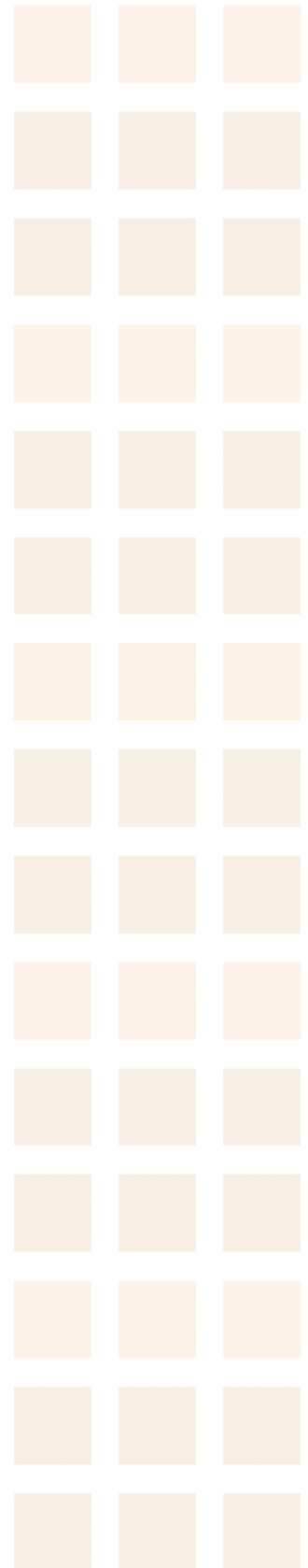


Objective One
application
prepared on behalf:

Mainland Marketing

For the development of
livestock production and
processing on the Isles
of Scilly



Contents

1	Executive summary	6
2	Introduction	10
3	Project detail	11
	3.1 Project description	
	3.2 Project management and monitoring	
	3.3 Market need	
	3.4 Expected benefits of project	
	3.5 Project milestones	
	3.6 Abattoir/Cutting plant detail	
4	Project costs	15
	4.1 Breakdown of costs	
	4.2 Breakdown of proposed project funding	
	4.3 Need for grant aid	
	4.4 Profitability of livestock production on the Isles of Scilly	
	4.5 Added value provided by EAGGF funding	
5	Project outputs	18
	5.1 Outputs	
6	Business Plan for the proposed abattoir on the Isles of Scilly	19
	6.1 Predicted Profitability	
	6.2 Abattoir cashflow and loan position to March 2009	
	6.3 Budget sensitivities	
	6.4 Market research information on meat product sales on the Isles of Scilly	
7	Delivery of cross cutting themes	22
	7.1 Environmental impact of increased livestock numbers on the Isles of Scilly	
	7.2 Environmental impact of the abattoir	
	7.3 Use of information and communication technology	
	7.4 Equal opportunities policy	
8	Other project details	25
	8.1 Regional Fit	
	8.2 Project risks	
	8.3 Project promotion and publicity	
	8.4 Exit strategy	

Tables

		Page
1	Project milestones	6/13
2	Investment requirements	15
3	Breakdown of costs and grant by project measure	
4	Funding sources for the project	16
5	Comparison of Project targets with Measure targets	
6	Financial Performance predictions for the abattoir to September 2009	7/19
7	Cashflow and loan position for the abattoir to September 2009	19
8	Budget sensitivities	20
9	Average figures for red meat consumption	21
10	Accommodation provision on the Isles of Scilly	21

Charts

- 1 The level of interest from businesses in sourcing meat produced on the Isles of Scilly 21

Appendices

- 1 Planning Permission for the abattoir on St Mary's
- 2 Gross margin information for livestock production
- 3 Grazing Animal Production Training Syllabus
- 6 Quotes for the proposed items of capital expenditure and details of the umbrella funding programme
- 7 Cashflow and Budget Assumptions for the abattoir
- 8 Detailed three year cashflow and profit budget for the abattoir

- 10 Abattoir waste information
- 11 Schedule of expenditure for abattoir equipment
- 12 Outline job descriptions for all staff

- 15 In Kind Support values used (£/hour)

1 Executive summary

This application for grant support from Objective One follows a lengthy study to investigate the feasibility of setting up an abattoir on the Isles of Scilly together with the possibility of reintroducing adequate livestock to ensure sufficient throughput for the abattoir.

There are considered to be a number of benefits from this proposed development:-

- ❖ Given reducing margins for traditional enterprises on the Isles of Scilly there is a need for some producers to consider enterprise change.
- ❖ Greater levels of self sufficiency in red meat products.
- ❖ Improved landscape quality.
- ❖ The ability to promote locally produced beef, lamb and pork will add to the value of the total tourism offer from the Isles of Scilly.
- ❖ Improved bulb husbandry through the introduction of break crops.

1.1 Project description

It is proposed to develop an abattoir and cutting plant on a site near the incinerator on land owned by the Duchy of Cornwall in Hugh Town, St Mary's together with an umbrella fund for livestock producers to enable them to put in place the required infrastructure such as fencing and water provision; Shared livestock handling facilities; livestock trailers and breeding stock.

Total project costs to develop an abattoir, operate it for the first year and the umbrella fund are £443,510 with £226,030 (50.9%) grant aid requested from Objective One.

The programme also includes training and extension activity (funded from other sources) to support farmers in the skills of livestock production.

The feasibility study identified that there is adequate land area on the islands devoted to or potentially available for grassland to allow for livestock production at the required scale to allow an abattoir/cutting plant to be financially viable given a small premium for meat at point of sale and contract slaughter/cutting services.

Table: Project milestones

Milestone	Target date for achievement
Planning permission received	September 2004 (achieved)
Objective One Support confirmed	November 2006
Abattoir construction completed	May 2007
Abattoir commences activity	1 st June 2007
Abattoir staff recruited (up to four by year three)	April – June 2007
Year 1 Throughputs – cattle, sheep, pigs	*80 cattle; 60 lambs; 20 pigs
Year 2 Throughputs – cattle, sheep, pigs	100 cattle; 100 lambs; 30 pigs
Year 3 Throughputs – cattle, sheep, pigs	160 cattle, 150 lambs; 35 pigs
Umbrella funding utilised	December 2008

* A recent survey indicated that cattle numbers on the island have increased by around 90 cattle since 2004 and hence the milestone numbers of cattle have been increased by 30 cattle in year 1, 10 in year 2 and 15 in year 3.

