast Industrial Park near Yeppoon. The report details a financial model, building on the technical information presented in Altomark Pty Ltd 2016 (Altomark) *Final Report into Feasibility of HPP Facility in Central Queensland* (HPP Project).

The HPP Project involves processing fruit sourced from Queensland and interstate growers to produce a variety of bottled juices and fruit cups. These products will be sold to outlets such as Woolworths, Coles, independent grocers and food service companies domestically. There appears to be significant potential in the development of export markets.

The financial analysis in the report takes the following form:

Capital Requirements

A base case analysis built on the information provided by Altomark. This is an estimate of the "all-up" cost of bringing the project online and establishing a market presence.

Performance & Position Forecasts

Modelling to establish the overall profitability of the project, based on the information provided by Altomark.

Performance Indicators

Derivation of analytical ratios to provide standardised guidance as to the overall viability of the project under the base case.

Multiples Valuation

A valuation approach based on historical observable transactions.

DCF Based Valuation

A valuation approach based on analysis of expected cash flows deriving from the project.

Sensitivity Tests

Additional financial analysis to provide some insight into the likely result, if actual outcomes do not reflect base case assumptions.

Structuring and Capital Raising

The recommended approach to structuring the project and raising capital.

Executive Summary

The purpose of the report is to assess the commercial viability of the HPP Project by determining a forecast financial performance and position, the initial capital required, the sources of capital available and the potential return for investors. Sensitivity testing has been completed to analyse the effect of increased competition on key performance indicators.

Financial base case

Based on the Altomark assumptions, the financial base case is sound. The business is consistently profitable and cash flow positive.

Capital requirements

The estimated cost of the project is $12.998 million. This includes an allowance of 6 months of operating costs prior to the plant receiving revenues.

Structure and funding

We recommend that the project be established through a public company structure. The approximate recommended capital structure of the company is as follows:

- Equity - $5.651 million
- Hybrid/Mezzanine finance (convertible notes) - $3.85 million
- Bank debt - $3.85 million.

The additional $352,817 raised above the capital requirement is to ensure that the cumulative cash flow in 2018 is positive, based on the assumption that an additional HPP machine will be purchased in 2018.

We believe there are a number of natural investors that may be attracted to the equity and mezzanine components, they are:

- Co-operative members such as local growers or juicers;
- Staff and directors; and
- Family and friends of the above.

The public company structure combined with the different types/levels of funding also provides an opportunity to appeal to the broader public.

Sensitivity

We have undertaken modelling concerning four key sensitivities:

- A breakeven analysis which shows that with stable prices, volumes could fall by 34 per cent to break even in 2018.
- A capacity utilisation analysis which shows the proportion of the project's potential output that is fulfilled by forecast sales volume.

- A decline in the final price of output of 30 per cent, due to the potential existence of additional competition in the market
- A 30 per cent increase in the input price of fruit, due to increased competition for fruit supplies.

Overall, the analysis suggests that the project is quite resilient to these adverse sensitivities. We note however that adversities rarely occur in isolation and a combination of adverse events would likely put the business under significant pressure.

Mitigation of risk

Knowing the risks ahead of time provides an opportunity for mitigation. We recommend the following:

- The project should only go ahead if the capital raising is fully subscribed from the outset
- An experienced and competent workforce is key to minimising commissioning problems, and provides significant insurance against lost revenues and cost blow-outs early on
- Efforts to formally secure end markets should begin coincident with the decision to proceed with the project. This includes establishing end markets overseas.
- Approaching fruit suppliers to invest in the project will create a barrier to entry for prospective HPP projects.

Methodology

The commercial viability of the project is assessed using a financial model with forecast earnings spanning 2018-2021. Key indicators include the initial capital required, forecast financial performance and position of the project, potential return for investors and a valuation of the project. The base case model was developed based on the numerous assumptions found in **Appendix A**.

Commencement

The model assumes sales commence in **July 2017**, but the start date is irrelevant provided there is no more than six months' lag prior to commissioning (that is, we have allowed for a 6-month lead time in any event, but no more than that).

Capital Requirements

Modelling suggests an initial capital requirement of $12.998m. This includes the construction of the facility, the purchase of all equipment, the purchase of all fruit required for the first month sales of 2018, the direct costs of processing that fruit to finished goods and to allow for working capital considerations, expenses for an initial six months of operations.

Forecast Financial Performance & Position

The base case model generates annual P&L forecasts from 2018-2021. These annual P&L forecasts are linked to the corresponding balance sheet to give forecast financial positions for each year.

Return on Investment and other Performance Indicators

The expected returns on investment are calculated using the forecast financial statements. The key performance indicators analysed are the **profitability ratios, efficiency ratios and debt ratios.**

Valuation

We have applied two methods for valuing the HPP Project. First, an **EBITDA multiple based on recent transactions** for Australian fruit or juice businesses; and, secondly, a **DCF based valuation**.

The difficulty with the first approach is there have been limited domestic transactions of public fruit processing companies recently. The 2005 Coca-Cola Amatil acquisition of **SPC Ardmona** and the 2008 Heinz acquisition of **Golden Circle** are the two analysed in this report.

Sensitivity Testing

Market analysis identified that there is a possibility of an upcoming oversupply of fruit processing plants in Australia. To account for increased competition at both raw materials and finished product levels, we have applied sensitivity tests comprising a 30 per cent drop in prices sold, and a 30 per cent increase in the price of fruit.

Capital Requirements

Components of the capital expenditure for the start-up project is as shown in Table 1.

Table 1: Initial Capital Requirements ($'000)

Item	Value
Construction of Building	3,000
Capital Equipment (exc HPP)	6,979
HPP	1,406
Staffing Costs	566
Other Expenses	593
Fruit Purchased	151
Processing Costs	304
Total	12,998

Source: Altomark, Hiperbaric, Griffin Builders, estimates

These estimates are based on the following research and assumptions:

Construction of Building

Brian Griffin Builders provided estimates for the construction of the building. The cost for an air-conditioned building with appropriate refrigeration is estimated at $3 million.

HPP Machine

Initial demand is expected to be sufficiently catered for using one 135L HPP machine. An additional machine is assumed to be required from 2019 onwards. It could be argued that it is more efficient to start with a larger 300L machine. We believe better flexibility and risk reduction is achieved through starting with a 135L machine and purchasing new machines as sales volume requires. Such expansion could involve a 300L machine if market conditions warrant.

Capital Equipment Excluding HPP machine

In addition to the HPP machine, the facility will require a large amount of plant and equipment. The expected cost of this equipment, including a forklift and two trucks, is $6,979,000 as detailed in **Appendix A.**

Staffing Costs

Indirect labour costs of salaries and superannuation for twelve employees in the six months leading up to July 2017 are estimated at $566,000. We have included this as an initial start-up cost to allow for unforeseen delays (this is in effect, an allowance for working capital).

Other Expenses

Other operating expenses (excluding staffing) incurred during the months leading up to July 2017 are estimated at $593,000. These expenses include electricity, office supplies, postage, legal & professional fees, rates etc.

Fruit Processed

"Fruit purchased" represents all the fruit purchased for the first few months of sales minus the fruit processed for the initial July 2017 sales. This cost is estimated at $151,000.

Processing Costs

Processing costs represent the cost of goods to be sold when ramping up for the production of the bottles and tubs for July 2017 sales. This cost is estimated at $304,000.

Performance & Position Forecasts

Earnings forecasts are driven by the assumptions listed in **Appendix A**.

Sales

Revenue estimates are based on information provided by Altomark, and as shown in Table 2.

Table 2: Forecast sales estimates (by conduit to market)

	2018F	2019F	2020F	2021F
Coles	3,027,960	3,659,136	5,717,400	5,717,400
Woolworths	3,027,960	3,659,136	5,717,400	5,717,400
Independents	1,253,616	2,744,352	3,430,440	3,430,440
Food Service	930,384	2,994,810	4,092,244	4,092,244
Export	1,694,160	6,055,920	9,300,096	9,300,096
Total	9,934,080	19,113,354	28,257,580	28,257,580

Source: Altomark

The rapidly increasing export component is of special note, as is the general observation that these sales are being made as a new market entrant into what appears to us to be a relatively small and specialised market. We have sought anecdotal comment on these issues, with the result that existing market participants, feel that notwithstanding the growth, volumes are otherwise relatively modest.

Profit and Loss

The forecast P&L, balance sheet and cash flow statement are all used to compute the performance indicators shown in Table 6.

Table 3: Sales & Earnings Forecasts, 2017-2021 ($ '000)

	2017F	2018F	2019F	2020F	2021F	CAGR
Culinary 125ml	-	347	655	987	987	30%
Juice 325ml	-	2,526	3,648	5,607	5,607	22%
Juice 1L	-	5,756	8,312	12,776	12,776	22%
Fruit 200g	-	1,304	6,499	8,887	8,887	62%
Total production revenues	-	9,934	19,113	28,258	28,258	30%
-Raw Delivered Fruit	-	2,329	4,563	6,679	6,679	30%
-Packaging	-	843	1,676	2,471	2,471	31%
-Direct Labour	-	552	1,104	1,104	1,104	19%
-Storage	-	7	15	22	22	31%
-Distribution	-	454	755	1,138	1,138	26%
Total COGS	-	4,185	8,113	11,413	11,413	29%
-Staff Expenses	566	1,132	1,132	1,132	1,132	0%
-Other Expenses	593	2,018	2,776	3,000	2,958	10%
Net Profit Before Tax	- 1,159	2,599	7,092	12,713	12,754	49%
+Amortization	-	-	-	-	-	
+Interest Expense	134	437	401	363	322	-7%
+Depreciation Expense	-	441	818	940	939	21%
EBITDA	- 1,025	3,477	8,311	14,015	14,015	42%
EBIT	- 1,025	3,037	7,493	13,075	13,076	44%

Source: Estimates

Table 3 allocates the sales forecasts from Table 2 by product line and deducts costs to derive profit measures. Under base case assumptions the project is significantly and consistently profitable.

Balance sheet

As noted above we estimate the HPP Project cost to finance, is in the vicinity of $12,998m. We have assumed this requirement is funded as follows:

- $3.85m traditional/bank loan;
- $3.85m in convertible notes; and
- $5.651m in common stock.

The additional $352,817 raised above the capital requirement is to ensure that the cumulative cash flow in 2018 is positive, based on the assumption that another HPP machine will be purchased in 2018.

The convertible notes are assumed not redeemable over the five-year forecast period. A dividend of 30 per cent of net profit after tax will be paid to common shareholders from 2019 onwards.

While options for capital raising are discussed further below, we have settled on this financing assumption for the following reasons:

- Debt is typically a simple funding mechanism which is also cheaper than equity (issuing equity involves giving up some control of the business). Lenders will however be wary of a start-up project, and will require ample evidence of "skin in the game."

- Convertible notes are a “half way house” between debt and equity. Commonly known as a hybrid security they initially take the character of debt, but have the ability to be repaid through equity should pre-determined financial hurdles be met. In the event of a wind-up, holders of convertible notes rank above shareholder equity, but below formal debt arrangements. This means that lenders generally consider convertible notes and other hybrids as an equity additional buffer. Investors in convertible notes could expect to gain an ongoing return in the form of interest payments, potential equity upside if financial hurdles are met, and ranking above equity holders, some additional protection in the event of a wind-up.
- Holders of common stock or equity generally shoulder all of the risk of investment and conversely capture most of the gains of success. Returns are only expected (and paid) once obligations to all other financiers are met.

The suggested breakdown between these components is intended to strike a balance between these competing interests, while preserving value for equity holders and minimising balance sheet risk overall. The resulting initial gearing position is 28.84 per cent (excluding the hybrid securities).

Table 4: Balance Sheet 2017-2021 ($ '000)

	2017F	2018F	2019F	2020F	2021F
EQUITY					
Common Stock	5,651	5,651	5,651	5,651	5,651
Retained Earnings	-1,159	661	4,136	10,365	16,615
Drawings	0	0	0	0	0
Total Equity	4,492	6,312	9,787	16,016	22,266
ASSETS					
Current Assets					
Cash & Cash Equivalents	218	0	3,295	9,819	16,317
Raw Materials	151	386	552	552	552
Work In Progress	0	0	0	0	0
Finished Goods	304	579	810	810	810
Total Current Assets	673	965	4,657	11,181	17,678
Non-Current Assets					
Buildings & Improvements	3,000	3,000	3,000	3,000	3,000
Fixtures and Equipment	8,185	9,591	9,591	9,591	9,591
Transportation Equipment	200	200	200	200	200
Total Property, Plant & Equipment, at cost	11,385	12,791	12,791	12,791	12,791
Less Accumulated Depreciation & Impairment	0	-441	-1,258	-2,199	-3,138
Total Non-Current Assets	11,385	12,351	11,533	10,593	9,653
Total Assets	12,058	13,316	16,189	21,774	27,332
LIABILITIES					
Total Current Liabilities	0	0	0	0	0
Non-Current Liabilities					
Long-term Bank Debt	3,779	3,485	3,173	2,841	2,489
Convertible Notes	3,786	3,519	3,230	2,916	2,577
Total Non-Current Liabilities	7,566	7,004	6,402	5,757	5,066
Total Liabilities	7,566	7,004	6,402	5,757	5,066
Net Assets	4,492	6,312	9,787	16,016	22,266

Source: Estimates

The entry for raw materials shown for 2017 represent the delivered value of all fruit purchased, and not yet processed, ready for the next month's sales. Finished goods value is the cost of goods sold (COGS) of all products ready for July 2017 sales. Other than this we have not made an allowance for accounts payable or receivable (working capital). As noted above, we have however allowed for a reserve of 6 months of expenses prior to revenues coming in.

Once all capital expenditure is completed (including an additional 135L machine in 2018), cash holdings begin to increase, reaching $16.317m in 2021. Obviously, this could be used to repay debt, for future expansion, or for larger distributions to shareholders. Regardless, equity increases to $22.266m as revenues accumulate to retained earnings.

Cash flows

Based on the assumptions, operating cash flows become positive (+$1,749k) in 2018 once products reach the market. Investing cash flows are negative in 2017 and 2018 as capital equipment and building facilities are purchased. Financing cash flows are negative after initial financing as the principal amounts of the bank loan and convertible notes are paid. Thirty per cent dividends are assumed to be paid from 2019-2021.

Table 5: Cash Flow ($'000)

	2017F	2018F	2019F	2020F	2021F
OPERATING					
Gross profit	0	5,749	11,000	16,845	16,845
Fruit	-151	-235	-165	0	0
Inventory - FG	-304	-276	-231	0	0
Expenses	-1,159	-3,150	-3,908	-4,132	-4,090
+ Depreciation	0	441	818	940	939
Company tax payable	0	-780	-2,128	-3,814	-3,826
Cash Flow	-1,613	1,749	5,386	9,839	9,867
INVESTING					
Building	-3,000	0	0	0	0
Land	0	0	0	0	0
Purchase of Plant and Equipment	-8,185	-1,406	0	0	0
Purchase of Transport Vehicles	-200	0	0	0	0
Cash Flow	-11,385	-1,406	0	0	0
FINANCING					
Debt	3,850	0	0	0	0
- Principal payments	-71	-294	-312	-332	-352
Convertible Notes	3,850	0	0	0	0
- Principal payments	-64	-267	-289	-313	-340
Short term debt drawdown	0	0	0	0	0
Stock Issued	5,651	0	0	0	0
Dividends Paid	0	0	-1,489	-2,670	-2,678
Equity capital injected	0	0	0	0	0
Cash Flow	13,217	-561	-2,091	-3,315	-3,370
Net cashflow	218	-218	3,295	6,524	6,497
Cumulative cash flow	218	0	3,295	9,819	16,317

Source: Estimates

Cumulative cash flows are never negative across the forecast period. Net cash flow after raising capital and undertaking all capital expenditure is expected to be $218k at the end of June 2017.

Indicators of Profitability and Cash flow

Table 6 provides indicators as to the viability of the HPP Project through a variety of profitability and cash flow ratios.

Table 6: Indicators of profitability and cash flow

	2017F	2018F	2019F	2020F	2021F	CAGR
COGS/production revenues (%)	N/A	42.1	42.4	40.4	40.4	-1%
Total costs/production revenues (%)	N/A	73.8	62.9	55.0	54.9	-7%
EBITDA/production revenues (%)	N/A	35.0	43.5	49.6	49.6	9%
EBIT/production revenues (%)	N/A	30.6	39.2	46.3	46.3	11%

Source: Estimates

The COGS/revenues ratio of 2018 suggests that in the first full year of production 42.1 per cent of revenues are expensed directly into the production of products. The total cost/revenue ratio indicates 73.8 per cent of revenue is spent on all operating expenses. EBITDA/revenues demonstrate the percentage of the project's earnings remain after cash operating expenses.