1.3 Project outputs

- The project will bring at least 2,400 m2 of derelict land back into use on the site of the abattoir
- Current scrubland will be brought back into agricultural use, which will lead to enhanced landscape and tourism value. It is difficult to estimate the likely total area. However at least 300 acres could be readily utilised, where some land on all the inhabited islands is better utilised for agriculture.
- 4 part time jobs will be created which will deliver over £16,000 wages and salaries by the third year in the processing plant
- Up to 50 native breed suckler cows will have been purchased by the islanders
- Up to two handling units for cattle and sheep will have been set up
- The islands will have improved infrastructure for livestock production in terms of water and fencing
- The project will assist in securing the livelihoods of up to 40 farmers on the islands if they choose to keep livestock
- The project will allow the islands to reduce the true cost of meat on the islands as food miles will be reduced
- The landscape of the islands will be improved, which will enhance the Isles of Scilly as a tourist destination
- Improved animal welfare for current livestock on the islands as the need for transport to the mainland for slaughter will be eliminated. Over recent years transport of animals to the mainland has resulted in great stress to livestock with cattle requiring rest before slaughter and in a few instances cattle have had to be destroyed when they broke free on the quay at Penzance.

1.4 Collaboration

The organisational structure that will be developed to run the abattoir and cutting plant will be collaborative with producers being involved in ownership through Mainland Marketing and with access to a second margin from the profits of the abattoir/cutting plant. Producers are being invited to become shareholders in the abattoir/ Cutting plant. In addition farmers will collaborate on livestock handling equipment ownership. It is anticipated that each island will invest in such equipment which will be owned by a syndicate of producers.

1.5 The expected benefits of the project are in three major areas:

- The development of a processing facility for livestock on the islands which will allow for greater self sufficiency on the islands as well as improving animal welfare for livestock
- Improvement to the landscape of the islands through the application of conservation grazing
- Reintroduction of grazing livestock will allow areas of farmland that have become disused to be brought back into use as well as improving the rotation for bulb growing through the introduction of a grass break.

1.6 Business plan for the proposed abattoir

The table below indicates the predicted performance of the abattoir over the first three years of operation with a predicted start date of the 1st October 2006. A loan for up to £45,000 will be taken out over a 10 year term at 6.4% interest. Mainland Marketing will stand as guarantor for this loan.

Table: Predicted business performance for the new proposed abattoir 2007 – 2010

Year ending	May 2008	May 2009	May 2010
	(£)	(£)	(£)
Total trading output	47,695 (includes revenue grant aid)	50,634	79,396
Total livestock	0	24,690	40,277

<i>Purchases</i>			
Processing costs	10,190	12,962	20,165
Overhead Costs	14,000	14,779	21,970
<i>Of which total wages and salaries</i>	<i>14,252</i>	<i>15,240</i>	<i>21,675</i>
Profit before finance and depreciation	23,541	22,893	37,261
Interest charges	4,759	1,904	1,753
Depreciation (5% buildings, 15% machinery)	25,115	20,979	19,134
Profit after finance and depreciation	(6,333)	10	16,374

1.7 Budget sensitivities

The business is most sensitive to the following factors:

- Throughput of animals for contract
- Purchase price of animals in years 2 and 3
- Sale price of meat

1.8 Environmental impact

The project will have a wholly positive impact on the environment through the reintroduction of livestock onto the islands. All necessary factors to ensure that the abattoir meets environmental requirements have been taken into account

1.9 Cross cutting themes

Environment: The most sustainable building materials will be used whilst meeting all regulatory requirements. It is not possible to build the abattoir with materials available on the island due to regulatory requirements and cost issues. In bringing building materials to the islands the most sustainable outcome will be achieved by considering weight and bulk as well as the nature of the material itself. It is intended that the producers will provide manual labour for site clearance, laying concrete and making the foundations for the steel stanchions. Waste is to be minimised through the use of the millennium bio pore reactor which will allow for the separation of tissue and blood from water. The building will be well insulated to minimise the requirement for additional refrigeration.

Resource Efficiency: The Millennium Bio Pore Reactor is a new technology for reduction of water waste which has proved itself very effective. (The Eden project has such a system to reduce waste from toilet blocks)

Habitat Protection: The training to be provided through Trenoweth will include Environmental Land Management as a key part of the provision.

Equal Opportunities: There are two part time posts to be created by the abattoir/cutting plant. Specific skills will be required for this work, although training will be provided. Whilst Mainland Marketing are mindful of the requirements of Equal Opportunities Legislation and will meet those requirements, it is likely that staff will be recruited from the population of the Isles of Scilly rather than from staff who travel from the mainland due to travel cost constraints; unless suitable staff cannot be procured on the islands. Two potential staff members have already been approached and are interested. They are Paul Watts and Paul Hicks, who are ex slaughtermen and currently engaged in farming. They will require their skills to be updated, especially in meat cutting.

Governance: The abattoir will develop an environmental management plan and policy with guidance from experts in the field.

1.10 Risks with the project

It is considered that there are two major risks with this project:

- i **Livestock availability for the abattoir**
- ii **Product quality**

1.11 Project promotion and publicity

Mainland Marketing will display a plaque acknowledging the grant aid received from Objective One. Additionally all stationery for the first five years of the abattoir will display this acknowledgement in the footer.

1.12 Project exit strategy

The exit strategy for this project is through the development of a commercial business, which will not require further grant support in order to flourish once the requested capital grant aid is in place. The budgets demonstrate the future potential for profitability in a commercial climate. If the abattoir proved unviable it could easily be converted for alternative usage as it is to be constructed using portal frame technology. If beef production proved unviable it is likely that farmers would cease keeping livestock altogether and other means would have to be found for landscape maintenance and other uses for the redundant farm land if possible.

2 Introduction

This application for Objective One support for the development of a new abattoir on the Isles of Scilly is the culmination of feasibility work carried out over the last 18 months examining the potential for reintroduction of livestock onto the islands and establishment of a slaughter and cutting facility on the islands. The feasibility study addressed the following areas:-

- Attitudes of farmers on the islands towards livestock production
- Financial viability of a low throughput abattoir/cutting plant
- Environmental impact assessment of both livestock production and the abattoir
- Research into the likely markets for meat products on the islands and the potential for brand development
- Profitability of livestock production on the islands
- Siting of the abattoir/cutting plant

Elements from the feasibility study are included within this application although there are also individual reports available for each aspect of the feasibility study.