Table 6 shows that over the period, the cost leased ratios fall, with the profit leased ratios rise. These improving ratios are the result of rapid increases in revenue, no increases in indirect labour, and other expenses at 10 per cent, which can be seen in Table 3. Other things equal, this sort of result is a function of capital intensive firms.

Performance Indicators

Tables 7, 8 and 9 detail performance ratios derived from the base case financial model.

Profitability Ratios

Table 7: Profitability ratios

	2017F	2018F	2019F	2020F	2021F
ROCE	-17%	16%	33%	44%	34%
ROE	-41%	32%	88%	157%	158%
ROA	-10%	20%	44%	58%	47%
Gross Profit Margin		58%	58%	60%	60%
Net Profit Margin		18%	26%	31%	32%

Source: Estimates

ROCE (EBIT/average CE) demonstrates the ability of the project to generate returns from the equity and debt capital applied to it. The project's 2018 ROCE of 16 per cent exceeds what we would expect for a start-up enterprise.

ROE (NPAT/average shareholders' equity) is an important indicator for equity investors. It reflects the returns generated from shareholder's equity. The 2018 return of 32 per cent is very high, the returns from 2019-2021 are even higher as it is assumed that no more common stock is issued.

A **ROA** (NPAT/average assets) of 20 per cent in 2018 is well above generally abound levels of 5 to 10 per cent.

Gross profit margin (gross profit/revenue) is the inverse of COGS/revenue and measures how much of every dollar earnt is left over after direct expenses. A margin of 58 per cent in 2018 suggests that operations are cost efficient. An improving margin suggests that direct labour is becoming more productive. **Net profit margin** (NPAT/revenue) measures the "bottom line" profit after all cash, non-cash, interest and tax expenses are incurred yielded from every dollar of revenue earned. Higher margins suggest that the project has more cash for dividends.

All of these profitability ratios are very favourable.

Efficiency Ratios

Table 8: Efficiency ratios

	2017F	2018F	2019F	2020F	2021F
Asset Turnover		0.8	1.3	1.5	1.2
Inventory Turnover		5.9	7.0	8.4	8.4
Days Inventory Outstanding		61.9	52.3	43.5	43.5

Source: Estimates

Asset Turnover measures how efficiently assets can be utilised to generate gross profit. Similar to ROA, the higher this ratio the better. **Inventory turnover** measures how fast inventory is held for and **Days of Inventory on hand** measures the average length of time that cash is tied up in inventory.

Debt Ratios

Table 9: Debt ratios

	2017F	2018F	2019F	2020F	2021F
Debt/Assets	0.6	0.5	0.4	0.3	0.2
Debt/Equity	1.7	1.1	0.7	0.4	0.2
Interest Cover	-7.6	6.9	18.7	36.1	40.6
Cash Flow to Debt	-0.2	0.2	0.8	1.7	1.9

Source: Estimates

The coverage implied by the forecast **debt ratios** of the HPP Project is attractive to potential debtholders or lenders.

Summary

Overall the financial base case for the HPP Project appears very sound. However, we do caution that:

- The revenue growth shown in the Altomark model relies on a significant domestic market and rapidly increasing export volumes
- The profitability ratios shown in the above table are well above normal and could be expected to encourage capital
- To the extent that the machine (or machines like it) are reliable and simple to operate, the $1.4m capital cost does not indicate a significant barrier to entry.
- Other competition would also require supply of fruit.

On balance, we are suspicious that some aspects of the forecasts are too good to be true because establishment of the business and the seeming availability of super-profits is likely to affect market behaviours. On this basis we have undertaken sensitivity tests to account for increased competition.

Multiples Valuation

We have identified two acquisitions of publicly owned food and fruit processors in Australia. These are the 2005 Coca-Cola Amatil acquisition of SPC Ardmona and the 2008 Heinz purchase of Golden Circle.

Table 10: Comparable EV/EBITDA Multiples

Acquirer	Target	EV/Share	EBITDA/Share	EV/EBITDA
Coca-Cola Amatil	SPC Ardmona	2.20	0.27	8.22
Heinz	Golden Circle	1.65	0.27	6.07
Average				7.14x

Source: Coca-Cola Amatil 2004 Company Announcements, 2008 Golden Circle Annual Report

The average EV/EBITDA multiple is 7.14x.

It needs to be said that these observed multiples reflect transactions for large established companies. Clearly that is not the case with the HPP Project. In that case the observed multiples need to be adjusted to reflect the myriad uncertainties of a start-up business. Consideration for adjustments would include:

- ***Non-negotiability/liquidity of ownership (takeover premium)***
  To what extent do we have something unique?
- ***Premium for control***
  Is the project so good that someone would pay a premium to secure the project, over and above direct costs?
- ***Historical vs. prospective earnings***
  The business is not yet established and therefore cannot demonstrate an earnings history.
- ***Management infrastructure***
  There is no management infrastructure, as yet.
- ***Geographic diversity***
  As it stands the business comprises one HPP machine operating in one geographic region. The extent to which produce can be exported is as yet, uncertain.
- ***Range-depth of services***
  The business plan suggests that two products will be produced and sold through a range of conduits to market.
- ***Business size/scale***
  Consistent with a start-up, the business is small.

  Taking these factors into consideration, we believe that a 60 per cent discount should be applied to the observed market multiples.

Table 11: HPP Value

EBITDA Multiple	2.86	5.00	6.00	7.00	7.14
HPP Ave EBITDA ($'000s)	9,955	9,955	9,955	9,955	9,955
Value of HPP ($'000s)	28,431	49,774	59,729	69,684	71,077
-Debt (as of 2021)	5,066	5,066	5,066	5,066	5,066
Implied value of HPP ($'000s)	23,365	44,708	54,663	64,618	66,012

Source: Estimates

Table 11 provides valuation estimates based on a range of EBITDA multiples. The lowest multiple of 2.856 is the averaged multiple of the observed transactions (7.14x), discounted by 60 per cent. Assuming risks can be mitigated within the ordinary course of business, this is a value we believe is justifiable under the base case. It implies that initial investors could potentially double their money, if things pan out roughly as per the base case.

We conclude that these are extremely high valuations that would likely attract new entrants or not be achieved without other competitive effects. These estimates should be analysed with the DCF valuation to provide a range of possible values.

DCF Based Valuation

In using a DCF based valuation we discount future expected cash flows by the project's cost of capital.

The first step is to estimate the cost of capital for the HPP Project. This requires us to determine, or make estimates for, a number of variables including:

- **Capital Employed**. This is defined as net debt plus equity, with each taken as a percentage. For a company with $50m of net debt and $50m of equity, capital employed would be $100m, split 50 per cent each debt and equity;
- **Cost of Capital**. A 25 per cent discount rate is approximately 6 per cent above that indicated by the RBA cash rate of 3 per cent, plus the generally accepted equity risk premium of 6 per cent and another 10 per cent risk premium because this is an uncertain start-up enterprise. We view a return of 25 per cent as acceptable for a start-up business that is subject to a large degree of known and unknown business risks.
- **Residual.** The residual value is an amount included in the forecast of cash flows, immediately after the end of the period actually forecast. An upper boundary for the residuals is set at a value of forecast EBITDA less capex for 2021 discounted at 25 per cent.

Having established the cost of capital we can then discount future cash flows by the appropriate rate (in this case 25 per cent). For long term forecasts, we presume capex equals depreciation, the tax rate is 30 per cent and working capital grows in line with sales. Surplus cash is distributed to owners.

Table 12: DCF ($ '000)

	2017F	2018F	2019F	2020F	2021F	Perp
EBITDA	-1,025	3,477	8,311	14,015	14,015	56,062
DC Rate	25	25	25	25	25	25
DC factor	1.00	1.25	1.56	1.95	2.44	3.05
DCF	-1,025	2,782	5,319	7,176	5,741	18,370
NPV						38,363
-Debt						5,066
Valuation						33,298

Source: Estimates as detailed above

Table 13: Valuation Summary ($ '000)

	EBITDA*2.86	DCF
Average EBITDA	9,955	
EBITDA*multiple	28,431	
-Debt	5,066	
Company Value	23,365	33,298

Source: Estimates as detailed above

The difference between the DCF valuation and the EBITDA valuation can be prescribed to the fact that the DCF explicitly takes into account earnings derived over a greater than three-year period.

Sensitivity Tests

We understand that a number of parties are investigating similar initiatives based at, amongst other places, the Sunshine Coast and Bowen. Presently the market appears to us, relatively small and specialised. On that account, the products are considered premium but we are aware of several industries where similar conditions prevailed and additional capacity rapidly commoditised these industries resulting in significant price falls and failed businesses. Further, each new plant would increase the demand for fruit, raising questions of supply regarding the price of raw inputs.

Our initial view is that the market can probably absorb the output of one additional plant, but unless export markets can be secured, the addition of two or more is likely to rapidly commoditise the industry.

We have undertaken some simple sensitivity analyses to emphasise this point.

Breakeven Analysis

Given stable price assumptions, the breakeven analysis attempts to quantify the extent to which volume sold could fall before the business faced operating losses.

Table 14: Breakeven Analysis

	2018F	2019F	2020F	2021F
Fixed Costs ($'000s)	2,689	3,057	3,142	3,101
Variable Costs ($'000s)	4,646	8,964	12,403	12,402
Total Costs ($'000s)	7,335	12,021	15,545	15,503
Weighted Average VC (units)	0.96	0.91	0.87	0.87
Weighted Average Price (units)	2.29	2.14	2.16	2.16
Breakeven ('000s units)	2,033	2,477	2,442	2,410
WA VC (mass)	1.21	1.14	1.10	1.10
WA Price (mass)	2.97	2.82	2.84	2.84
Breakeven (tonnes or kilolitres)	1,521	1,813	1,801	1,778
Base case (tonnes or kilolitres)	2,314	3,852	5,802	5,802
Per cent	66%	47%	31%	31%

Source: Estimates

Breakeven sales are calculated by fixed costs/ (weighted average price-weighted average variable costs). In 2018 the breakeven units are 2,033,000 units and 1,521,000 tonnes or kilolitres. The detailed breakup of these sales is seen below.

Table 15: Detailed Breakeven Analysis

	Units ('000s)				Pallets				Mass (tonnes or Kilolitres)			
Products	**2018F**	**2019F**	**2020F**	**2021F**	**2018F**	**2019F**	**2020F**	**2021F**	**2018F**	**2019F**	**2020F**	**2021F**
125ml	216	243	245	242	42	47	47	47	38	51	51	50
325ml	748	642	662	653	216	186	192	189	342	353	358	353
1L	748	642	662	653	289	248	255	252	1,051	1,087	1,102	1,087
200g	321	951	872	861	93	275	252	249	90	322	290	287
TOTAL	2,033	2,477	2,442	2,410	640	755	747	737	1,521	1,813	1,801	1,778

Source: Estimates

Table 14 shows that breakeven sales in 2018 are 66 per cent of forecast sales. Therefore, sales can diminish by 34 per cent from the base case and the project will still cover fixed and variable costs in 2018. This ratio decreases across the project years as economies of scale and capacity utilisation advantages are realized.

Capacity Utilisation

Based on the sales level assumed for the base case, an additional HPP machine will need to be purchased in 2018, and brought on line for 2019. Table 16 shows the resulting levels of capital utilisation and the drop in capacity utilisation in 2019 reflects the commissioning of the additional machine. Notwithstanding the additional machine, expected utilisation rates of 91 per cent in 2020-21 suggest that another machine may need to be purchased if sales volume continues to increase.

Table 16: Capacity Utilisation

	2018F	2019F	2020F	2021F
HPP Capacity	3,195,616	6,391,233	6,391,233	6,391,233
Sales Volume	2,313,805	3,852,420	5,802,355	5,802,355
Utilisation	72%	60%	91%	91%

Source: Estimates, Hiperbaric

Price and cost sensitivities

The nature of the proposed plant means, that given costs and end market prices, profit will increase markedly as production increases. We addressed the production question above. Here we address questions of much more competitive pricing in end markets and higher input costs for fruit.

We have assumed:

- 30 per cent discount in sale price;
- 30 per cent supplier premium; and
- Both.

Table 17 repeats the results of the base case analysis.

Table 17: P&L ($'000): Base Case

P&L	2017F	2018F	2019F	2020F	2021F
Revenue	0	9,934	19,113	28,258	28,258
Total Cost	1,159	7,335	12,021	15,545	15,503
EBITDA	-1,025	3,477	8,311	14,015	14,015
EBIT	-1,025	3,037	7,493	13,075	13,076

Source: Estimates

Table 18 shows the effect of a 30 per cent reduction in sale prices across the board. Compared to the base case, a 30 per cent fall in average prices significantly decays profitability and results in a 65 per cent reduction in profitability in year 5.

Table 18: P&L ($'000): 30 per cent Discount

P&L	2017F	2018F	2019F	2020F	2021F
Revenue	0	6,954	13,379	19,780	19,780
Total Costs	1,159	7,335	12,021	15,545	15,503
EBITDA	-1,025	497	2,577	5,538	5,538
EBIT	-1,025	56	1,759	4,598	4,599

Source: Estimates

The impact of a 30 per cent price increase to supply fruit is less severe, as shown in Table 19.

Table 19: P&L ($'000): 30 per cent Supplier Premium

P&L	2017F	2018F	2019F	2020F	2021F
Revenue	0	9,934	19,113	28,258	28,258
Total Costs	1,159	8,034	13,390	17,549	17,507
EBITDA	-1,025	2,778	6,942	12,012	12,012
EBIT	-1,025	2,338	6,124	11,072	11,072

Source: Estimates

The two added together result in a decline in profits of 80 per cent compared to the base case in year 5.

Table 20: P&L ($'000): Discount and Premium

P&L	2017F	2018F	2019F	2020F	2021F
Revenue	0	6,954	13,379	19,780	19,780
Total Costs	1,159	8,034	13,390	17,549	17,507
EBITDA	-1,025	-202	1,208	3,534	3,534
EBIT	-1,025	-642	390	2,594	2,595

Source: Estimates

The valuation results below are in line with the analysis of the effects of scenarios one, two and three on various performance measurements. The base case values range from $23.365m to $33.298m,

scenario one ranges from $5.038m to $8.320m, scenario two ranges from $19.028m to $27.390m and scenario three ranges from $0.7m to $2.412m.

Table 21: Valuation Summary ($'000)

	EBITDA *2.86	DCF
Average EBITDA	9,955	
Company Value: **Base Case**	23,365	33,298
Average EBITDA	3,538	
Company Value: **30% Discount**	5,038	8,320
Average EBITDA	8,436	
Company Value: **30% Supplier Premium**	19,028	27,390
Average EBITDA	2,019	
Company Value: **Both**	700	2,412

Source: Estimates as detailed above

Obviously, a combination of reduced prices in end markets (or increased cost for shelf space), higher prices for fruit inputs and reduced volumes could put the business in a very unfavourable position. Next, we briefly discuss some initiatives that could be applied to help mitigate these risks.

Mitigation of risk

Knowing the risks ahead of time provides an opportunity for mitigation. We recommend the following:

- The project should only go ahead if the capital raising is fully subscribed from the outset
- An experienced and competent workforce is key to minimising commissioning problems, and provides significant insurance against lost revenues and cost blow-outs early on
- Efforts to formally secure end markets should begin coincident with the decision to proceed with the project. This includes establishing end markets overseas.
- Approaching suppliers to invest in the project will create a barrier to entry for prospective HPP projects.

Capital Raising

The base case model suggests a capital requirement of $12.998m. With the capital requirement essentially known, we now address the following structural matters:

- Corporate structure
- Options for raising capital
- Sources of investment monies
- Required documentation.

Corporate Structure

The appropriate corporate structure is determined by the objectives of the business, the relationship that exists between potential investors and present and future capital raising requirements. While it is common to start with a proprietary (Pty Ltd) company, we recommend starting with a public company. A public company (denoted "Limited" or "Ltd") requires formal accounting and auditing with full financial accounts lodged with ASIC. If the information presented in the accounts is to be used to raise money via an offer document, the financial accounts will need to be completed to general purpose standard.

Shareholding in a public company

Establishing the HPP Project as a public company enables the issue of shares in the company to the widest range of investors. The ownership of the company can be through various classes of shares with certain rights attached.

The company however cannot restrict the ownership of those shares – i.e. if shareholder "A" decides to sell to shareholder "B" then generally speaking, the company cannot prevent that share transfer. If the number of shareholders is small, and not growing, then it is possible to manage ownership issues through a shareholding agreement. A common feature of such agreements is that if "A" wants to sell his/her shares, the shares must be offered to existing shareholders first.

Public companies require a minimum of three directors, who must act in the best interests of all shareholders.