Overall aim

The overall aim of the project is to develop a slaughtering and processing facility on St Mary's which will facilitate the reintroduction of livestock on the Isles of Scilly. The project also includes support for the proposed reintroduction of livestock onto the islands. There are considered to be a number of benefits from this proposed development:-

- ❖ Farmers on the islands are facing ever more uncertain times with current agricultural practices as the islands are remote from markets and traditional climatic advantages are being duplicated by other areas with advances in technology. Hence there is a need for some producers to consider enterprise change.
- ❖ Livestock production on the islands will allow for the islands to be more self-sufficient in red meat and potentially develop niche products benefiting from the image of their provenance. The introduction of the required infrastructure for livestock production will increase the capacity of the islands for future livestock production.
- ❖ The reduction in livestock numbers over the past decade has resulted in landscape degradation and livestock grazing would be more cost effective and efficient than other means of landscape maintenance.
- ❖ The evidence as expressed from the market research that there is a link between farming and tourism in how visitors respond to the landscape and the opportunity to purchase locally produced food when available. Visitors to the islands always ask if the fish they are offered in restaurants is local. Being able to promote locally produced beef, lamb and pork would add to the value of the total tourism offer from the Isles of Scilly.
- ❖ Introduction of grass as a break crop for bulbs will confer benefits in terms of reduction of eel worm challenge to bulbs especially if grass were retained for more than two years. No financial benefit has been calculated or included for the introduction of this break crop even though it is considered that there would be such an advantage. Any such financial benefit needs to be added to the gross margins calculated for livestock production.

Mainland Marketing as the applicant for this project has been working closely with the Isles of Scilly Wildlife Trust and Trenoweth Horticultural Centre in developing linkages and co operative working for both grazing the heathland managed by the Trust and in the provision of training and ongoing CPD for livestock producers.

Initially it was proposed to develop both meat and milk production, however the research carried out found that milk production would be secondary to the development of an abattoir as this would allow milk producers to gain ready markets for any cattle not required for milk production.

Planning permission has been granted for a low throughput abattoir on St Mary's on a site close to the industrial estate in Hugh Town. See appendix 1 for details of the planning permission granted.

3 Project detail

3.1 Project description

It is proposed to develop an abattoir and cutting plant on a site near the incinerator on land owned by the Duchy of Cornwall in Hugh Town, St Mary's. Also within the project and application is an umbrella fund for livestock producers to enable them to put in place the required infrastructure such as fencing and water provision; Shared livestock handling facilities; livestock trailers and breeding stock. The umbrella scheme will only offer grant aid for the purchase of traditional breeds of livestock following the findings of the feasibility study.

It is also considered vital that assistance is provided to encourage the farmers on the islands to keep livestock again. This is necessary as for many farmers there has been a break of a number of years since they last kept livestock and it is considered that support will be required if the abattoir throughput targets are to be reached and the abattoir to become viable. This element of support is to be provided through the Trenoweth Horticultural Centre resources. It is estimated that around 20-30 days of time will be required over a period of 2-3 years to ensure that livestock numbers build to an appropriate level for the land and to enable the abattoir to become self financing.

The feasibility study identified that there is adequate land area on the islands devoted to or potentially available for grassland to allow for livestock production at the required scale to allow an abattoir/cutting plant to be financially viable given a small premium for meat at point of sale and contract slaughter/cutting services. Accordingly the budgets for the abattoir have worked on reaching a throughput of 160 cattle per year by the third year of operation together with 150 lambs and 35 pigs.

Although current livestock production on the islands is at a low level (175 total cattle, 44 sheep and a few pigs in 2003) the producers indicated that they would increase and/or start livestock production if there were an abattoir on the islands. Indeed in the time that this study and application have been in development (2003) farmers have increased livestock production levels such that cattle numbers have increased to 285 (survey conducted in autumn 2006).

The plant will be capable of processing at least 200 cattle per year and smaller numbers of all red and white meat species. The current livestock numbers on the islands must increase if this target is to be reached within four years. It is planned that this abattoir should fulfil two functions for livestock farmers on the islands:-

- A contract slaughter, processing and packaging service for farmers who wish to retail meat from their own animals. Producers will retain ownership of such animals through to the point of sale.
- As purchaser of finished animals from farmers who do not wish to retail their own produce

At the design stage the requirements of the proposed regulatory changes for low throughput plants has been incorporated into the plans for the abattoir. The requirements following the cessation of the "Over Thirty Months Scheme" for cull cows have been considered and the decision has been taken to transport cull cows to the mainland at least initially. Cull cow

numbers are likely to be low and peak at no more than 27 cows per year. The situation with regard to the management of cull cow slaughtering will be reviewed annually as the number of culls produced on the islands increases.

In year one the abattoir will offer only a contract kill service to producers. In addition the presence of an abattoir will facilitate an increase in livestock production, which if managed appropriately will lead to improvements in landscape quality as areas now becoming overgrown will be controlled.

Mainland Marketing will be the accountable body for the development and management of the abattoir on the Isles of Scilly. Mainland Marketing is a private limited company with 17 shareholders. Mainland Marketing will be responsible for the entire project, but would identify a suitable 3rd party with appropriate qualifications to be responsible for the abattoir. The most appropriate organisational structure for the project will be explored as part of the project. A collaborative structure is favoured in order to build the ownership with producers. English Farming and Food Partnership expertise will be used for this activity. Producers have indicated their willingness to invest in the abattoir as shareholders and such investment is being used as match funding for the development.

Mainland Marketing will also provide the secretariat for the umbrella grant scheme for farmers. Discussions are currently ongoing with Gary Ensor of BLDC as to best practice for running this scheme.

3.2 Project management and monitoring

The project will be managed by Mainland Marketing, who has high levels of expertise in both building project and the management of Objective One funds. During the building phase advice will be taken from experts in abattoir construction and support will be sought for the initial running of the plant. In addition the staff identified earlier in this report will be trained in modern butchery techniques prior to the plant being operational.

3.3 Market need

The need for the project was expressed in the introduction to this report:-

- The reduction in livestock numbers over the past decade has resulted in landscape degradation and livestock grazing would be more cost effective and efficient than other means of landscape maintenance. Numbers of cattle on the islands have been increasing somewhat in anticipation of the abattoir being available.
- Farmers on the islands are facing ever more uncertain times with current agricultural practices as the islands are remote from markets and traditional climatic advantages are being duplicated by other areas with advances in technology. Hence there is a need for some producers to consider enterprise change.
- The evidence as expressed from the market research that there is a link between farming and tourism in how visitors respond to the landscape and the opportunity to purchase locally produced food when available. Visitors to the islands always ask if the fish they are offered in restaurants is local. Being able to promote locally produced beef, lamb and pork would add to the value of the total tourism offer from the Isles of Scilly.
- Livestock production on the islands would allow for the islands to be more self-sufficient in red meat and potentially develop niche products with products benefiting from the image of their provenance.
- Introduction of grass as a break crop for bulbs will confer benefits in terms of reduction of eel worm challenge to bulbs especially if grass were retained for more than two years. No financial benefit has been calculated or included for the introduction of this break crop even though it is considered that there would be such an advantage. Any such financial benefit needs to be added to the gross margins calculated for livestock production.

Without an abattoir, livestock production is very unlikely to increase and the landscape will either continue to depreciate or the Wildlife Trust will be forced to use expensive and less efficient methods of management than livestock, if they are not available.

3.4 Expected Benefits of the Project

The expected benefits of the project are in three major areas:-

- The development of a processing facility for livestock on the islands which will allow for greater self sufficiency on the islands as well as improving animal welfare for livestock
- Improvement to the landscape of the islands through the application of conservation grazing
- Reintroduction of grazing livestock will allow areas of farmland that have become disused to be brought back into use as well as improving the rotation for bulb growing through the introduction of a grass break.

3.5 Project milestones

The table below details the target project milestones together with completion dates:

Table 1: Project milestones

Milestone	Target date for achievement
Planning permission received	September 2004 (achieved)
Objective One Support confirmed	November 2006
Abattoir construction completed	May 2007
Abattoir commences activity	1 st June 2007
Abattoir staff recruited (up to four by year three)	April – June 2007
Year 1 Throughputs – cattle, sheep, pigs	*80 cattle; 60 lambs; 20 pigs
Year 2 Throughputs – cattle, sheep, pigs	100 cattle; 100 lambs; 30 pigs
Year 3 Throughputs – cattle, sheep, pigs	160 cattle, 150 lambs; 35 pigs
Extension worker in post funded through Trenoweth Horticulture Centre to provide relevant training	December 2008
Umbrella funding utilised	September 2004 (achieved)

* A recent survey indicated that cattle numbers on the island have increased by around 90 cattle since 2004 and hence the milestone numbers of cattle have been increased by 30 cattle in year 1, 10 in year 2 and 5 in year 3.

3.6 Details of abattoir construction and function

The facility is designed to provide for slaughter of up to 8 beef cattle per week and 6 sheep per week. The maximum average weekly throughput budgeted for is however 3-5 cattle and 6 sheep. The facility is a low throughput plant, which will meet all regulatory requirements. John Hukku, the regional FSA advisor has been consulted within the design phase of the plant. The total size of the plant is set at 200 m² and the build cost is averaging £787.50 per square metre.

It is anticipated that livestock will arrive at the plant in low numbers in livestock trailers which are low to the ground; hence unloading ramps are rendered unnecessary. There will be penning in the lairage and an inspection area to allow for veterinary inspection.

Coming off the slaughter area are rooms for hides and skins and offal with chute entrances as well as a fridge for clean waste, which is likely only to be livers and kidneys. The hides and skin room will not be specifically chilled although all parts of the plant will be constructed using insulated panels to minimise heat exchange. No specific market has yet been identified for hides and skins from the Isles of Scilly. It is anticipated that these by products will not be

processed on the islands due to the effluent problem and hence they will if economically viable be shipped back to the mainland as quickly as possible and sold in the same way as for other Cornish abattoirs.

The stun area has a roll area of 3x3 metres with enough height to allow for cattle to be hoisted.

Given the very low throughput of the plant there is an option to process and slaughter on different days.

John Hukku and the local environmental health inspector were keen to see the plant catering for white meat and pigs as currently some pigs on the islands are slaughtered without complete adherence to all regulations. Pigs will be slaughtered on the small animals line and then move to the scalding tank. The FSA were content that a separate white meat licence was not required for the very low throughput likely on the islands. Within the budgets for the plant no allowance has been made for white meat activity. Any activity will be in response to demand at times when the plant is available.

It is intended to mature beef for at least 10 days and hence there is a significant level of chiller space within the overall plant set out for the different stages of meat maturation. Cattle will be quartered and moved to the chiller in quarters. There is also provision for a chill detained area within the plans for the plant. There is provision for freezing meat if required. In this instance meat would be frozen on racks. It is anticipated that freezing will be used if necessary to balance supply and demand of such products as beef burgers and barbecue products. This will help to maintain carcass balance, although the market research did indicate a healthy demand for burgers and sausages amongst visitors and Scillonians alike.

Meat will be dispatched to butchers as quarters and other processed products will be dispatched in plastic trays.

All equipment will be housed and cleaned in situ.

Inspection charges: MLC levy and veterinary inspection charges are included as follows within the budgets for the plant:-

Cattle £22.50 / head
Pigs £4.20 / head
Sheep £4.30 / head

This includes an allowance of £2,500 per annum has been included for veterinary inspection. The vet on the islands is retiring in the near future. However there have been a number of enquiries from vets who are interested in moving to the Isles of Scilly so it seems likely that meat inspection will not pose an insurmountable problem.

Hygiene will be maintained through the use of wet hygiene areas at the interface between operational and office areas and through the use of separate entrances for staff and product despatch.

Waste from the plant will be treated as follows:-

- Waste water and blood will be treated through the millennium bio pore reactor with the clean water coming from the system being discharged to drains and the remaining sludge being incinerated. The system will be cleaned once per week by the employed staff.
- Waste fat, bones, feet and heads will be incinerated (The council of the islands are satisfied that the incinerator on St Mary's can accommodate this small increase in throughput). See appendix 13 for a letter of support. The costs of dealing with the waste are in line with budgetary allowances
- Rumen contents will be composted

Dealing with Over Thirty Month old cattle: The plant will be designed to allow for current regulations for OTM cattle even though the current likely number of cattle that such regulations will apply to; are only around 5 cows per year, although this will rise to 15-20 cattle per year once herd size has reached its maximum (next 4 years). The plant will seek to become licensed for OTM cattle and the design of the plant will include provision for a lockable cabinet. It is also possible that cull cows could be slaughtered at designated times when clean cattle slaughterings are low offering clear separation from clean cattle.

Within the administration area will be space for laundry storage, staff canteen, and staff changing facilities, vet room and a shower area as well as an office for staff.