Relating the use of a public company back to the HPP Project:

Benefits

- The method of running a public company is well established, and is less subject to interpretation that with proprietary companies
- The public company structure is the most formal of structures, and is arguably the main focus of the Corporations Act. The benefit of this is that there are ample case laws available if the company experiences difficulties
- Public companies must be formally audited. While not infallible, investors/owners could normally have a greater level of confidence in the accounts produced by public companies

- In the normal course of business, there are no ownership restrictions that apply to a public company
- The rigour and transparency associated with a public company assist in making it a more attractive proposition for investors, acquirers, or when forming equity partnerships with external suppliers etc.
- Public companies are not restricted as to how they raise capital, subject to compliance with the Corporations Act
- There is no limitation on the number of shareholders in a public company.

Detractors

- Moving to a public company means the HPP Company will have to find at least three board members who have similar aims and aspirations and the ability to put the company's requirements ahead of their own
- There are expenses associated with formal audits
- While the company can control who shares are issued to in the first instance, the ability to control ownership on an ongoing basis (that is, shareholders selling shares that have been issued to them) is limited.

Proprietary Limited (Pty Ltd) Company

While a proprietary company is generally less expensive to set up and run than a public company, they are restricted in undertaking some activities and because they are subject to less formality, additional issues can arise. One major difference between a Pty Ltd company and a public company (Ltd), is that the Pty Ltd Company must not issue shares to the public. Ownership is therefore restricted to family members and employees, and other people that fall under the 12/20 fundraising conditions of the Corporations Act (see below). This is unlikely to be an issue now, but may constrain the ability to grow as the company expands.

Recommendation

Assuming that HPP is going to raise a reasonable amount of money from people who will hold the company accountable, then we believe that the business should be built using a public company from the outset, with attendant auditing and accounting measures. If this recommendation is not accepted, then a proprietary company may have to be converted to a public company at some time in the future and have the accounts restated to general purpose standard, and audited. There may be significant expenses associated with this.

Setting up a public company will cost around $1,000. The auditing and accounting will depend on how big and complex the company becomes, but we expect that $7,000 per annum would be a good starting point. There is an additional cost of $1,300 per year to keep a public company registered with ASIC.

Capital Raising Options

There are many sources of capital available that suit the control and leverage preferences of owners. The most common sources are debt, equity, convertible debt and crowd funding.

Debt

Bank loans are the most common form of debt financing, but other alternatives such as commercial paper or a short-term instrument are also available. The advantages of debt financing are the low interest rates that are currently available, lower transaction costs compared with issuing equity, and the opportunity for less ownership dilution (less shareholders are potentially needed to raise a given equity component). Interest payments are tax deductible and Return on Equity (ROE) is increased during favourable economic conditions. Disadvantages include the restrictive debt covenants imposed by lending institutions and the effect of mandatory principal and/or interest payments on cash flows and liquidity.

Equity

The advantages of equity financing include:

- investors take on all risk
- investors take a long position and in this type of venture, would not normally expect an immediate return on investment
- profits accrue to shareholders rather than debt repayments
- there will be more cash on hand and there is no requirement to repay the investments if the company fails.

Disadvantages include:

- shareholders can vote on business decisions, reducing management and individual control
- transaction and listing costs are higher than debt issuance
- investors may require returns higher than interest rates of debt financing; and
- profits will have to be distributed to investors.

The most common forms of issued equity is common stock and preference shares. Common stock is entitled to dividends and has voting rights. Different classes of common stock can be assigned different voting rights. For example, a Class A share might entitle a holder to five votes per share while a Class B share might only have one. Preference shares are shares that are entitled to a dividend before common shareholders receive a dividend. Preference shares generally do not hold any voting rights.

Convertible Debt

Convertible debt comprises a hybrid between debt and equity. Essentially a company borrows money from an investor with the intention of converting the debt to equity at some later date. If a company believes its equity will be worth more at a later date, then it will dilute less by issuing debt now and converting it to equity later. Issuing debt and later converting it also results in lower transaction and listing costs than pure equity issuance. This option can be very useful for start-up operations where it is difficult to estimate the value of the equity.

Crowd Funding

The costs of issuing equity via traditional channels and risks of bank funding can be avoided via crowd funding websites such as OzCrowd, Crowdfund it!, Pozible and Kickstarter. New rules are being introduced regarding equity crowdfunding in Australia. We understand these include:

- Crowdfunding will be available to unlisted public companies with less than $5 million in assets and less than $5 million in annual turnover.
- Investments will be capped at $10,000 per investor over a 12-month period.
- Public companies will be exempt from some reporting and governance requirements for a five-year period.
- Investors will be protected by a five-day cooling-off period during which they can reclaim their investment if they have second thoughts.

Source: https://www.choice.com.au/money/financial-planning-and-investing/stock-market-investing/articles/crowdfunding-risks-and-rewards

One source of crowd funding could be through listing on the Australian Small Scale Offerings Board (ASSOB), of which CIPL Holding is a member. Rival HPP juice producer Preshafruit raised over $3.5m via ASSOB.

Recommendation

HPP will be a start-up company. As such it would be very unlikely that it would be successful in raising 100 per cent of the funding requirement through bank debt. In this case we believe that the following may be a sensible starting point for the capital raising for the business:

- $5.651m equity
- $3.85m convertible notes
- $3.85m bank debt.

Convertible debt can be issued to co-operative investors and family and friends to initially attract investment.

Potential Investors

We believe there are a number of natural investors that may be attracted to the HPP opportunity:

- Co-operative members such as local growers or juicers;
- Staff and directors
- Family and friends of the above.

To put this in context, the equity component could be filled by 10 fruit suppliers contributing $500,000 each, with staff, directors and family and friends contributing the remaining $651,000.

We believe the relatively lower risk and higher immediate yield offered by the convertible note component of the financing would be attractive to the following categories of investors:

- General public looking for involvement in the community
- Self-Managed Super Funds introduced by the local investment community.

Specialty Investment Funds and entrepreneurs are in our view, not likely to provide investment capital at this early stage.

Documents required

Regardless of the method of raising capital, financiers will require a number of supporting documents. At the very least, lenders will require a detailed business plan to accompany the feasibility report and financial model. To raise equity, different levels of "disclosure documents" are required depending on the level and source of capital raised.

Exemptions under Section 708 of the Corporations Act

There are some exemptions where a "disclosure document" (a product disclosure statement, a prospectus, an offer information statement) to raise money from the public, are not required. These include:

- 12/20 rule, where a promoter can approach no more than 20 people who have a connection with the company that leads the promoter to believe they may be interested in participating. The promoter cannot advertise, and cannot raise more than $2m within a 12-month period.
- Offer to sophisticated or professional investors. This is where the investor contributes more than $500,000 or, in their own, right meets certain income and capital requirements (which have to be verified by an accountant).
- Offers to people associated with the body. This refers to senior managers or directors for example.
- Offers made through a financial services licensee. In this case a financial services licensee would sign off that the investment was suitable for the client, and that the client knows what they are doing.

These exemptions are all independent of each other. Any of the bottom three can be used without affecting the 20-client limit in the first.

Disclosure document (S709 Corporations Act)

If the company is a public company, and monies are to be sought from the general public, then a disclosure document will be required. A prospectus is the most rigorous of the disclosure documents and contains information on the background of the company, financial data, directors, risks, and it has to be set up formally, and vetted by a lawyer. The cost of preparing a prospectus is likely to be in the vicinity of $60,000 so it is only effective if the raising is big enough and if other alternatives are not available. A disclosure document can be advertised.

Offer information statement (S715 Corporations Act)

This is half-way between a disclosure document and the exceptions noted above. It has slightly less onerous requirements compared to a prospectus and you can use financial reports already produced. An 'offer information statement' can be advertised.

Information memorandum

An information memorandum is a less formal document used in many situations where formal disclosure is not required. There are no legal requirements as to the content of an information memorandum, suffice to say however that promotors must be careful to ensure statements contained therein cannot be construed as being misleading and deceptive.

Moving Forward

All of these opportunities have rigorous rules around them, and will require professional assistance to conform to relevant regulations.

If management is happy with the information collected in the feasibility report, we will use it to undertake the following:

- Compile an information memorandum and required disclosure documentation for use in the capital raising process.
- Compile a list of prospective investors, including some information as to why this project may be attractive to them.
- Undertake analysis as to which alternatives, all things considered, be in your best interests.
- In consultation with you, agree on:
  - which prospective investors to approach and in what manner; and
  - whether other alternatives are worth exploring.
- Organising and attending meetings with prospective financiers and investors.
- Taking an active role in any further negotiations required to bring the capital raising process to a close.

We expect that this process will take place over the period January to May, and we are hopeful (but there can be no guarantees) of raising all required capital by May 2016.

Conclusion

This financial analysis has taken the information contained in the original Altomark feasibility study and from that derived a financial model. Developing this model has brought to our attention a number of issues that we believe require consideration. Based on our analysis, our conclusions are as follows:

Financial Base Case

Based on Altomark assumptions, the financial base case is sound. The business is consistently profitable and cash flow positive. Financial returns could be described as "rudely" positive.

Sensitivity

The buoyant "base case" in itself provides a warning that other factors may exist that are not obvious from simply following through the base case analysis. These matters need to be considered and strategies put in place that mitigate against adverse effects. We have undertaken sensitivity concerning four key sensitivities:

- A breakeven analysis which shows that with stable prices volumes could fall by 34 per cent in 2018 before the project becomes unprofitable.
- A capacity utilisation analysis which shows the proportion of the project's potential output that is fulfilled by sales volume.
- A decline in the final price of output of 30 per cent, due to the potential existence of additional competition in the market
- A 30 per cent increase in the input price of fruit, due to increased competition for fruit supplies.

Overall, the analysis suggest that the project is quite resilient to these adverse sensitivities. We note however that adversities rarely occur in isolation and a combination of adverse events would likely put the business under significant pressure.

Structure and funding

We recommend that the project be established through a public company structure. This provides the best balance between formality and capital raising requirements, in our view. We recommend that the capital structure of the company is approximately as follows:

- $5.651m equity
- $3.85m convertible notes
- $3.85m bank debt.

The additional $352,817 raised above the capital requirement is to ensure that the cumulative cash flow in 2018 is positive.

We believe there are a number of natural investors that may be attracted to the HPP opportunity:

- Co-operative members such as local growers or juicers;
- Staff and Directors

- Family and friends of the above.

The public company structure combined with the different types/levels of funding also provides an opportunity to appeal to the broader public.

Mitigation of risk

Knowing the risks ahead of time provides an opportunity for mitigation. We recommend the following:

- The project should only go ahead if the capital raising is fully subscribed from the outset.
- An experienced and competent workforce is key to minimising commissioning problems, and provides significant insurance against lost revenues and cost blow-outs early on.
- Efforts to formally secure end markets should begin coincident with the decision to proceed with the project. This includes establishing end markets overseas.
- Approaching suppliers to invest in the project will create a barrier to entry for prospective HPP projects.

Appendix A:

Assumptions supporting the financial model

Introduction

Tropical Pines commissioned a preliminary feasibility study that was completed in August by Altomark. We have used the information contained in the Altomark study to construct a base case financial model. The purpose of this appendix is to list and detail assumptions that have been made to construct the base case financial model.

General Assumptions

The model has been constructed based on the following general assumptions:

- That the facility will be developed next to Tropical Pines' existing pineapple processing warehouse in Yeppoon, QLD.
- Prices with retailers can be adjusted period-to-period. As such, inflation has not been included and all values are nominal.
- Depreciation of the HPP machine and its parts have been calculated on straight-line basis over 5 years.
- One 135L HPP machine operates for two 8 hour shifts a day. This amply accounts for the production estimate implied by Altomark's sales forecasts
- The facility is operational from March 2017 (although the results are the same if the entire project is purchased out equally). It is also assumed that the construction of the facility won't be completed before end February 2017. This deadline provides enough time to purchase summer fruit varieties in time for 2018 financial year sales.

Product to be manufactured are as follows:

- 125ml culinary Juices (Lemon, Lime).
- 325ml Juices (Pineapple, Watermelon, Tomato, V8, Tropical, Mandarin)
- 1L Juices (Pineapple, Watermelon, Tomato, V8, Tropical, Mandarin)
- 200g Fruit Tubs (Mango, Strawberry, Pineapple, Plum/Berry, Strawberry/Banana, Tropical).

Altomark's original feasibility study only included the 125ml, 325ml and 200g cup products. The 1L juice range has been included based on analysis of competitors' products. The model allows for any product line to be set to zero output and each product size also has scope to include a new variety, which is currently denoted as "other".

Gross Profit Assumptions

Sales Input

Information regarding sales inputs is found on the "Rev and Costs" sheet. The data and calculations contained therein is used to determine the revenue for each product for years 2017 to 2021.

Prices

Table 22 below lists all products assumed to be sold and corresponding prices for each of the bottle and tubs sizes and varieties. With the exception of 1 litre packs, prices were provided by Altomark and are based on the current wholesale prices paid by mainstream retailers and food service firms. Assumed prices for 1L juice products is derived by applying the ration of cost of goods sold to revenue for 325ml juices factored upon to 1 litre. This results in a higher profit component for the 1 litre packs compared with the 325ml packs.

The model is constructed in such a way that future prices can be updated to reflect changes in market dynamics. These future prices will then update throughout the model.

Table 22: Prices ($)

	2017F	2018F	2019F	2020F	2021F
Culinary: Bottles (125ml)					
Lemon	0.75	0.75	0.75	0.75	0.75
Lime	0.75	0.75	0.75	0.75	0.75
Other	0.75	0.75	0.75	0.75	0.75
Juice: Bottles (325ml)					
Pineapple	1.50	1.50	1.50	1.50	1.50
Watermelon	1.50	1.50	1.50	1.50	1.50
Tomato	1.50	1.50	1.50	1.50	1.50
V8	1.50	1.50	1.50	1.50	1.50
Tropical	1.50	1.50	1.50	1.50	1.50
Mandarin	1.50	1.50	1.50	1.50	1.50
Other	1.50	1.50	1.50	1.50	1.50
Juice: Bottles (1L)					
Pineapple	3.60	3.60	3.60	3.60	3.60
Watermelon	3.60	3.60	3.60	3.60	3.60
Tomato	3.60	3.60	3.60	3.60	3.60
V8	3.60	3.60	3.60	3.60	3.60
Tropical	3.60	3.60	3.60	3.60	3.60
Mandarin	3.60	3.60	3.60	3.60	3.60
Other	3.60	3.60	3.60	3.60	3.60
Fruit: Cups (200g)					
Mango	1.90	1.90	1.90	1.90	1.90
Strawberry	1.90	1.90	1.90	1.90	1.90
Pineapple	1.90	1.90	1.90	1.90	1.90
Plum/Berry	1.90	1.90	1.90	1.90	1.90
Strawberry/Banana	1.90	1.90	1.90	1.90	1.90
Tropical	1.90	1.90	1.90	1.90	1.90
Other	1.90	1.90	1.90	1.90	1.90

Source: Altomark

Quantities Sold

Quantities sold of each product line are derived from the sales forecasts provided by Altomark. These forecasts take into account sales through channels including:

- Major retailers;
- Independent retailers;
- Food service; and
- Export.

The Altomark data is shown in Table 23. The model is constructed so that:

- Updating sales forecasts on the "Sales Forecasts" sheet, will flow through to the quantities on the "Sales Input" sheet.
- Sales performance parameters can be adjusted to take into account conservative and expansive scenarios. The base case has this parameter at 100 per cent of expected sales that as shown in the "Sales Forecasts" sheet.

Table 23: Quantities Sold

	2017F	2018F	2019F	2020F	2021F
Culinary: Bottles (125ml)					
Lemon	0	231,400	436,800	657,800	657,800
Lime	0	231,400	436,800	657,800	657,800
Other	0	0	0	0	0
Juice: Bottles (325ml)					
Pineapple	0	325,000	436,800	657,800	657,800
Watermelon	0	270,400	332,800	525,200	525,200
Tomato	0	325,000	436,800	657,800	657,800
V8	0	176,800	332,800	525,200	525,200
Tropical	0	325,000	436,800	657,800	657,800
Mandarin	0	176,800	332,800	525,200	525,200
Other	0	0	0	0	0
Juice: Bottles (1L)					
Pineapple	0	325,000	436,800	657,800	657,800
Watermelon	0	270,400	332,800	525,200	525,200
Tomato	0	325,000	436,800	657,800	657,800
V8	0	176,800	332,800	525,200	525,200
Tropical	0	325,000	436,800	657,800	657,800
Mandarin	0	176,800	332,800	525,200	525,200
Other	0	0	0	0	0
Fruit: Cups (200g)					
Mango	0	114,400	579,800	800,800	800,800
Strawberry	0	114,400	573,300	782,600	782,600
Pineapple	0	114,400	566,800	773,500	773,500
Plum/Berry	0	114,400	566,800	773,500	773,500
Strawberry/Banana	0	114,400	566,800	773,500	773,500
Tropical	0	114,400	566,800	773,500	773,500
Other	0	0	0	0	0

Source: Altomark

COGS Inputs

Cost of Goods Sold (COGS) is expenditure required to acquire and process inputs to product, prior to selling expenses and other overhead. The COGS calculations are shown on the "Revenue & Costs" sheet.

Product Compositions

Tables 24 and 25 below show the assumed composition of fruit in all juice and tub varieties. These assumptions are utilised in both the "Bottles" and "Tubs" sheets to calculate the required amount of fruit for each juice and tub variety.

Table 24: Juice Compositions (per cent)

Juice	Pineapple	Tomato	Watermelon	Mango	Banana	Lemon	Lime	Pineapple Juice	Mandarin
Pineapple	50							50	
Watermelon			100						
Tomato		100							
V8	10	90							
Tropical	80				10	10			
Mandarin									100
Lemon						100			
Lime							100		
Other									

Source: Altomark

Table 25: Fruit Tub Compositions (per cent)

Fruit Tubs	Peach	Pear	Pineapple	Plum	Cherry	Strawberry	Mango	Raspberry	Blueberry	Passionfruit	Banana
Mango							70			10	20
Strawberry						100					
Pineapple				100							
Plum/Berry		10			35		35		10	10	
Strawberry/ Banana		20					50				30
Tropical				60			10			10	20
Other											

Source: Altomark

These base case compositions were provided by Altomark which report that they represent the industry standard for each product. The model allows for compositions to be altered if management believes that customers would prefer a change or if costs for a particular fruit rise relative to others.

Processing Yields and Densities

Different fruits are subject to differing processing yields and densities. The yield represents the amount of useable fruit that is able to be juiced or processed into fruit tubs. For example, after peeling and the removal of all uneatable components, 40 per cent of every pineapple remains for processing. Yield estimates were provided by Altomark.

The density of the fruit is the amount of liquid that can be extracted from 1kg of useable fruit (e.g. after yield losses are taken into account. Internet searches provided densities of the fruit required, however during discussion Altomark suggested that a standard density of 1kg/L should be used for all fruits. This is a result of the uncertainty surrounding densities due to the climate's effect on the sugar level of fruits (measured in brix). Summer crops have higher brix levels and densities, whereas a cooler climate results in less brix and a lower density.

Table 26 below lists all fruit yields and their corresponding densities (kg/l).

Table 26: Fruit Processing Yields and Densities (per cent)

Fruit	Yields (%)	uice Densities (kg/L)
Blueberry	95	1
Passionfruit	80	1
Pink lady apple	85	1
Granny smith apple	85	1
Organic apple	85	1
Organic pear	85	1
Cherry	90	1
Queen Garnet Plum	95	1
Gold kiwi	85	1
Peach	85	1
Nectarine	90	1
Pear	85	1
Raspberry	95	1
Pineapple	40	1
Pineapple Juice	40	1
Mango	40	1
Watermelon	90	1
Tomato	85	1
Strawberry	90	1
Lemon	40	1
Lime	40	1
Mandarin	50	1
Banana	50	1

Source: Altomark

These assumptions are utilised in both the “Bottles” and “Tubs” sheets to determine the amount of fruit required for each product.

Processing Wastage

Processing wastage also impacts on the amount of fruit required to achieve a given output. Altomark has suggested a loss rate of 4 per cent for juices and 5 per cent for tubs. For the purpose of this report, and to provide a conservative measure, a loss rate of 5 per cent was used for both processes.

The model allows for management to alter the wastage rates for each year if expectation of wastage improve or worsen.

Tables 27 and 28 below list these wastage assumptions.

Table 27: Juice process wastage rates (per cent)

Juice	2017F	2018F	2019F	2020F	2021F
Pineapple	5	5	5	5	5
Watermelon	5	5	5	5	5
Tomato	5	5	5	5	5
V8	5	5	5	5	5
Tropical	5	5	5	5	5
Mandarin	5	5	5	5	5
Lemon	5	5	5	5	5
Lime	5	5	5	5	5
Other	5	5	5	5	5

Source: Altomark

Table 28: Tub Process Wastage Rates (per cent)

Tubs	2017F	2018F	2019F	2020F	2021F
Mango	5	5	5	5	5
Strawberry	5	5	5	5	5
Pineapple	5	5	5	5	5
Plum/Berry	5	5	5	5	5
Strawberry/Banana	5	5	5	5	5
Tropical	5	5	5	5	5
Other	5	5	5	5	5

Source: Altomark

Delivered Prices and Freight Rates

Table 29 lists all of the delivered prices for each fruit and their source, as provided by Altomark.

The facility is assumed to be located at Tropical Pines' existing site in Yeppoon. As such, all delivered prices reflect freight to this location. For completeness, we have where possible, attempted to split out freight rates. We have not been able to establish freight rates for raspberries, plums and pears.

Table 29: Delivered Fruit and Freight Costs ($/kg)

Fruit	Source	Location	Delivered ($/kg)	Freight ($/kg)
Blueberry	Costa Group	Atherton Tableland, QLD	3.000	0.150
Passionfruit	QLD	QLD	1.500	0.057
Peach	Childers	QLD	0.600	0.057
Nectarine	Costa Group	QLD	0.300	-
Pear	Stanthorpe	Stanthorpe, QLD	0.380	-
Raspberry	Costa Group	Corindi, NSW	4.000	-
Queen Garnet Plum	Good rich	Warwick, QLD	9.500	-
Pineapple	Tropical Pines	Yeppoon, QLD/Sunshine Coast	0.700	-
Pineapple Juice	Tropical Pines	Yeppoon, QLD/Sunshine Coast	0.200	-
Mango	Bowen	Bowen, QLD	1.500	0.095
Watermelon	QLD	Bowen, QLD	0.400	0.095
Tomato	BFVG	Bundaberg, QLD	0.250	0.057
Strawberry	SSS Strawberries	Bundaberg, QLD	1.600	0.057
Lemon	2PH	Emerald, QLD	0.325	0.054
Lime	2PH	Emerald, QLD	0.325	0.054
Mandarin	2PH	Emerald, QLD	0.300	0.054
Banana	Costa Group	Tully, QLD	0.600	0.150
Other			-	-

Source: Altomark, Rocky's Own Transport

Packaging Costs

Packaging costs of the bottles include:

- bottle and cap
- inner (packaging inside boxes of products)
- outer packaging.

Again, Altomark's estimates are used and include:

- Bottle and cap - $0.17/unit
- Inner packaging costs - $0.019/unit (each inner costs 15 cents and accounts for 8 bottles)
- Outer packaging costs - $0.009 (outer shipper packaging costs $0.45 each and accounts for 6 inners with 8 bottles each).

Total packaging costs is therefore $0.198/bottle.

Packaging costs of each tub includes the fruit cup, lidding, label and carton. Based on Altomark's report it is assumed:

- Cup cost - $0.1/unit
- Lidding cost - $0.04/unit
- Label cost - $0.017/unit (sourced from Deloitte report)
- Carton cost - $0.015/unit

This results in a total packaging cost of $0.172/tub.

These costs can be seen below in Table 30.

Table 30: Packaging Costs

Per Bottle	2017F	2018F	2019F	2020F	2021F
Bottle & Cap	0.17	0.17	0.17	0.17	0.17
Inner	0.019	0.019	0.019	0.019	0.019
Outer	0.009	0.009	0.009	0.009	0.009
TOTAL/Bottle	0.198	0.198	0.198	0.198	0.198
Per Tub					
Cup	0.10	0.10	0.10	0.10	0.10
Lidding	0.040	0.040	0.040	0.040	0.040
Label	0.017	0.017	0.017	0.017	0.017
Carton/Tray/Shrink	0.015	0.015	0.015	0.015	0.015
TOTAL/Tub	0.172	0.172	0.172	0.172	0.172

Source: Altomark

Direct Labour

Efficiency of the facility is largely dependent on the output of the HPP machine(s). We have assumed that one day a week is directed to cleaning, maintenance and changing of products resulting in utilisation of 82.7 per cent. Table 31 shows the operating efficiency and the resulting number of units of each product produced every hour.

Table 31: Operating Line Efficiencies

	2018			
	125ml Bottles	325ml Bottles	1L Bottles	200g Tubs
Plate Capacity (units/hour)	133	460	460	197
Operating Efficiency (%)	82.7	82.7	82.7	82.7
Line Speed (per hour)	110	380	380	163

Source: Hiperbaric, Altomark

Direct labour costs are assumed to be lumpy, varying only with the addition of a new HPP machine. We believe this assumption is appropriate because:

- A single machine operating for one shift requires a fixed number of attendants regardless of output
- The model assumes that the HPP machine is operating for two shifts.

The direct labour costs for each variety of product is calculated by multiplying the number of line attendees by the hourly rate + super ($35 + $3) multiplied by the proportion of production that products make up.

These assumptions lead to total direct labour costs equalling $551k in 2018. The labour costs from 2019-2021 increase as more attendees are taken on to service the additional 135L HPP machine.

The resulting labour costs per product line are shown in Table 32.

Table 32: Direct Labour Costs

	2018		
	Employees	rate/hour	Total/hr
Line Attendants	3	$35	$105
Superannuation (%)		9.5	
Total		$38	$114.98
Labour Cost/125ml bottle		$12.24	
Labour Cost/325ml bottle		$42.29	
Labour Cost/1L bottle		$42.29	
Labour Cost/tub		$18.15	

Source: Hiperbaric, Altomark

Storage

Storage costs are incurred upon storing finished products prior to being distributed to retailers. It is assumed that there are two storage costs:

- A charge for introducing and removing a pallet of products from storage or $2.50 per time
- A weekly charge of $2.50 charge for each pallet held for a week with the average number of weeks that products are held being 8.

The number of bottles and tubs per carton was provided by Altomark. These assumptions can be seen below in Table 33. The model has been designed so that management can alter the number of bottles or tubs/carton if more efficient packaging is developed or if the inventory turnover increases and the average holding period declines below 8.

Table 33: Storage Cost Assumptions

	2017	
	Per Bottle	Tubs
Cartons per pallet	432	432
125ml pouches per carton	12	
pouches /pallet	5,184	
325ml pouches per carton	8	
pouches per pallet	3,456	
1L pouches per carton	6	
pouches per pallet	2,592	
200g tubs per carton		8
tubs per pallet		3,456
Average weeks holding	8	8
Charges/Pallet		
In/out	$ 2.50	$ 2.50
Weekly	$ 2.50	$ 2.50

Source: Hiperbaric, Altomark

Distribution

Discussions with Altomark determined that the industry standard distribution costs range from $2 to $4 a basic carton. The conservative measure of $4 was used. It is assumed that there are 20.4kgs or litres in a basic carton. The results for these assumptions are shown in Table 34.

Table 34: Distribution Assumptions

	2017	
	Bottles (per L)	Tubs (per kg)
$ Per Basic Carton	$4	$4
Kgs in a Carton		
20.4	$0.20	$0.20

Source: Altomark

Fruit Supply

Supply of fruit is largely determined by seasonal considerations. We have derived a schedule for the supply of fruit based on the following:

- We used the location of the fruit suppliers and the Australian Seasonal Fruit Guide to determine the growing and harvesting seasons of each fruit variety
- Enough fruit will be purchased so that supply covers an extra month of sales in case of increased demand. The ending cumulative amount of fruit is linked to the balance sheet under inventory.

We believe that the main limitation that will be faced by management, is the procurement of summer fruits (such as cherries, raspberries, plums and mangoes). Assuming sales begin in FY2018, purchases will have to be made in February 2017. This poses quite an issue for management as the products associated with raspberries and plums (plum/berry fruit tub) requires other fruits that will be procured later in the year. Thus, management needs to determine if they prefer to incur additional storage costs to preserve the summer fruits until all fruit varieties required have been purchased, or to instead wait until FY2018 summer to start producing those varieties. For the purpose of this report it has been assumed that management is willing to incur additional storage costs to ensure it has all products available for sale on the 1st of July 2017.

Table 35: Seasonal Fruit Guide Based on Location of Suppliers

Fruit	Source	Location	Season (based on location)			
Blueberry	Costa Group	Atherton Tableland, QLD	Spring	Summer	Autumn	
Passionfruit	QLD	QLD	Spring	Summer	Autumn	Winter
Peach	Childers	QLD	Spring	Summer		
Nectarine	Costa Group	QLD	Spring	Summer	Autumn	
Pear	Stanthorpe	Stanthorpe, QLD	Spring	Summer	Autumn	Winter
Raspberry	Costa Group	Corindi, NSW		Summer		
Queen Garnet Plum	Good Rich	Warwick, QLD		Summer		
Pineapple	Tropical Pines	Yeppoon, QLD/Sunshine Coast	Spring	Summer	Autumn	Winter
Pineapple Juice	Tropical Pines	Yeppoon, QLD/Sunshine Coast	Spring	Summer	Autumn	Winter
Mango	Bowen	Bowen, QLD	Spring	Summer		
Watermelon	QLD	Bowen, QLD		Summer	Autumn	
Tomato	BFVG	Bundaberg, QLD	Spring	Summer	Autumn	Winter
Strawberry	SSS Strawberries	Bundaberg, QLD	Spring	Summer	Autumn	Winter
Lemon	2PH	Emerald, QLD	Spring	Summer	Autumn	Winter
Lime	2PH	Emerald, QLD	Spring	Summer	Autumn	Winter
Mandarin	2PH	Emerald, QLD	Spring	Summer		Winter
Banana	Costa Group	Tully, QLD	Spring	Summer	Autumn	Winter
Other						

Source: http://seasonalfoodguide.com/australia-general-seasonal-fresh-produce-guide-fruits-vegetables-in-season-availability.html

Discussions with Tropical Pines' determined that 1000 tonnes of pineapples will have to be sourced from their Sunshine Coast facility. The expected delivered price will remain at $700/tonne.

Other Operating Expenses

Indirect Labour

It is assumed that there will be 12 employees who aren't directly involved in the bottle and tubs processes. These employees will be:

- General Manager Operations on a $130k + super a year
- Day Production Manager on $130k + super a year
- Night Production Manager on $104k + super
- Night and Day Quality Assurance Managers, both on $104k + super
- Marketing Manager on $100k + super
- Three Machine Operators on $65k + super (not line attendants)
- Two packaging employees on $50k + super
- Cool Room Attendant on $60k + super
- Receptionist on $45k a year + super; and
- Accounts Manager on $60k + super

Superannuation is assumed to be 9.5 per cent throughout the lifetime of this project. It is also assumed that staff will be employed for six months leading up to July 2017.

Other Operating Expenses

Accounting: arbitrary assumed expense of $2k per annum.

Advertising: arbitrary assumed expense of $150k a year.

Bank Charges: $500 a year.

Depreciation: all capital equipment and motor vehicles depreciate on a straight-line basis. The useful life of the two trucks purchased is 15 years with no scrap value. The useful life of the 135L HPP machines is 5 years.

Director's Fees: are assumed to be $30k per year, with a six months' expense incurred in 2017.

Electricity: the HPP machines are assumed to consume 42 kWh/hour and the fixed electricity expense is twice as large as Tropical Pines' Yeppoon facility current expense ($17.5k/year). This is because the expected floor space is twice as large as their current facility.

Employees Amenities: arbitrary assumption of $500/year.

Entertainment: arbitrary assumed value of $5000/year.

Factory (land) Lease: Tropical Pines has indicated that the Livingstone Shire Council can offer favourable "peppercorn" leases for the targeted block of land. Until confirmation of this arrangement is made with Livingstone it is assumed that the lease expense is $210k a year. This figure also demonstrates that the project can be profitable under normal lease terms. It is assumed that the first few months until July 2017 are free.

Filing Fees (ASIC): $2k a year to register the company with ASIC.

Petrol & Diesel: It is assumed that a forklift and a truck will be purchased in 2017. These motor vehicles will incur petrol costs of $12k a year.

Insurance: the insurance cover required includes professional indemnity ($5k/year), Business Insurance ($30k a year) and Transit Cover ($3,5k a year). The existing expenses of Tropical Pines were used for this project.

Interest: 6 per cent interest will be paid on the $3.85m bank loan and 8 per cent on the $3.85m convertible notes.

Legal & Professional Fees: initial legal and professional fees are assumed to be $100,000 as the company seeks legal and financial advice to prepare offer documents. Ongoing expenses of $15,000 a year are assumed.

Motor vehicle Expenses: registration and insurance of the transport vehicles will be $5000 a year. Repairs are assumed to be $5000 a year.

Office Supplies: arbitrary assumed expense of $10,000 for initial stock in 2017 and $5,000 a year onwards.

Postage: initial expense is assumed to be $5000 and $2000 a year onwards.

Printing & Stationery: expense will be $30,000 to stock initial supplies and $6000 a year to maintain.

Protective Clothing: this expense is based on the number of employees. Each new employee gets two sets of $200 clothing while existing employees get a new set each year. This leads to expenses being $4800 in 2017, and $2400 onwards.