Abattoir staff: Two part time staff members will be needed to run the plant. It is currently envisaged that a maximum time input of 2 days per week per staff member will be required on average. Two potential candidates have been identified – Paul Watts and Paul Hicks, both of whom are currently farming but have had previous experience as licensed slaughtermen. Training has been included for them to meet the required level of expertise to deliver quality meat products from the islands. It is hence considered that training for these staff members will be eligible for support under measure 4.4. See appendix 12 for outline job descriptions for abattoir and other staff for this project.

4 Project costs

4.1 Breakdown of Costs

The total costs for the development of an abattoir/cutting plant; umbrella grant scheme and training costs are set out in the table below

Table 2: Investment requirements

Item of expenditure	Total Cost (£)	Grant Fund being approached for support	Grant aid rate requested (%)	Total Objective One Grant aid requested	Match Funding Source
Abattoir Costs					
Abattoir building costs	171,750	Objective One Measure 4.9	50	85,875.00	Bank Loan/ Industry contribution
Equipment costs including installation	90,000	Objective One Measure 4.9	50	45,000.00	Bank Loan/ Industry contribution
Freight charges	25,000	Objective One Measure 4.9	50	12,500.00	Bank Loan/ Industry contribution
Training costs (Meat Inspection and cutting)	8,700 (Inspection training costs of £3,000 not eligible)	Objective One Measure 4.4	75	4,275.00	Bank Loan/ Industry contribution
Provision of working drawings for buildings regulations and to provide specifications for builders	8,370	Objective One Measure 4.9	50	4,185.00	Bank Loan/ Industry contribution
Water, electric and services connection	5,500	Objective One Measure 4.9	50	2,750.00	Bank Loan/ Industry contribution
Set Up costs for the abattoir	21,700	Objective One	50	10,850.00	

			Measure 4.9			
Abattoir running costs for year One	24,190		Objective One Measure 4.9	50	12,095.00	Industry contribution
Total Abattoir Development and first year operation costs	346,510				177,530	
Umbrella Grant Scheme						
Umbrella Grant aid programme	Fencing and water	35,000	Objective One Measure 4.3	50	17,500.00	Producers
	Livestock Handling	12,000		50	6,000.00	Producers
	Breeding Stock	50,000		50	25,000.00	Producers
Total Umbrella Grants Scheme Costs	97,000				48,500.00	
Total costs associated with abattoir development and first year operation	443,510			50.9	226,030.00	

See Appendix 5 for full details of all capital quotes and for details of the proposed umbrella grant scheme.

Table 3: Breakdown of costs and grant by project measure

Objective One Measure	Area of support	Total cost (£)	Grant aid requested (£)
Measure 4.3	Umbrella Grant Scheme	97,000.00	48,500.00
Measure 4.4	Training Costs	8,700.00	4,275.00
Measure 4.9	Abattoir building costs	171,750.00	85,875.00
	Equipment costs	90,000.00	45,000.00
	Freight charges	25,000.00	12,500.00
	Provision of working drawings	8,370.00	4,185.00
	Water, electric and services connection	5,500.00	2,750.00
	Set Up costs for the abattoir	21,700.00	10,850.00
	Abattoir running costs for year One	24,190.00	12,095.00
Measure 4.9 Total		346,510.00	173,255.00

4.2 Breakdown of proposed project funding

A grant rate of 50% is requested on all the capital investment required. Match funding will be provided through a loan secured by Mainland Marketing together with industry contributions. Farmers are to provide the match funding for the umbrella grant scheme for fencing, water and livestock handling as well as breeding livestock; with Mainland Marketing acting as the grant awarding body to these farmers. Farmers will provide the match funding of 50%. The fund for the umbrella scheme is not included within the cashflow as farmers will be expected to pay 100% for investments and then claim grant aid on eligible investments. In the case of breeding livestock the umbrella fund will provide grant aid at the rate of 50% up to a maximum value of £1,000 per animal for cows and up to £150 per breeding ewe.

Mainland Marketing would like to claim grant aid on abattoir running costs. It is understood that this is possible for year one costs with a grant rate of 50%. Year One abattoir running

costs amount to £24,190 and hence the budgets show a grant aid request of £12,095 for year one. Such support will reduce the first year deficit. Mainland Marketing is providing £30,000 as an in kind contribution towards marketing and management costs over the first three years of the project's life. These costs average out at £25,759/year. Grant aid is also requested on the set up costs for the abattoir of £21,700 at a grant rate of 50%.

The training and extension requirement is to be funded through Trenoweth Horticulture Centre using existing funding sources.

Table 4: Funding sources for the project

Source of Funding	Amount: £ (%)
Bank loan with Mainland Marketing as guarantor	31,290
Cash contribution from the Duchy of Cornwall	50,000
Farmer investment in Mainland Marketing for the abattoir development	30,000
In kind contribution from farmers towards abattoir building costs	33,500
Funding from farmers – Umbrella Scheme	48,500
Objective One funding	226,030 (50.9%)
Total funds required (including operation costs for year one)	443,510

4.3 Need for grant aid

Without grant aid this project will not go ahead and the reintroduction of livestock onto the islands is unlikely to go ahead.

4.4 Profitability of livestock production on the Isles of Scilly

Although this application is concerned with construction of an abattoir it is vital that livestock production itself is a viable activity for farmers on the islands. Whilst very few farmers will be eligible to receive any historic payments under the new Single Payment Scheme as they have no history of livestock production it is understood that the majority of farmers on the islands will joint the Entry Level Stewardship Scheme and many will be eligible for the Higher Level Scheme.

A major feature of this project will be the beneficial impact on the land on the isles of Scilly brought about by the reintroduction of livestock. It is intended that livestock will provide for conservation grazing on scrubland and heathland managed by the Wildlife Trust and contribute to the process of reducing the invasion of plants such as bracken, gorse and brambles in these areas. Using livestock for heathland grazing is likely to attract support under the Higher Level Stewardship Scheme once fully up and running. Such support will be able to reimburse farmers for providing this service to the heathland and also serve to make livestock production itself more viable on the islands. It is not possible to assign a value to this support at the moment as no land has as yet been entered into the scheme, but it is understood that the payments are intended to support farmers in this activity.

As well as contributing to landscape management; livestock will change the cropping patterns for some bulb farmers with break cropping to grass being introduced, which will reduce the reliance on chemicals and lead to higher gross margins for bulb production.