Rates & Taxes: assumed to be the same as Tropical Pines' current expense of $5500 a year. 2017 will only be for six months to equal $2,750.

Repairs & Maintenance: repairs and maintenance of equipment is assumed to equal the depreciation expense.

Payroll Tax: payroll tax of 4.25 per cent of wages and superannuation of both direct and indirect employees is incurred if annual staffing costs exceed $1.1m.

Staff Training: assumed to be $10,000 a year.

Subscriptions: arbitrary assumption of $500 a year.

Telephone & Internet: assumed to be the same as Tropical Pines' Yeppoon facility current expense of $10,500. 2017 will incur additional installation expenses to be $30,000.

Travel Expenses: assumed to be $60,000 a year with $30,000 for the six months remaining in 2017.

Capital Equipment

The proposed HPP facility is capital intensive:

HPP Costings

The machine to be purchased is from Hiperbaric, a Spanish company, which provides a costings model including the following:

- Vessel filling ratio of 60 per cent (this can be altered depending on bottle/tubs designs to maximise filling)
- Machine time (loading & unloading products, plugs opening & closure, low pressure filling of vessel and depressurization) is 1.5 minutes for the 135L machine and 1.6 minutes for the 300L machine
- Pressure build up time is 2.80 minutes for the 135L and 3.2 minutes for 300L.
- Holding time (can be adjusted) is 3 minutes for both machines
- Total cycle duration is 7.30 minutes for 135L and 7.80 minutes for 300L.
- Number of 45kW intensifiers is 2 for 135L and 4 for 300L
- Daily operating hours are assumed to be 16 hours for both machines (can be altered)
- Number of operating days in a year is assumed to be 300 which excludes weekends and public holidays
- Investment costs are 990,000 euros for 135L and 1,420,000 euros for 300L.
- At the time of this report the EUR/AUD exchange rate was 1.42, resulting in investment costs of $1,405,800 and $2,016,400 respectively. The exchange rate can be updated in cell E2 of the "HPP Costings" sheet.

- Investment costs include equipment, loading/unloading basket systems, installation & start-up.
- Energy consumption is assumed to be 42kWh/hour.
- These assumptions lead to the production rates of 8.2 cycles/hr, 132/day, 39452/year.
- Based on the productivity of the machines and their volume and filling ratio, the hourly production is 666kgs or Litres/hour.
- Daily production is 10.7 tonnes and yearly production is 3196 tonnes/kilolitres
- Useful life is assumed to be five years
- The wear of parts is $0.063/kg or L and $0.038/kg or L.
- Energy costs are $0.009/kg or L and $0.009/kg or L.

In addition, we have assumed that the HPP machines process both bottles and tubs.

The "HPP Costings" sheet also includes a number of tables that calculate which of the 135L and 300L machines are more suitable based on sales forecasts.

Capex

- Discussions with Griffin Builders suggest that site development/Production Facility can be developed for around $3 million
- In addition to the HPP machines, we have assumed that additional equipment as shown in Table 36 will be required. The estimated cost of this equipment is approximately $6.7m.

The 135 litre Hiperbaric machines cost $1,405,800 each. Based on projected sales, it appears that the return on the project is greater if a 300L machine was purchased from the start (rather than, as is assumed, purchasing one 135L machine in 2017 and another in 2018). As noted elsewhere however, we are concerned that market share gains may be hard won. Consequently, to lower initial capex requirements and therefore risk, the 135L machine was chosen. This assumption can be changed by altering cell P2 of "HPP Costings" sheet.

Table 36 shows the future capex anticipated initially. The only future acquisition will be of a 135L HPP machine for $1.406m in 2018 which is seen in Table 37.

Table 36: Initial Capex Schedule

Area	Cont (%)	Total
Fruit Receivals		200
Fruit Prep A		760
Fruit Prep B		230
Blanching		290
Puree		520
Filling		1,120
Juice		650
HPP (& fittings)		1,506
Packaging		540
Other		300
Services		200
Sub Total		6,316
Installation	10%	632
Electrical	10%	632
Total		7,579
Engineering	8%	606
Grand Total	0%	8,185

Source: Hiperbaric, Altomark

Table 37: Future Capital Expenditure

	2018F	2019F	2020F	2021F
HPP machines	-$ 1,405,800	$ -	$ -	$ -

Source: Hiperbaric

A forklift and two small trucks are assumed to be purchased in 2017 for $200k.

Table 38: Other Capital Expenditures ($'000s)

	2017F	2018F	2019F	2020F	2021F
Forklift	20				
2 Small Trucks	180				
Total	200				

Source: estimates

Disclaimer

This feasibility report has been prepared at the request of Queensland Department of State Development. The paper was not prepared for any purpose other than to establish the commercial viability of a fruit HPP facility in Yeppoon, Queensland.

Accordingly, it has been prepared only for the benefit of the Queensland Department of State Development and represents solely the expression of Capricorn Investment Partners of its opinion as to the feasibility of the project as at 22 December 2016.

For the purposes of preparing this report, reliance has been placed upon the material, representations, information and instructions provided to Capricorn Investment Partners and its employees by:

- Altomark Pty Ltd which prepared an original feasibility study
- Tropical Pines
- Hiperbaric

Original documentation has not been required (unless otherwise stated) and no audit or other examination of the validity of the documentation, representations, information or instructions provided has been undertaken, save such audit as may be expressly referred to herein.

This report is prepared subject to the provisions and qualifications stated herein, for the use of the parties to whom it is addressed and for the purposes herein set out. This firm, its agents and servants specifically, deny any liability whatsoever to any party who may use or rely on the whole, or any part, of this report; or to the parties to whom it is addressed for use, whether in whole or in part, for any purposes other than that herein set out.

Qualifications of reviewer

Capricorn Investment Partners has been retained to advise individuals, companies and organisations on financial matters generally, including personal and corporate structuring, acquisitions, disposals, business planning, valuations and other matters. The manager principally involved in the preparation of this report was Mr David French.

Independence of reviewer

Capricorn Investment Partners has not previously acted as an advisor to the Queensland Department of State Development in relations to this project.

Furthermore, Capricorn Investment Partners nor the signatories to the valuation, hold or have any interest in the proposed HPP Company or any associated entity. s22

Capricorn Investment Partners does not have any other pecuniary or other interest that could be reasonably regarded as being capable of affecting its ability to give an unbiased opinion in relation to the viability of the project.

FINAL REPORT INTO FEASIBILITY OF HIGH PRESSURE PROCESSING FACILITY IN CENTRAL QUEENSLAND

Altomark Pty Ltd

August 2016

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EXECUTIVE SUMMARY

This report has been commissioned to establish the commercial viability of a food processing facility within the greater Rockhampton region. The results of the review have established that a new value added processing facility has potential to manufacture products for both domestic and international markets.

There are several options available in central Queensland to establish a value added processing facility. The two leading options are on existing land at Yeppoon, and in Gracemere Industrial Estate near Rockhampton.

A suitable facility can be built for an estimated cost of $3 million. The capital equipment required to manufacture the products outlined can be purchased and installed for an estimated $ 8.3 million. The enterprise will initially create between 7 and 10 full time jobs.

Key findings include -

The size of the Australian processed fruit and juice market is large enough to allow for a new entrant with high quality and differentiated product offerings. Total sales of shelf stable fruit products are more than $960 million p.a., and the offering of high quality Australian fruit based products will be different to and superior to other products in the market.

Sales are forecast to be of the order of $ 15.0 million in year 3 from a range of fruit juices and fruit preparations, including a developing export business which offers large potential for future growth. A major advantage for the new venture will be the use of High Pressure Pasteurisation (HPP) technology which will allow the manufacture of unique fruit based products of close to fresh quality, and allow for price premiums above existing products. The combination of unique premium products with expected fruit prices will allow the enterprise to generate strong gross profit margins in excess of 40 percent from the unique juices and fruit preparations which are strongly tropical fruit based. The enterprise is forecast to deliver strong financial returns with annual EBIT in excess of 20 percent by Year 3.

There are significant quantities of processing grade fruits available in the central Queensland and northern Queensland regions, much of which is not being effectively utilised. Initial forecasts of fruit required are approximately

3,300 metric tonnes of combined varieties in Year3 of operations. There are considerably more tonnes of fruit available than required. Discussions with growers have confirmed the positive interest in supporting a value added fruit processing facility, subject to mutually acceptable commercial arrangements for fruit supply.

Potential investors could come from a range of sources. From previous experience with similar projects elsewhere in Australia there is a general reluctance to be the first investor in start-up operations of this nature.

However, there is an array of potential investors both within Australia and internationally subject to the following key criteria :

- Demonstrable Government support in the form of grants, loans or infrastructure,
- The identification of a strategic partner / investor,
- Demonstrable customer support for products in the sales plan.

As a next stage to this project Altomark would be pleased to work with relevant parties to identify appropriate levels of Government support and to provide a list of potential local and international investors.

MARKET DEMAND and INDUSTRY ANALYSIS

FINDINGS -

The size of the Australian processed fruit and juice market is large enough to allow for a new entrant with high quality and differentiated product offerings.

A small percentage market share will allow for annual sales of several million dollars per annum. Retailworld estimate for sales of all types of processed fruit in Australia is approx. $220 million in 2015. There are only a small number of fruit processing facilities in operation in Australia, and none which process the proposed range of products from Australian fruit and vegetables. The size of the fruit juice and drinks market is estimated to be approx. $440 million. This market segment is very competitive with high churn of products, so new product launches need to be well positioned to stand out from the existing products on shelf.

The total value of all shelf stable fruit products, including categories such as food service and wet baby foods is approx. $960 million. Imported goods hold approx. 40% share of all shelf stable fruit in Australia.

The size of the Australian chilled yoghurt and snacks market is approx. $1.42 billion p.a. at January 2016. Of this total, the sub categories of dairy snacks, sweetened yoghurt and kids yoghurt which all use fruit pieces and / or purees is estimated at $ 820 million p.a.

Internationally, the fruit and vegetable ingredients market is estimated by research company Markets and Markets to be worth US$180 billion by 2019. This market includes concentrates, pastes, purees, NFC juices, pieces and powders.

The opportunity exists therefore to initially target products from the proposed facility to Australian retail, food service, and industrial markets. Once an Australian base has been established the opportunity exists to enter the international market with a primary focus on New Zealand and Asia.

Value added Products and technologies

Emerging trends in developed markets include –

1. Clean labels – simplified ingredients
2. Convenience – time poor consumers wanting a better food experience at home
3. The rise of provenance as consumers want to know more about where their food comes from
4. Snacks and on the go consumption – for time poor consumers
5. Good fats and good carbs – importance of "superfoods"
6. Alternative sources of protein
7. New ways with fruit – utilisation of fruits intrinsic health properties
8. Increasing interest in frozen foods as nutritious and convenient option to fresh foods
9. Strength of own-label products
10. Use of grains to give rich, chewy and crunchy textures

Product launches in the fruit and vegetable space internationally are utilising many of these trends in their product and packaging design. Some examples of products in this space are shown in Figure 2. One of the clear trends is the rise of product launches using High Pressure Pasteurisation (HPP).

High Pressure Processing is a cold pasteurization technique which consists of subjecting food, previously sealed in flexible and water-resistant packaging, to a high level of hydrostatic pressure (pressure transmitted by water) up to 600 MPa / 87,000 psi for a few seconds to a few minutes.

High Pressure Processing is a natural, environmentally friendly process that respects the ingredient and helps maintain the fresh food characteristics like colour, flavour and nutrients.

HPP process advantages include -

- **Shelf life is extended while keeping taste and nutritional properties of fresh fruits and vegetables**. Shelf life can be multiplied by 2 to 8 times, depending on the product, while sensorial and nutritional properties remain intact.
- **New product development possibilities**. Functional molecules that are destroyed by heat, can be preserved using HPP. HPP keeps the antimutagenic components of carrot, cauliflower, kohlrabi, leek, spinach, beet, tomatoes, broccoli and many others. New functional products made of

fruit or vegetables with antioxidant properties can be launched. The process suits organic food products.

- **Protects the brand/Safe products**. Pathogenic and spoilage microorganisms are eliminated and cross-contamination is not possible due to the post packaging nature of the process.
- **Local products can be exported** to the highest quality demanding countries like USA, Japan, etc. Due to high sensorial, nutritional and microbiological quality, along with enhanced shelf life, products will distinguish themselves because of quality.

HPP processing equipment is relatively high capital cost compared with traditional heat pasteurisation equipment of similar throughput capacity, and also runs as a batch process. This necessitates the use of HPP for high value added and unique products, which aligns closely to the emerging trends highlighted above.

Products offered will be focussed in particular areas influenced by the confluence of available cost effective raw materials, market trends, market gaps, available capital and enterprise economics.

Sales are forecast to be of the order of $ 15.0 million in year 3 from a range of fruit juices and fruit preparations.

Products proposed are –

1. HPP fruit juices - Pineapple, Watermelon, Tomato, mixed Tomato (V8 style), Tropical, Mandarin for branded in retail, food service and export sales channels, and Lemon and Lime for culinary use in retail and food service channels.
2. HPP fruit preparations / pieces - Pineapple, Mango, Strawberry, Mixed Berry, Strawberry/ Banana, and Plum/Berry for sale in retail, food service, industrial and export sales channels.

The HPP juices will be an offering of great tasting juices in a unique combination. The availability of Gold Pineapple variants with higher sugar/ acid ratio juice, better colour and flavour, is a great advantage for the juice range. The Watermelon juice variant is styled on product launched in USA in last 12 months, which is being promoted as being better than coconut water as natural isotonic drink, as well as having good levels of lycopene and other antioxidants. Other variants proposed utilise available processing fruit streams, as well as having great flavour, colour and nutritional benefits.

The HPP fruit preparations serve several sales opportunities. The retail space is very open for a high quality, great tasting processed fruit product range made from only Australian fruit. Currently there is only one product range on sale in the produce section of a national supermarket, retailing for $3.99 / 200 grams. These existing products are conventionally processed from both imported and local fruits. Pricing assumptions for these products assume that shelf prices for new enterprise products match the current products, which is a conservative assumption as the products have many attributes which could justify a premium price on shelf. There are also a growing number of organisations basing their meals around healthy eating – Oliver's, Lite 'n' Easy, Franchised Food Group – Trampoline, Feeling Fruity, who all could be potential customers and / or partners in the enterprise.

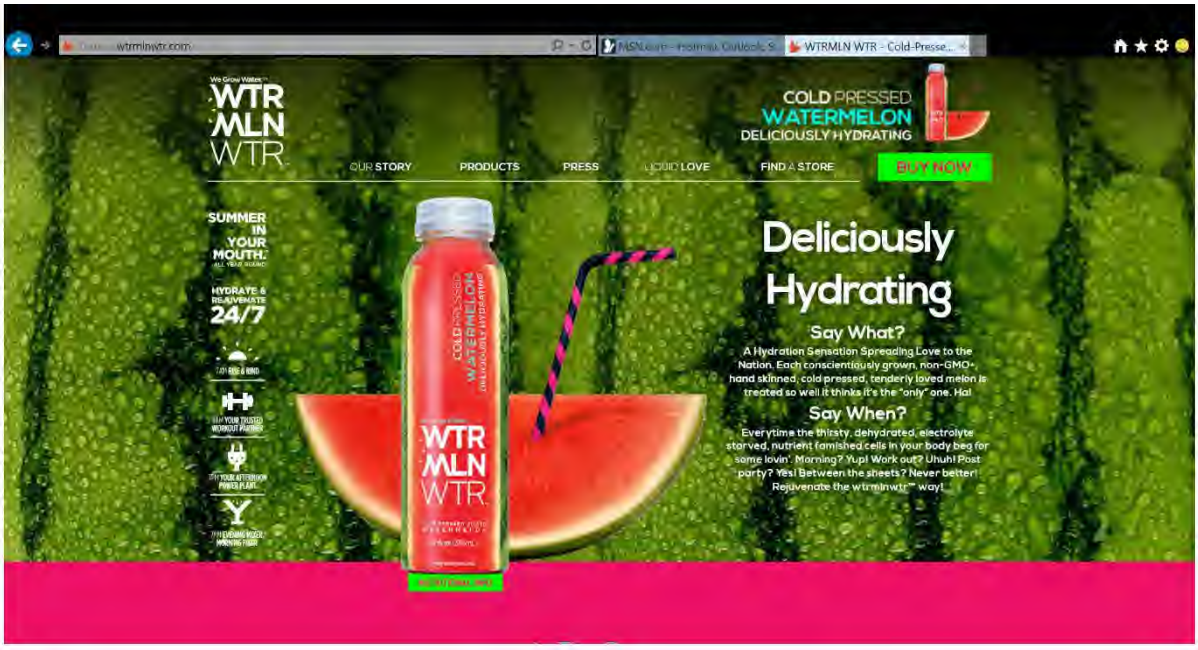
The proposed fruit preparations can be used in a variety of ways – from single serve consumption, dessert preparation, fruit smoothie base, yoghurt topping or baking. The product packaging can be easily modified for sales into food service and industrial markets if volumes warrant a different SKU. The opportunity to partner with a high quality yoghurt manufacturer to make next generation fruit and yoghurt products is a potentially large industrial sales opportunity closely aligned to production capabilities and fruit supply. Examples of potentially suitable yoghurt manufacturers could include Queensland Yoghurt Company, Maleny Dairies, Moo Premium Foods, Alpine Yoghurt, Black Swan Yoghurt.