Farm size is small on the Isles of Scilly and hence enterprise size is also likely to be small. The budgets produced within this application are based on an enterprise consisting of 5 suckler cows and 10 sheep. As part of the feasibility study farmers were asked their views on allowing other farmers to utilise their grassland for grazing if they had no livestock of their own. Such a suggestion was not welcomed but this could be due to how the question was phrased as it is understood that farmers would be happy to sell grass for conservation to livestock keepers but not allow animals on their and to graze. There is also an issue over land tenure where tenants are allowing others to utilise their land. There are a number of vehicles

that could be utilised to allow such transactions to be carried out with the landlord's full consent, one of which would be contract farming arrangements. English Nature are exploring the potential of such arrangements with the Duchy of Cornwall as this would allow the majority of grassland to be made available for livestock, which is likely to be necessary if livestock numbers are to be built to the level required to ensure the financial viability of the abattoir.

Farmers will need to work together in the use of livestock handling equipment as it would not be viable to purchase all requirements for each farmer's enterprise. Within the budget allowance has been made for one set of equipment per island where no handling facilities currently exist.

Capital requirement for livestock enterprises

The total capital required per farm with 5 suckler cows and 10 sheep will be around £6,000 before allowance for fencing and water provision and land reclamation where necessary. The stocking rate used is 2 acres/cow (22 acres) on tenanted land plus access to scrub land managed by the Wildlife Trust.

Indicative profitability of livestock production on the islands

Financial performance figures for livestock enterprises have been calculated using actual performance levels achieved on the islands by existing livestock producers on Tresco and St Martins. With the predicted enterprise size of 5 suckler cows and 10 breeding ewes the likely net margin before rent and any environmental and area payments will be around £818 per year. Within the budgets it has been assumed that there will be some element of sale of breeding stock from suckler herds which has increased the total output of the suckler herd. This demonstrates the need to maximise the added value for red meat production on the islands as livestock production is not highly profitable without additional payments for environmental stewardship and protection. *For full details see appendix 2.* The price used for beef and lamb to produce these net margins is within the normal range but is higher than often achieved on the mainland. This is because part of the strategy for the islands will be to produce a premium product. A study produced recently for the Countryside Agency by LUC found that a system for brand development based on conservation grazing could be successful. The study suggested:-

“Key issues in establishing a system of endorsement for conservation grazing livestock would be the drawing up of the list of endorsing bodies, the definition of the environmental quality of sites and the length of residency of livestock on these sites. The concept of 'favourable condition' in terms of the environmental management required to meet the environmental objectives of the site would provide a unifying measure of accreditation across different landscape types and endorsing bodies.

The study also found evidence that initiatives which deliberately emphasise the uniqueness of their products and their direct links to a known site or small-scale landscape may be successful. And, that in order to satisfy consumer demands, conservation grazing schemes must offer more than simply environmental assurance. Freshness, taste and associations with locality, including the local economy, will need to be matched with the environmental benefits derived from conservation grazing products. The study concludes that it is likely that conservation grazing products sold in small independent and specialised outlets will be more likely to reach the consumers who are most interested in purchasing them, than those sold in larger multiple retailers.

The marketing and promotion plan for meat produced on the Isles of Scilly will focus on developing a brand for products building on the image of the islands and the environmental provenance of production methods. It is also intended to move towards pure breeds which can be promoted referring to their eating quality attributes. This is in line with the findings of the LUC study.

4.5 Added value provided by EAGGF funding

Without grant aid this project could not go ahead as envisaged. Indeed it is very likely that this project would not go ahead at all without grant aid as it would not be possible to develop this

project on a smaller scale and add to the facility as demand increased. Without EAGGF support it will not be possible to reintroduce livestock onto the Isles of Scilly or develop a processing facility and the islands will not be able to develop higher levels of sustainability in food production and other, more expensive methods of scrub control will be required.

5 Project outputs

5.1 The project will produce a number of beneficial outputs and outcomes:-

- The project will bring at least 2,400 m2 of derelict land back into use on the site of the abattoir
- Current scrubland will be brought back into agricultural use, which will lead to enhanced landscape and tourism value. It is difficult to estimate the likely total area. However at least 300 acres could be readily utilised, where some land on all the inhabited islands is better utilised for agriculture.
- 4 part time jobs will be created which will deliver over £16,000 wages and salaries by the third year in the processing plant. Two of these jobs will be to operate the abattoir and cutting plant.
- Up to 50 native breed suckler cows will have been purchased by the islanders
- Up to two handling units for cattle and sheep will have been set up
- The islands will have improved infrastructure for livestock production in terms of water and fencing
- The project will assist in securing the livelihoods of up to 40 farmers on the islands if they choose to keep livestock
- The project will allow the islands to reduce the true cost of meat on the islands as food miles will be reduced
- The landscape of the islands will be improved, which will enhance the Isles of Scilly as a tourist destination
- Improved animal welfare for current livestock on the islands as the need for transport to the mainland for slaughter will be eliminated. Over recent years transport of animals to the mainland has resulted in great stress to livestock with cattle requiring rest before slaughter and in a few instances cattle have had to be destroyed when they broke free on the quay at Penzance.

Table 5: Comparison of Project targets with Measure targets

MEASURE 4.9 PROCESSING AND OF QUALITY AGRICULTURAL PRODUCTS – KEY OUTPUTS, RESULTS AND IMPACTS BY 2010		
Indicator	Target	Targets for this project
Outputs		
Number of Agricultural SMEs assisted	217	25
Number of additional agricultural businesses supplying produce for new processing activities in the Objective 1 area	53	3
Number of additional agricultural businesses supplying produce to regionally branded products	18	1
Number of new products marketed	9	
Results		
Gross Direct FTE Jobs Safeguarded	60	
Gross Direct FTE Jobs Created	140	1
Gross Sales Safeguarded	£8.162m	
Gross Additional Sales	£17.775m	£177,725 ¹

¹ Cumulative value of the first three years output from the abattoir net of livestock purchases

Impact		
Net Additional Jobs Safeguarded	21	
Net Additional Jobs Created	94	1
Net Additional GDP Safeguarded	£1.550m	
Net additional GDP created	£1.955m	£10,051 ²
¹ All jobs are Full Time Equivalents (FTEs)		

In addition the organisational structure that will be developed to run the abattoir and cutting plant will be collaborative with producers being involved in ownership through Mainland Marketing and with access to a second margin from the profits of the abattoir/cutting plant.

Mainland Marketing will stand as guarantor for the match funding loan required. Mainland Marketing is a Farmer Controlled Business with a private limited company structure with a co operative constitution.

6 Business plan for the proposed abattoir development on the Isles of Scilly

The three year business plan for Mainland Marketing demonstrates the future profitability and borrowing requirements for the abattoir. The key income streams of the abattoir are derived from contract livestock processing and increasingly the sale of meat products.

6.1 Predicted profitability

The table below summarises the predicted profitability of the plant from June 2007 to June 2010. See appendix 6 for cashflow and budget assumptions used in calculating these budgets. Full details of the three year budgets can be found at appendix 7.

Table 6: Financial Performance predictions for the abattoir to May 2010

Year ending	May 2008	May 2009	May 2010
	(£)	(£)	(£)
Total trading output	47,695 (includes revenue grant aid)	50,634	79,396
<i>Total livestock Purchases</i>	<i>0</i>	<i>24,690</i>	<i>40,277</i>
Processing costs	10,190	12,962	20,165
Overhead Costs	14,000	14,779	21,970
<i>Of which total wages and salaries</i>	<i>14,252</i>	<i>15,240</i>	<i>21,675</i>
Profit before finance and depreciation	23,541	22,893	37,261
Interest charges	4,759	1,904	1,753
Depreciation (5% buildings, 15% machinery)	25,115	20,979	19,134
Profit after finance and depreciation	(6,333)	10	16,374
Livestock throughputs	80 cattle 60 lambs 20 pigs	100 cattle 100 lambs 30 pigs	160 cattle 150 lambs 35 pigs

² Cumulative profit from first three years of operation

It should be noted that the profit shown in year three is approaching the maximum possible at the meat prices used. There is little scope for further increases in livestock populations on the islands as forage area will become a limiting factor once livestock populations have reached this level.

6.2 Abattoir cashflow and loan position to March 2009

The predicted cashflow for the abattoir is shown below:-

Table 7: Cashflow and loan position for the abattoir to May 2010

Year ending	May 2008	May 2009	May 2010
	(£)	(£)	(£)
Opening Bank position	0	-1,064	12,461
Closing Bank position	-1,064	12,461	41,646
Net Cashflow	-1,064	13,525	29,185
Opening Bank Loan	31,290	29,282	26,770
Closing Bank Loan	29,282	26,770	24,107
Change in Bank Loan	2,008	2,512	2,663

The cashflow figures above do not include allowances for VAT. However the majority of expenses and sales do not attract VAT. Inclusion of VAT would increase cashflow requirements by around £500-£1000. There will however be a significant VAT expense on the capital costs of up to £56,000 at the outset that can be recovered but will require bridging. This is shown in the first year of trading as an overdraft requirement at the start of the project which is subsequently repaid as VAT is recovered three months after expenditure.

Within the budgets no allowance has been made for dividends to shareholders or repayment of any contributions made other than the bank loan. Any repayment will impact on cashflow.

6.3 Budget Sensitivities

The profitability of the abattoir is most sensitive to the following factors:-

Table 8: Budget Sensitivities

- Throughput of animals for contract services: +/- 10%
≡ +/- £1,824 on profit in Year 1
- Purchase price of animals in years 2 and 3: +/- 5%
≡ +/- £1,188 on profit in year 2
≡ +/- £2,038 on profit in year 3
- Sale price of meat: +/- 5%
≡ +/- £2,235 on profit in year 2
≡ +/- £3,782 on profit in year 3

The sale price of meat shows the most sensitivity to changes in price. In the budgets the prices used are comparable to those achieved by a meat cutting plant in Cornwall and as such there is considered to be significant scope for increasing price so long as a consistent quality of product can be achieved. Products such as Orkney Gold beef and lamb produced by the Orkney Meat Company could be considered good role model targets to emulate. Within the budgets dressed lambs are sold at £80/head, cattle at £965/head and pigs at £140/head, raising prices by 10% is seen as achievable whilst still leaving product comparable in price with Orkney Gold products. If this were done overall abattoir profit could rise by over £7,000 by year 3. It is recommended that an early visit to the Orkney Meat

Company would be valuable to Mainland Marketing as the initial lead company for the abattoir.

6.4 Market research information on meat product sales on the Isles of Scilly

Market research was carried out in July 2003 to establish the potential market for red meat products from the islands. Both desk research and consumers surveys were carried out. Consumer surveys included shops, restaurants, hotels, residents and visitors. All sectors interviewed were very positive to the idea of purchasing meat produced on the islands.

There are around 2,000 people living and working on the Isles. The majority (1,600) reside on St Mary's. Given the potential for meat production on the islands (as set out in this application) it would be very difficult for production to meet all requirements of the resident population let alone all tourists. The table below indicates average red meat consumption figures for the UK:-

Table 9: Average figures for red meat consumption

Red Meat	Average annual consumption in the UK (Kg)
Beef	17
Lamb	5.8
Pork	13.5
Bacon	8.2

If the residents of the Scilly Isles are similar to national average they will consume beef from around 194 beef cattle (provided they eat all parts of the carcass in balance), 850 lambs and around 650 pigs.

The potential customers for red meat produced on the islands are listed below:-

- Small national supermarket – CO-OP in Hugh Town, St Mary's
- 2 butchers shops in Hugh Town, St Mary's,
- The Dairy, Hugh Town, St Mary's
- Wholesalers (mini supermarket and wholesaler), Hugh Town, St Mary's
- Tresco Stores, Tresco
- Bakery, St Martins

Most customers wish to purchase a high proportion of hind quarter beef cuts for the catering sector. However there does appear to be outlets purchasing forequarter beef, which would allow for carcass balance.

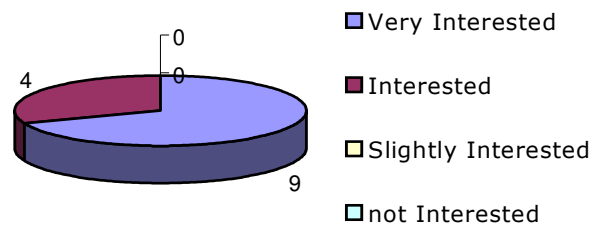
There are numerous places to eat and stay on the Isles of Scilly as shown in the table below:-

Table 10: Accommodation provision on the Isles of Scilly

	Hotels	B&B & Half Board	B & B	Self Catering	Camp Sites	Total on each Isle
St Mary's	6	15	36	112	1	170
Tresco	2			2		4
Bryher	1	2		6	1	10
St Martin's	1	2		5	1	9
St Agnes		1		2	1	4
Totals	10	20	36	127	4	

A total of 13 businesses were questioned about their interest in buying meat produced on the islands and the chart below shows the results to be very promising with the overwhelming majority very interested in buying products from the islands.