The HPP juice segment has until recently been serviced by one manufacturer – Preshafruit, who command a premium for their products. Price points range from $3.50 / 325 ml to $4.50+ for 1 litre. Made Brands have recently launched Impressed Cold Pressed Juices, selling for $2.99 / 325 ml and $ 5.49 / litre. Both of these companies purchase fresh juice for packaging into their bottles. To squeeze juice from fresh fruit provides the opportunity for lower manufacturing cost and greater product flexibility for the range. The juice industry is a very competitive space, with efficient distribution a key success factor. To this end, it may be preferable to partner with an established juice manufacturer who has a complementary product range in existing brands, and would like an easy entry into the HPP juice segment. Companies who fit this profile include Grove Fruit Juices, Boost, Nudie, Charlie's, Noah's, Pressed Juice, Made Brands, Emma and Toms. These products may also suit premium end independent retailers such as Harris Farm Markets in Sydney and Leo's Fine Foods in Melbourne. Informal discussions with some of the above

companies has confirmed an interest in HPP juice products, and in particular with innovative and high quality product offerings. The factory location and product range able to be manufactured for both domestic and export markets complements the opportunity available.

Fig.1 - Example of current retail fruit preparation.

Fig.2 – below -Example of current HPP fruit products in both domestic and international markets.


WTR MLN WTR
COLD PRESSED
WATERMELON
DELICIOUSLY HYDRATING
OUR STORY
PRODUCTS
PRESS
FIND A STORE
BUY NOW
SUMMER IN YOUR MOUTH.
HYDRATE & REJUVENATE 24/7
Deliciously Hydrating
Say What?
A Hydration Sensation Spreading Love to the Nation. Each conscientiously grown, non-GMO*, hand skinned, cold pressed, tenderly loved melon is treated so well it thinks it's the "only" one. Ha!
Say When?
Everytime the thirsty, dehydrated, electrolyte starved, nutrient famished cells in your body beg for some lovin'. Morning? Yup! Work out? Uhuh! Post party? Yes! Between the sheets? Never better! Rejuvenate the wtrmlnwtr™ way!


nomva
organic fruits and vegetable blend powered by billions of probiotics
STRAWBERRY PACK
+ strawberry
+ banana
+ probiotic
it's time to
RETHINK SNACKING
zero additives
probiotic
organic
dairy free
never heated


Avo Fresh
CHUNKY AVOCADO
Avo Fresh
SOFT AVOCADO
COLD PRESSED
NO HEAT TREATING KEEPS THE FLAVOUR FRESH!
• NO ARTIFICIAL COLOURS
• NO ARTIFICIAL FLAVOURS
• CHOLESTEROL FREE
• GLUTEN FREE
• RIPE AND READY MADE EASY

SUPPLY SUMMARY

FINDINGS -

There are significant quantities of processing grade fruits available in the central Queensland and northern Queensland regions.

Initial investigations have shown that in the multiple growing regions for fresh fruit and vegetables, there are significant supplies of sound processing grade fruits available. The largest of these by far is bananas, with large quantities available in north Queensland. Additionally, there have been large plantings made in recent years in central Queensland near Bundaberg which will start producing in the next 1-2 years.

For other crops of interest, the Wide Bay Burnett, central Queensland, and Bowen/ Gumlu areas are of state significance in terms of horticultural production. A number of growers were approached to discuss production and processing figures. The table below gives estimates of fruit and vegetable production, and associated processing tonnages available. There is considerable scope to expand on these numbers as there are many large grower enterprises not contacted in the time available.

Region	Crop	Est. Production Tonnes	Est. Processing Tonnes
Cairns / Cassowary Coast	Bananas	200,000	50,000
Central Qld	Pineapple	10,500	1,500
Wide Bay Burnett	Pineapple	25,000	3,000
Wide Bay Burnett	Mango	15,000	2,000
Bowen / Gumlu	Mango	8,500	1,000
Wide Bay Burnett	Strawberries	2,000	250
Central Qld	Mandarins	10,000	1,500
Central Qld	Lemons	10,000	1,000
Wide Bay Burnett	Mandarins	67,000	10,000
Wide Bay Burnett	Lemons / Limes	10,500	1,500
Wide Bay Burnett	Tomatoes	70,000	7,000
Bowen / Gumlu	Tomatoes	85,000	8,500
Mackay / Isaac / Whitsunday	Watermelons	6,000	1,000
Wide Bay Burnett	Watermelons	8,000	1,200

Discussions with growers have confirmed the positive interest in supporting a value added fruit processing facility.

Growers will supply product and support the venture if they can see there is some financial incentive for them to do so ie. The price paid must include some incentive above cost so the supply for processing adds value to their horticultural enterprise. The table below shows estimated delivered price per tonne and expected processing yield for selected crops.

Fruit	Delivered Price per Tonne	Yield	Fruit Cost per kg	Tonnes required Year 3
Pink Lady Apple	$370.00	85.0%	$0.4353	
Granny Smith Apple	$370.00	85.0%	$0.4353	
Organic Apple	$370.00	85.0%	$0.4353	
Pear	$380.00	85.0%	$0.4471	73
Organic Pear	$380.00	85.0%	$0.4471	
Strawberry	$1,600.00	90.0%	$1.7778	700
Cherry	$1,550.00	90.0%	$1.7222	
Raspberry	$4,000.00	95.0%	$4.2105	16
Queen Garnet Plum	$9,500.00	95.0%	$10.0000	
Plum	$580.00	90.0%	$0.6444	52
Peach	$600.00	85.0%	$0.7059	
Banana	$600.00	50.0%	$1.2000	100
Nectarine	$300.00	90.0%	$0.3333	
Pineapple	$700.00	40.0%	$1.7500	652
Pineapple Juice	$200.00	40.0%	$0.5000	320
Mango	$1,500.00	40.0%	$3.7500	280
Gold Kiwi	$1,500.00	85.0%	$1.7647	
Blueberry	$3,000.00	95.0%	$3.1579	16
Watermelon	$400.00	90.0%	$0.4444	240
Tomato	$250.00	85.0%	$0.2941	480
Passionfruit	$1,500.00	80.0%	$1.8750	28
Lemon	$325.00	40.0%	$0.8125	105
Lime	$325.00	40.0%	$0.8125	105
Mandarin	$300.00	50.0%	$0.6000	220

These prices are based on a normal growing cycle, where climatic factors have not adversely affected supply and quality of produce.

PROCESSING FACILITY

FINDINGS -

There are several options available in central Queensland to establish a value added processing facility.

Historically, fruit and vegetable processing operations have been located close to source of raw materials to minimise freight costs and product quality degradation prior to processing. Freight transit times will have an influence on product quality and yield, especially in Queensland summer conditions. Investigations into anticipated freight rates from Bowen, Bundaberg and Emerald all show that the freight cost is not an impediment to the cost of manufactured goods. The attached table 1 shows indicative freight costs used in product costings.

Locations for a proposed factory need to take into account several factors – cost of land for purchase / rent, availability of existing buildings (if any), access to utilities – electricity, gas, trade waste, ready access to freight for both inward and outbound goods, access to logistics support eg. Warehousing and distribution, distance from major raw material input growing areas, and others.

The locations identified for this project include –

1. On site at Tropical Pines packing facility in Yeppoon.
2. On industrial land near Tropical Pines in Yeppoon.
3. Gracemere Industrial Area near Rockhampton.
4. Existing factory (ex meatworks) in Rockhampton.
5. On farm land at Bundaberg.

There are pluses and minuses for each location, as outlined in the attached table 2.

It is feasible that any of these sites could provide the right base for this project. Options 1 and 3 offer the best possibility in the short term, while allowing for a longer term vision, because they both have owners who have progressive mindsets towards new developments.

	$ / tonne	Single round trip 22 Pallets at 1 tonne	B/Double Round Trip 34 Pallets at 1 tonne	Backfreight Rates min of 22 space at 1 tonne
Pineapple	local			
Mango	local			
	Bowen	95.00	89.38	45.00
Watermelon	Bowen	95.00	89.38	45.00
	Bundaberg			
Tomatoes	Bowen	95.00	89.38	45.00
	Bundaberg	57.00	53.63	53.63
Strawberries	Bundaberg	57.00	53.63	53.63
	Sunshine Coast	96.73	91.00	90.00
Lemons	Emerald	54.41	51.19	25.00
Limes	Emerald	54.41	51.19	25.00
Bananas	Nth. Queensland	150.00		

Table 1 – indicative Freight rates from various Queensland growing regions.

Location	Positives	Negatives
1. Tropical Pines, Yeppoon	Low rent for land	Possible restriction on developer financed build/leaseback of factory
	Easy to share admin., other overheads, sales function	Extra freight from Rockhampton
	Close link with primary fruit supply	
2. Industrial land near Tropical Pines	Easy to share admin., overheads, sales function	Higher rent for land unless incentives provided
	Close to primary fruit supply	Extra freight from Rockhampton
	Facilitates build/ leaseback by developer	Unclear as to timeline for land availability
3. Gracemere Industrial Area, Rockhampton	Industrial land available with space for expansion	More difficult to share overheads, admin., sales
	Developer willing to purpose build / leaseback factory	
	Situated near major highways	
	Slightly closer to fruit growing areas	
	Potential ability to attract Govt. incentives as anchor food tenant	
4. Existing factory in Rockhampton	Has cool rooms and other infrastructure	Unsure as to suitability and condition of structures
	Potentially faster start up possible	Not known if owner willing to refit to suit new purpose
		Area available not known, including if expansion possible
5. Farm land near Bundaberg	Private grower group willing to provide land and finance	Need to establish independent admin. and offices
	Close to wide range of raw material inputs	More work needed on land values, rates and services charges, planning issues
	HPP toll processing available with third party which could delay capital expenditure	
	Closer to Brisbane	

Table 2 – comparison of various potential factory locations.

PROCESSING FACILITY DESIGN and COSTINGS

FINDINGS -

A suitable facility can be built for an estimated cost of $3 million. The capital equipment required to manufacture the products outlined can be purchased and installed for an estimated $ 8.8 million.

Any new food factory being built today is subjected to higher standards of food safety and regulation than ever before. Some of this rise in standards is being driven by the large retail supermarket chains who are incorporating developments from Europe as they build their businesses in a very competitive environment. For example, the provision of low care and high care processing zones which previously were the domain of export products, dairy or other low acid products are now becoming required specification for high acid products such as fruit. This design consideration impacts on the factory design and has been included in preliminary cost estimates.

Building estimates have been derived after discussions with building companies and consulting engineers – allowing for local building design considerations and industry standards for costs.

Figure 3 below shows the concept layout proposed. Key elements include –

*Separate low care and high care zones incorporating separate air supply and drains,

*use of ozone washing to reduce chemical emissions,

*ability to process pineapple, mango, strawberry, berries for pieces and watermelon, banana, mango, strawberry, tomato, pineapple, passionfruit, lemon, lime for juices and purees,

*ability to add other raw materials via kitchen preparation area or use of common equipment,

*compact layout with flexible floor plan to allow for changes in sales plan eg. different packaging options.

Preliminary capital costs are detailed in attached table 3.

Where appropriate, costs have been shared between usage areas eg. HPP equipment used for both packaging formats.

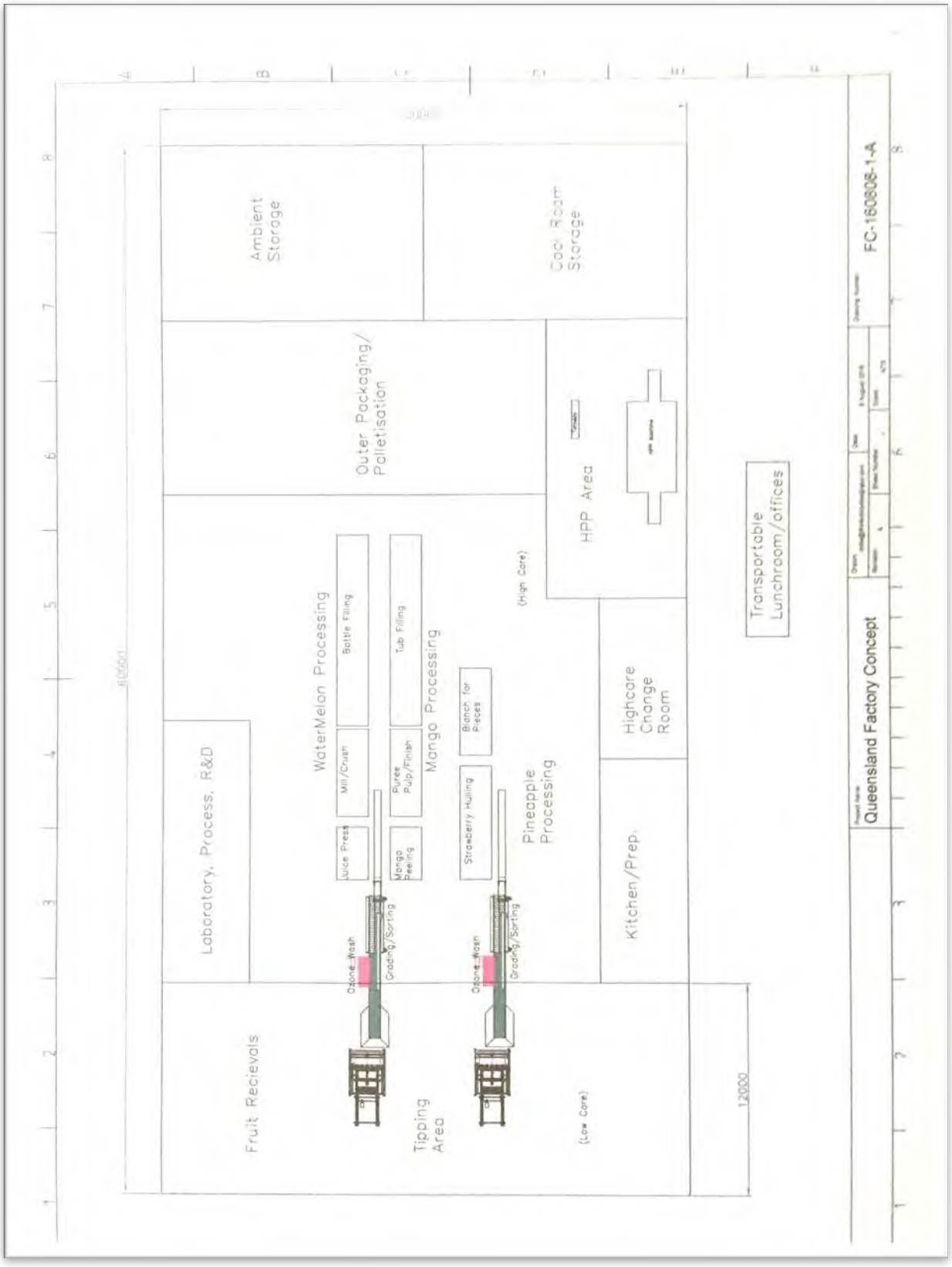


Figure 3 – concept factory layout for value added fruit products

Table 3

Area	CAPEX SCHEDULE	LINE A TUBS				LINE B BOTTLES			
		Cost	Sub Total	Cont	Total	Cost	Sub Total	Cont	Total
		$'000's				$'000's			
Fruit Receivals			100	0%	100		100	0%	100
	Bin tippers, accumulation conv.	100				100			
Fruit Prep A			610	0%	610		150	0%	150
	Pineapple peelers ABL	290							
	Fruit Mill / crusher - Melons					100			
	Conveyors / Frames	50				50			
	Strawberry HullerTuratti	220							
	Mango Peeler	50							
Fruit Prep B			190	0%	190		40	0%	40
	Dicer	150							
	Sliver Removal								
	Platform, supports, conveyors	40				40			
	Conveyors								
Blanching			290	0%	290		0	0%	0
	Submersion Type	240							
	Volumetric Feeder	50							
Puree			270	0%	270		250	0%	250
	Puree Plant	250				250			
	Piping	20							
Filling			535	0%	535		585	0%	585
	Pieces Filler Ilpra	350							
	Juice Filler					400			
	X-ray / checkweigher	150				150			
	Pumps	35				35			
Juice			0	0%	0		650	0%	650
	Juice Belt Press					400			
	Juice Batch Tanks , Pumps					100			
	Citrus juicer					150			
HPP			800	0%	800		800	0%	800
	HPP Machine 135 lt	750				750			
	HPP Footings	50				50			
Packaging			270	0%	270		270	0%	270
	Conveyors, Accumulation	150				150			
	Manual Pack stations	20				20			
	Inkjet Printers	55				55			
	Carton Closer	25				25			
	Palletising - manual	20				20			
Other			150	0%	150		150	0%	150
	Kitchen, laboratory	150				150			
Services			100	0%	100		100	0%	100
	CIP, Ozone	100				100			
Grand Sub Total			3315		3,315		3095		3,095
	Installation,Services hook ups	10%			332	10%			310
	Electrical and Automation	10%			332	10%			310
	Total				3,978				3,714
	Engineering	8%			318	8%			297
Grand Total				$'000's	**4,296**			$'000's	**4,011**
Grand Total	Overall Contingency	10%		$'000's	**9138**				

FORECAST FINANCIAL RESULTS

FINDINGS -

The combination of unique premium products with expected fruit prices will allow the enterprise to generate strong gross profit margins in excess of 40 percent from the unique juices and fruit preparations which are strongly tropical fruit based.

The enterprise is forecast to deliver strong financial returns with annual EBIT in excess of 20 percent by Year 3.

Table 4 -Source information and analysis for Profit and Loss

Review Item	Source Information	Key Area
Domestic revenue	Analysis of domestic competitor pricing and current retailer margins	Domestic pricing targets
Export revenue	Analysis of pricing for similar products in target international markets	International pricing targets
Fruit Procurement	Discussions with potential fruit suppliers Industry knowledge regarding fruit purchasing	Fruit pricing and availability Raw fruit requirement and expected yields
Manufacturing Costs and Capital Expenditure	Processing equipment capacities Price quotations from equipment vendors Budget pricing estimates from packaging suppliers Labour req. estimates from equipment suppliers and industry knowledge	Manufacturing line capacity and efficiency Direct labour requirements Other direct input costs
Overheads	Industry knowledge re likely management structure, corporate costs Discussions with possible facility developers, real estate agents	Other management overheads Property location, build costs and lease
Working Capital	Industry knowledge regarding typical debtor and creditor terms	Debtor collection cycle Creditor collection cycle Inventory holding
Financing requirements	Discussions with potential debt and equity financiers / investors	Enterprise financing requirements

Forecast Financial Returns

	FY 1	FY 2	FY 3	3 Year Total
Revenue Bottles	2667600	5764850	7924410	16356860
Revenue Tubs	1258400	3962400	7135180	12355980
Total Net Revenue	3926000	9727250	15059590	28712840
Gross Profit	1326372	4666481	8166601	14159454
% Gross Margin	33.8	48.0	54.2	49.3
EBITDA	-381928	2431021	5488005	7537098
EBITDA %	-9.7	25.0	36.4	26.2
Net Cash Flow	-315291	4445226	11464298	15594233
Balance Sheet				
Cash on Hand	-315291	4445226	11464298	15594233
Total Assets	5575510	10699839	18537775	18537775
Total Liabilities	2418438	2972745	4940749	4940749
Net Assets	3157072	7727093	13597026	13597026
Retained Earnings	-542928	1727093	7597026	7597026

These results are predicated on achieving product listings in a range of retail, food service, industrial and export sales channels. Engaging the services of an experienced sales professional will be critical to achieving the targets.

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PROJECT PLAN

Regional Jobs and Investment Packages

Business innovation stream
Bowen Basin region

Aim of project

Tropical Pines wishes to boost food production in Central Queensland by building and operating a $13M value-added processing facility adjacent to its current operations in Yeppoon, Central Queensland. This will help to meet consumer demand for processed fruits that have a longer shelf life and create new product for the national industry. In addition to significant economic benefits and additional employment, benefits for the region include reducing the current waste of fruit grown in the region, and improving farm returns for regional growers.

Project scope / deliverables

The project will cost $12,465,000 and will involve at least $4.882M (38%) of regional component/supply. The Project encompasses the following scope, components and outcomes:

Scope	Components/Deliverables	Outcomes
$3M of infrastructure to house the processing equipment	Air conditioned 2000m^2 building construction and electrical work (including installation of high voltage transformer). This would include 1 large cool room, staff room, toilets, a kitchen preparation area, and a small laboratory space. It will feature: • ability to process 4 fruits into pieces; 9 fruits for juices and purees • ability to add other raw materials via kitchen preparation area or use of common equipment • compact layout with flexible floor plan to allow for changes in sales plan eg. different packaging options.	Generate 46 local jobs including 14 Company FTEs employed in Year 1 Creating new value-added food products - fruit juices, cut and packaged fruit - for the region (and for the industry nationally) Contribute to boosting the skills and knowledge of regional people in the use of leading edge food technology Train locals in skills that are not available in the region Increase output and profit for fruit producers Meet consumer demand Introduce leading-edge technology Provide a more sustainable way of managing fruit supply to meet demand Meet the international demand for processed fruit products Help local suppliers to become more competitive, increasing current productivity and efficiency] Allow the Company to increase its profits (long term and shareholder returns) Allow Bowen Basin fruit suppliers to reduce the amount of wasted fruit Generate $19.33M in the local economy from construction and $35.4M annually for Australia from Year 2 Once running efficiently, replicating the facility in the Sunshine Coast and North Queensland to enhance those local economies.
$8.386M to purchase and commission capital equipment	Plant and equipment $6.316M • High Pressure Pasteurisation (HPP) technology to manufacture unique fruit based products (Including fittings) • A range of processing equipment and machinery for: fruit cutting, receivals, preparation, blanching, pureeing, filling, juicing, packaging and other services	
	Engineering, electrical, commissioning; forklift and 2 small trucks $2.07M	
$80,000 IT costs	Installation of hardware and software, including integration with machinery and process lines	
$150,000 Labour costs	Staff labour to run the plant during commissioning	
$849,000 Ineligible costs	• Lease of land (annual) • Interest – on borrowed funds • Initial legal & professional fees	

Quality Criteria

The Project Team will ensure that the following quality criteria are met:

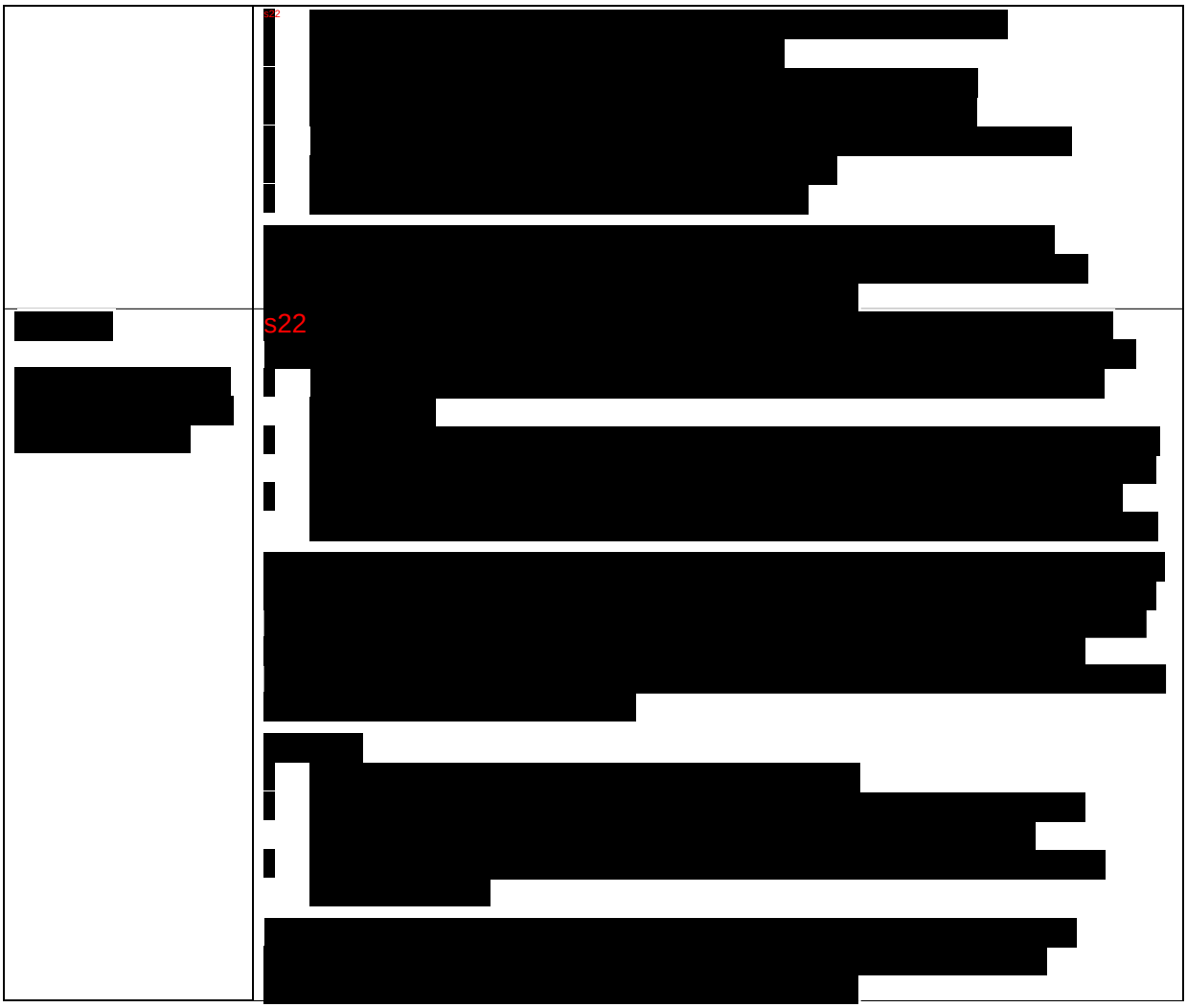
- Australian food safety standards/ quality assurance via HACCP standard
- Australian Building Code
- Align design to retail customer guidelines (eg Coles & Woolworths) to ensure their specific requirements are met
- Machines deliver nameplate production rates
- Meeting Workplace Health and Safety requirements.

Human resources

The Project Team and other personnel resources will include:

Table 1: Project team members and their relevant skills

Name	Skills relevant to this project
s22	s22
s22	s22
s22	



If it is determined that additional technical expertise is needed to complete aspects of the project, the Project Team will engage external contractors as required.

Personnel time for this project will be absorbed into normal business operating times and, if necessary, by delegating tasks to other team members so that the Project Team have adequate time to focus on the Project so that it is accomplished in projected timeframes. Administration tasks will be carried out by Tropical Pines' existing administration team.

Other resources

Financial resources for Tropical Pine's contribution to the Project will be sourced from an Equity Investment from AIMS Funds Management who has recently created a fund specifically for agribusiness projects such as this one, particularly in regional Queensland and are keen to support the project.

Tropical Pines has sufficient cash funds to cover contingencies, cost flow if progress payments are not received in expected timeframes and ongoing maintenance costs.

Implementation schedule / milestones

Table 2: Project schedule and milestones

Item	Detail	Expected timeframe
Pre-approval	Initial research / discussions with suppliers and quote-gathering	Completed
	Factory schematic plans drawn	Completed
	Discussions with potential Factory/Project Manager	Underway
	Finance negotiations	Underway
	Source external funding	Underway
Milestone 1 Planning, tendering	Government funding confirmed / contract negotiated and signed with Government	January 2018
	Factory/Project Manager employed	January 2018
	Project Team commence	January 2018
	Detailed Plans drawn	January 2018
	Third Party Funding documents signed	January 2018
	Lock in Forward Rate Agreement for purchase of equipment to be sourced overseas	January 2018
	Discussions with fruit suppliers	February 2018
	Marketing plan commences	February 2018
	Facility plans submitted to Council	March 2018
	Production line plans drawn and final costings	March 2018
	Tender process commenced / tenders called	Late March/early April
	HPP Machine and cutting equipment ordered from overseas / 30% deposits paid to suppliers – needs plenty of lead time	April 2018
	Tender decision made	Early May 2018
	Building contracts negotiated and signed	Early May 2018
	Facility plans approved by Council	June 2018
	Project Team review project progression	June 2018
	1st payment to builder for commencement of facility – monthly x 6	June 2018
	Milestone 1 acquittal paperwork submitted	June 2018
Milestone 2 Construction	Facility construction commenced	July 2018
	Construction of processing lines commenced by contractor off-site	July 2018
	Other machinery and services ordered / deposits paid to suppliers	July 2018
	Milestone 1 paid by Government	July 2018
	2nd payment to building contractor	July 2018
	Council inspections	Early August 2018
	Project Team review project progression and risk review undertaken; adapt plan as necessary	August 2018
	3rd payment to building contractor	August 2018
	Milestone 2 acquittal paperwork submitted	August 2018
	New employee recruitment commences	September 2018
Milestone 3 Construction completion, fitout and commissioning Quality control, production commencement	Council inspections	September 2018
	HPP and cutting machines arrive on site 60% paid	September 2018
	Processing line equipment installed into facility	September 2018
	Installation/fitout of machinery, cold rooms and freezers; electrical work carried out ready for operation	October 2018
	Milestone 2 paid by Government	October 2018
	Health inspection for food – after equipment installed	October 2018
	Final building inspections by Council	October 2018
	Final payment to building contractor	October 2018
	Team review project progression	October 2018
	Configuration of IT processes to coordinate with new machinery and	November 2018

	processes	
	Commissioning of all new equipment and new items Final 10% international equipment payments made	November 2018
	New employees commence and begin training	November 2018
	Production test is carried out / quality control / processes adapted as necessary	November 2018
	2nd payments to machinery suppliers and final payments to contractors	November 2018
	Milestone 3 acquittal paperwork submitted	November 2018
	Team review project progression	November 2018
	Full production commences using Summer fruits	December 2018
	Milestone 3 payment from Government received	January 2019
Milestone 4 Completion	Project completion and final acquittal paperwork completed	As required by Government
	Milestone 4 payment from Government received	April 2019
	Launch event held	TBA to suit Government

Tolerances

The following tolerances will apply to this Project:

Finance +/- 10%

Price + 10%

Time 1 month additional time will be allowed.

Dependencies / approvals

The following items are already in place / need to be considered:

- Preliminary designs for the factory expansion have commenced. More detailed designs will be drawn as soon as funding approval is given.
- Council approvals to expand the current manufacturing facility will be required. Council is very supportive of the project and we will be working closely with them during the application process to ensure any requirements they have will be adhered to. Previous meetings with Council staff indicate that there are no current indications that building approval will not go ahead. Already have the site established as Part of Tropical Pines current facility. It is expected that approval by Council will be received by June 2018
- Water connection / sewerage / IT / power are already in situ at the front of the site, so will provide easy connection.

Procurement process

The procurement process for the construction of the $3M processing facility will be via a Closed Tender System. This will ensure the construction is carried out by a regional building contractor who has the reputation for completing projects to a high quality, and to expected timeframes and budget. It will also ensure that the project provides employment for regional workers and provides flow-on benefits for local suppliers.

Builders have provided construction estimates to build the facility, based on the architect's drawings.

Budget and cost estimates

Table 3 outlines the budget and cost estimates for all significant items.

Table 3: Project budget

Item	$'000 Cost (excl GST)	
Labour • Staff time to assist with commissioning • Training of employees on new processing lines and equipment		R 150
Construction Air conditioned 2000m^2 building (including 1 large cool room, staff room, toilets, and a small laboratory space		R 3,000
Plant and equipment • HPP machine (including fittings) • Fruit receivals • Fruit Prep A • Fruit Prep B • Blanching • Puree • Filling • Juice • Packaging – 50% local spend • Other (material costs, foreign exchange rate changes, contingencies, laboratory testing equipment) – 50% local spend • Services (including Ozone machine $50,000) – 50% local spend Sub total • Engineering @ 8% • Electrical @10% • Commissioning @ 10% • Forklift • 2 x small trucks **Total**	1,506 R 200 760 230 290 520 1,120 650 R 540 R 300 R 200 6,316 606 R 632 632 R 20 R 180 2,070	8,386
Information Technology Installation of hardware and software, including integration of machinery and process lines with factory control system – 50% local spend for installation		R 80
***Subtotal eligible expenditure**		**11,616**
Ineligible costs • Lease of land (annually) • Interest – Bank loan of $3.85M @ 6% • Interest – Convertible notes @ 8% • Initial legal & professional fees	R 210 231 308 R 100	849
TOTAL PROJECT COSTS		**12,465**
Amount being provided by Tropical Pines • 50% of *eligible expenditure • 100% of ineligible expenditure Total	5,808 849	6,657
Amount being requested from Federal Government $'000		5,808

Notes:

- Labour costs are for wages for staff directly involved in commissioning of plant (ie operators and technical, not indirect labour) A satisfactory period would be for the time period the manufacturer/supplier suggests as adequate commissioning.
- Prices will be Free into Store and will include import, customs and other import costs
- R refers to costs that will be sourced regionally – this is expected to be more than $4.882M plus additional annual benefits

Risk Management Plan

External context

The external factors detailed Table 4 may impact on Project risks.

Table 4: External factors

External Factor	Description
Consumer trends and development information	Emerging trends in developed markets include: • Clean labels – simplified ingredients • Convenience – time poor consumers wanting a better food experience at home • The rise of provenance as consumers want to know more about the origin of their food • Snacks and on-the-go consumption – for time poor consumers • Good fats and good carbs – importance of "superfoods" • Alternative sources of protein • New ways with fruit – utilisation of fruits intrinsic health properties • Increasing interest in frozen foods as nutritious and convenient option to fresh foods • Strength of own-label products • Use of grains to give rich, chewy and crunchy textures.
Industry	s22 [redacted]
Transport links	Transport companies in the region have additional capacity to handle a significant amount of increased freight.
Client demand	The HPP fruit preparations serve several sales opportunities. The retail space is very open for a high quality, great tasting processed fruit product range made from only Australian fruit. Currently there is only one product range on sale in the produce section of a national supermarket, retailing for $3.99 / 200 grams. These existing products are conventionally processed from both imported and local fruits. Pricing assumptions for these products assume that shelf prices for new enterprise products match the current products, which is a conservative assumption as the products have many attributes which could justify a premium price on shelf. There are also a growing number of organisations basing their meals around healthy eating – Oliver's, Lite 'n' Easy, Franchised Food Group – Trampoline, Feeling Fruity, who all could be potential customers and / or partners in the enterprise. The HPP juices will be an offering of great tasting juices in a unique combination. The availability of Gold Pineapple variants with higher sugar/ acid ratio juice, better colour and flavour, is a great advantage for the juice range. The Watermelon juice variant is styled on product launched in USA in last 12 months, which is being promoted as being better than coconut water as natural isotonic drink, as well as having good levels of lycopene and other antioxidants. Other variants proposed utilise available processing fruit streams, as well as having great flavour, colour and nutritional benefits.
Unemployment in area	Unemployment rate for Fitzroy is 7.1% (May 2017) – the fifth highest in the State.
Export market	Export opportunities exist with many countries. Focus initially would be New Zealand and then Japan and China. As soon as production is running well, relationships would be developed as progression is not as quick as starting up in Australia and NZ – more development is required. For Asian countries: you have to build up the relationship; the international representatives come to Australia to visit the factory, and try the product. Major exports to Asia are expected in the second year of full production.

Suppliers	Discussions with growers have confirmed the positive interest in supporting a value-added fruit processing facility. Growers will supply product and support the venture if they can see there is some financial incentive for them to do so ie. the price paid must include some incentive above cost so the supply for processing adds value to their horticultural enterprise. Initial investigations have shown that in the multiple growing regions for fresh fruit and vegetables, there are significant supplies of sound processing grade fruits available. The largest of these by far is bananas, with large quantities available in north Queensland. Additionally, there have been large plantings made in recent years in central Queensland near Bundaberg which will start producing in the next 1-2 years. For other crops of interest, the Wide Bay Burnett, central Queensland, and Bowen/Gumlu areas are of state significance in terms of horticultural production. A number of growers have been approached to discuss production and processing figures.
Weather	Best time to build would be before the Summer which is when Yeppoon has its highest rainfall each year.

Internal context

The internal factors detailed in Table 5 below may impact on Project risks.

Table 5: Internal factors

Internal Factor	**Description**
Management and Project team experience	The Project Team have the appropriate skills and experience (refer to pages 2-3) to undertake and manage this project.
Management and Project Team availability to manage project	The Project Manager's sole role will be to carry out the Project and then be in charge of the facility's operation. Sufficient capacity planning will need to be undertaken to ensure that workloads of other Project Team members allow for adequate time to work within the project.
Disruption to business	The Project will be planned so that there is minimal disruption to clients and current production
IT, system and processes	IT systems will be installed as part of the Project Scope.
Quality and amount of own produce	Tropical Pines have adequate surplus supplies of fruit to provide produce for this Project.
Maintenance costs	Maintenance costs for the new equipment and facility will be factored into the maintenance program and budget and into the respective pricing model for recovery of the running costs and into financial modelling that has been carried out
Energy and water costs and insurance	The construction and equipment will use the latest energy and water savings technology that is available. This includes: • Machines that wash the fruit will have spray that use very little water using ozone technology (generated from oxygen), a technique used widely in water bottling and now used in processing • Machines that include power-saving design • Solar panels to reduce energy consumption • Power Factor Correction equipment.

Risk identification and analysis

Table 6 has been compiled by identifying risks and assigning the relevant likelihood and consequence data from tables 7-9.

Table 6: Risk chart

Risk No.	What can happen	When can it happen	Possible cause	Existing controls	Likelihood	Consequence	Risk rating
MOBILISATION							
1.	Project running late or over budget Contractors complaining of unresolved issues	Over Project lifecycle	Project Team members not having the capability to carry out work to high standard	Experienced Project Manager and Team have been assigned to the Project who have buy-in and a vested interest to ensure project success	2	2	Low
2.	Damage occurring during Project $ Cover not being updated	During and after construction		Current insurances reviewed to determine adequacy of cover for foreseeable risks. New cover to be taken out to cover risks not covered by existing policies. Insured amounts to be updated if required	1	3	Low
3.	Unfavourable contract T&C's	When Contracts are being negotiated with Govt and contractor/s	Insufficient contract knowledge or negotiation experience for the contracts	Legal advice when preparing contracts Project Team members thoroughly involved in preparation	2	2	Low
4.	Higher than expected costs	During negotiation of contract As the project is being delivered – ie scope creep/variations	Confirmed quotes coming in higher than expected Poor scope/variation management	Discussions with suppliers indicate quoted prices will apply for at least 3 months. The business has additional financial funds available to use if required Follow robust Project Management scope controls and manage contract purposefully. Allow adequate contingency and management reserve	2	3	Low
5.	Milestone payments not able to be met	During construction	Inadequate cashflow management / Govt late in payment of milestones	Milestones in Contract match the needs of all parties Regular communication with all stakeholders	3	3	Low
WORK / CONSTRUCTION							
6.	Unavailability of Project Team members	Over Project lifecycle	Project Team members not having enough time to manage the project thoroughly	At least one team member will be onsite at during working hours of construction period. Other two members will also be available and will coordinate a roster for this purpose	1	3	Low
7.	Delay in high voltage electrical transformer being installed	During construction	Long lead time for suitable transformer Delay in Ergon connecting to supply	Ensure enough lead-time is allowed in construction timetable, so define requirement early in timetable Talk with Ergon/power supplier to lock in schedule of installation,	3	3	Medium

Table 6: Risk chart

Risk No.	What can happen	When can it happen	Possible cause	Existing controls	Likelihood	Consequence	Risk rating
				commissioning and testing Use a commercial electrician that has significant experience in installing this equipment			
8.	Timing on construction timetable is not adhered to	During construction	Contractors not communicating well with each other and running late on their individual deadlines, thus affecting flow-on jobs	Engage contractors who have the reputation of being reliable and working collaboratively with others Using a Project Manager who easily builds a good rapport with contractors Using a Project Manager who has overseen the building of similar infrastructure and has met time deadlines	3	3	Medium
9.	Delay in supply of machinery	Prior to scheduled installation	Variance in promised lead time.	Ensuring that suppliers will guarantee supply of equipment by agreed dates and this is reflected in agreed terms in contract. Consider appropriate remedies and put into contract	2	2	Low
10.	Problems with commission-ing of equipment and achieving desired production rates	During commission-ing phase and in early production	IT/interface issues, incorrect setup/adjust-ments, teething problems	Ensure supplier has experience in commissioning same/very similar equipment at other sites Allow adequate time for commissioning and setup / trial production runs Allow reduced production rates for the first 2-4 weeks to iron out bugs	2	3	Low
11.	Inclement weather affecting construction and installation	During construction and installation phase of new equipment	Weather events	Additional time will be allowed in the contract milestones Ensure contract terms allow for milestones to be adjusted when specified trigger events occur	3	2	Low

Table 7: Likelihood

Level	Likelihood	Probability	Expected chance of occurring
1	Rare	1 in 10,000-100,000	May only occur in exceptional circumstances – has occurred, or can be reasonably considered to occur only a few times in 100 years
2	Unlikely	1 in 1000 - 10,000	Could occur at some time – has occurred 2 or 3 time in the last 10 years in this organisation or similar organisations
3	Possible	1 in 100-1000	Might occur at some time - has occurred more than 3 times in the past 10 years in this organisation or occurs regularly in other organisations
4	Likely	1 in10-100	Will probably occur in most circumstances – has occurred more than 7 times in the past 10 years in this organisation or other similar organisations
5	Almost certain	>1 in 10	Is expected to occur in most circumstances – has occurred 9 or 10 times in the past 10 years in this organisation

Table 8: Consequence

Consequence	Cost	Time	Scope	Quality	Health & Safety
Very low (1)	Insignificant cost increase	Insignificant time increase	Scope decrease barely noticeable	Quality degradation barely noticeable	First aid or equivalent only
Low (2)	< 10% cost increase	<5% time increase	Minor areas of scope affected	Only very demanding applications are affected	Routine medical attention required (up to 2 wks incapacity)
Moderate (3)	10-20% cost increase	5-10% time increase	Major areas of scope affected	Quality reduction requires sponsor approval	Increased level medical attention (2 wks to 3 mths incapacity)
High (4)	20-40% cost increase	10-20% time increase	Scope reduction unacceptable to sponsor	Quality reduction unacceptable to sponsor	Severe health crisis (incapacity beyond 3 mths)
Very high (5)	>40% cost increase	>20% time increase	Project end item is effectively useless	Project end item is effectively useless	Multiple severe health crises/injury or death

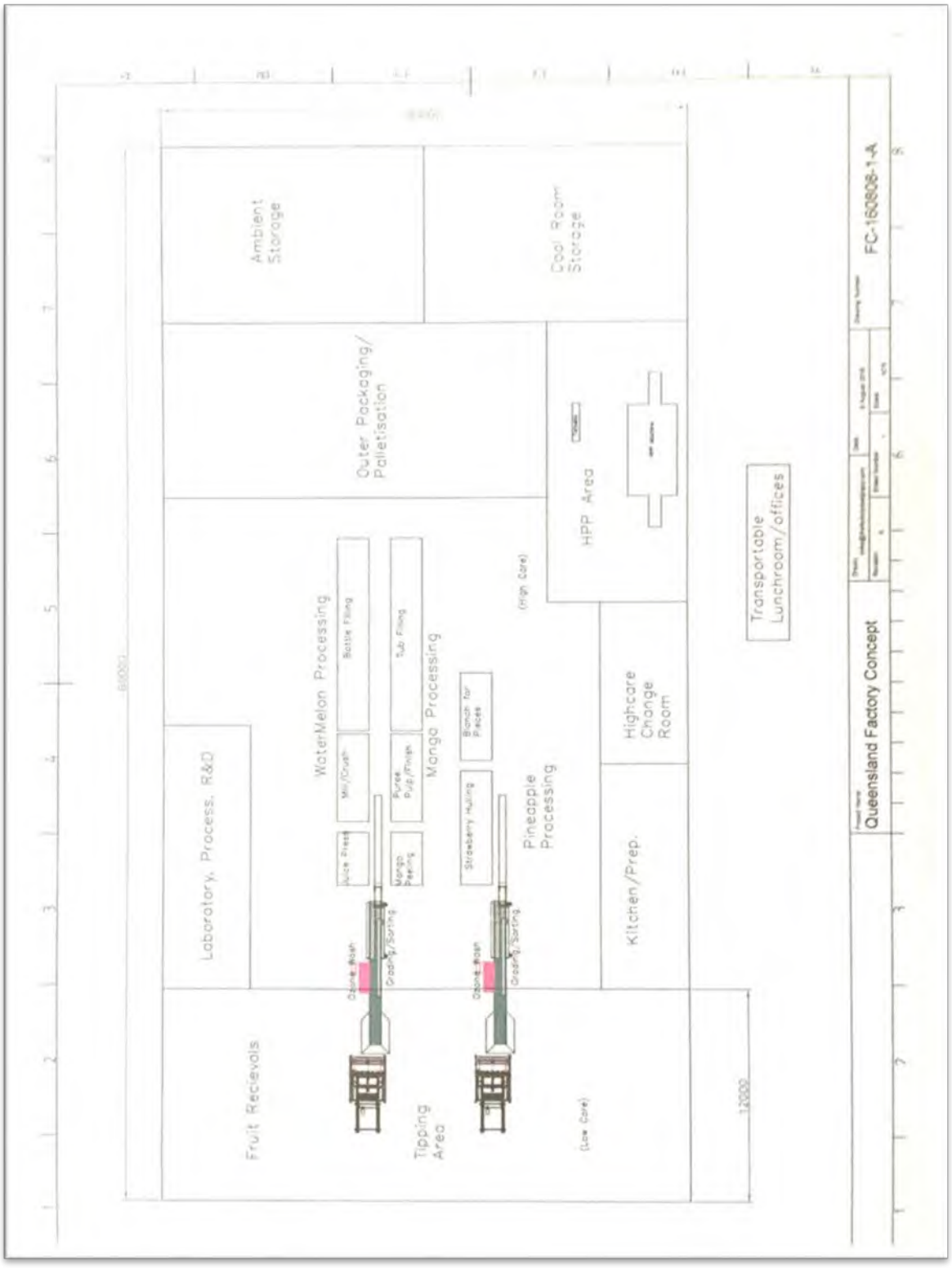
Table 9: Risk Matrix

	CONSEQUENCE				
LIKELIHOOD	Very low (1)	Low (2)	Moderate (3)	High (4)	Very high (5)
Rare (1)	Low	Low	Low	Low	Low
Unlikely (2)	Low	Low	Low	Medium	Medium
Possible (3)	Low	Low	Medium	Medium	Medium
Likely (4)	Low	Medium	Medium	High	High
Almost certain (5)	Low	Medium	Medium	High	Extreme

Appendix

Examples of current HPP fruit products available in both domestic and international markets are shown below.

The proposed factory layout is shown below.



Explanation of High Pressure Pasteurisation (HPP)

High Pressure Processing is a cold pasteurization technique which consists of subjecting food, previously sealed in flexible and water-resistant packaging, to a high level of hydrostatic pressure (pressure transmitted by water) up to 600 MPa / 87,000 psi for a few seconds to a few minutes.
High Pressure Processing is a natural, environmentally friendly process that respects the ingredient and helps maintain the fresh food characteristics like colour, flavour and nutrients.

HPP process advantages include:

- Shelf life is extended while keeping taste and nutritional properties of fresh fruits and vegetables. Shelf life can be multiplied by 2 to 8 times, depending on the product, while sensorial and nutritional properties remain intact.
- New product development possibilities. Functional molecules that are destroyed by heat, can be preserved using HPP. HPP keeps the antimutagenic components of carrot, cauliflower, kohlrabi, leek, spinach, beet, tomatoes, broccoli and many others. New functional products made of fruit or vegetables with antioxidant properties can be launched. The process suits organic food products.
- Protects the brand/Safe products. Pathogenic and spoilage microorganisms are eliminated and cross-contamination is not possible due to the post packaging nature of the process.
- Local products can be exported to the highest quality demanding countries like USA, Japan, etc. Due to high sensorial, nutritional and microbiological quality, along with enhanced shelf life, products will distinguish themselves because of quality.

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Regional Jobs and Investment Packages Accountant declaration

Role of person making declaration	External Company Accountant
Name	s22
Contact details	s22 PO Box 1406, Rockhampton, QLD. 4700.
Qualification	☒ Chartered Accountant ☒ Certified Practicing Accountant ☒ CPA Australia ☒ Chartered Accountants Australia and New Zealand ☐ Institute of Public Accountants
Membership number	518291 – CPA 22385 - CAANZ
Applicant's name	Tropical Pines Pty Ltd
Applicant's ABN	60 058 309 505

I declare that:

☒ On the basis of the evidence Tropical Pines Pty Ltd has supplied to me, I consider that Tropical Pines Pty Ltd is able to fund its share of the cost of the proposed project from the following source of funding – Equity Funding from: (a) existing shareholders and their associates, and (b) AIMS Funds Management. Debt funding from: (a) AIMS Funds Management, and (b) Commonwealth Bank of Australia.

☒ This opinion is based on the applicants share being $6.5 million out of total project expenditure of $13.0 million.

The applicant is part of a consolidated group for tax purposes. Yes ☐ No ☒

s22

Signature

s22

Signed on this Twenty Seventh day of July 2017