Chart 1: The level of interest from businesses in sourcing meat produced on the Isles of Scilly



The findings of the market research indicate that there is an unsatisfied market for locally produced meat on the islands. However the products sold will need to meet the requirements mentioned in the research such as:-

- Quality – must be of same or better quality of what currently buying;
- Price – must not be prohibitive;
- Should be marketed as a premium product;
- Packaging – type, size and range must be considered

All these issues have been taken into account when developing the plans for the abattoir on St Mary's.

7 Delivery of cross cutting themes

7.1 Environmental impact of increased numbers of livestock on the Isles of Scilly

The reduction in livestock on the Isles of Scilly over recent decades has had a significant impact on the vegetation. It is believed that the re-introduction of grazing animals, if sensibly managed, could have beneficial effects on the vegetation, wildlife and landscape of the islands.

There could also be an impact on the landscape from the infrastructure necessary to facilitate grazing, such as fencing and water troughs. It is important that these are thoughtfully designed and sighted to avoid any adverse effects.

Grazing is by far the best way to create and maintain a semi-natural sward of varied structure and composition. Cutting is not a substitute since it cannot mimic the gradual, selective removal of vegetation, it leaves cut material to be collected, and is prohibitively expensive if carried out on any wide scale. Grazing should be a sustainable process.

Land rented by farmers who decide not to keep livestock may potentially also benefit from the presence of stock on the islands. If other farmers have livestock there is likely to be a local demand for hay and some farmers may simply decide to make hay to sell. This will encourage management of grassland that may at present be rather neglected. The presence

of stock may also engender a provision of farmyard manure, which may be most beneficial on horticultural land.

As a guide, stocking rates to aim for on good quality heathland might be in the region of 0.2 to 0.25 livestock units per hectare in summer (April to October) and 0.13 to 0.17lu/ha in winter (November to April). (1 livestock unit is equivalent to 1 suckler cow and calf or 6.6 ewes and lambs.)

The training to be provided through Trenoweth will include Environmental Land Management as a key part of the provision.

The most sustainable building materials will be used whilst meeting all regulatory requirements. It is not possible to build the abattoir with materials available on the island due to regulatory requirements and cost issues. In bringing building materials to the islands the most sustainable outcome will be achieved by considering weight and bulk as well as the nature of the material itself. It is intended that the producers will provide manual labour for site clearance, laying concrete and making the foundations for the steel stanchions. Waste is to be minimised through the use of the millennium bio pore reactor which will allow for the separation of tissue and blood from water. The building will be well insulated to minimise the requirement for additional refrigeration.

7.1.1 Associated Infrastructure

Before animals can be introduced to new areas it will be necessary to consider basic requirements such as fencing and provision of water.

The Millennium Bio Pore Reactor to be used in the abattoir is a new technology for reduction of water waste which has proved itself very effective. (The Eden project has such a system to reduce waste from toilet blocks)

7.1.2 Implications for Public Access

The main source of revenue on the Isles of Scilly is from tourism and one of the main attractions of the islands is the glorious landscape, through which there are many footpaths. It is important that this valuable asset is not compromised in any way and implications for access from the introduction of grazing animals should be carefully considered.

The anticipated changes to vegetation and landscape through grazing should have enormous benefits for public access. Through control of scrub and maintenance of heathland the sense of walking through a narrow passage could be transformed into a walk over open heathland and cliffs with panoramic views.

Many people find the sight of grazing animals adds interest and charm to a landscape. Visitors from cities may welcome the opportunity to see animals that, for them are not part of their daily lives. A few people may be nervous of animals but there will be plenty of walks that do not pass through grazed land. Naturally, bulls should not be allowed to graze land traversed by footpaths.

The presence of livestock will mean that dogs must be kept under close control. In general sheep are more vulnerable to being worried by dogs than cattle. The presence of livestock will also mean that walkers must be asked to behave responsibly, take home their litter and close gates behind them.

7.1.3 Provisions for Monitoring

It is considered that the potential benefits of increasing the number of grazing livestock on the Isles of Scilly far outweigh the possible disadvantages. However, it is important that grazing is monitored on an ongoing basis and that management is sufficiently flexible to allow fine tuning as the effects develop.

A management plan called *The Isles of Scilly Wildlife Trust Habitat Management Plan 2003 – 2013* by Rosemary Parslow and David Mawer has been published by the Wildlife Trust setting out their objectives for grazing on Wildlife Trust land over a ten year period, to be reviewed after five. It is recommended that graziers work with this plan to meet the aims and objectives of the Wildlife Trust.

7.2 Environmental Impact of the abattoir

The impact on the environment of the abattoir has been assessed in terms of:-

- Abattoir waste
- Traffic
- Noise, smell and visual impact

7.2.1 Abattoir waste (see appendix 10 for details of abattoir waste production)

Head/feet/fat/bones – taken from the site in sealed wheely bins to the incinerator

Blood/water – centrifuge. The water can be poured down the drains as it is clean after processing through the centrifuge (approved by Defra), and the thicker waste taken to the incinerator and burnt

Rumen contents – could go for composting or incineration

Hides and skins – chilled and then exported from the islands

Lairage waste – can go into a septic tank with human waste, and then piped off and removed

Total animal waste (including rumen contents) will average around 1.65 tonnes per month by year three plus 0.45 tonnes/month of bones. The maximum amounts are likely to be around 2.75 tonnes per month of animal waste plus 0.65 tonnes per month of bones. These amounts do not include hides and skins as it is assumed that these are sold for further processing. Hence the total of waste to be disposed of annually could reach 25.2 tonnes.

In addition there will be washing water. So long as blood is contained there is no reason why this water should not be collected and dealt with in the normal way at the islands water treatment works. The volume of washing water produced will be a maximum of around 450 litres per day, or 5,400 litres per month (3 days operational per week). Water will be initially contained in a sealed tank before treatment and disposal.

Human waste will be directed into a septic tank if no other sewerage drainage is available locally.

Slaughtering would take place on one day a week, and so all the material can be disposed of at once. Activity will be planned to meet the incinerators schedule

7.2.2 Traffic

Animals will be slaughtered on one day per week. This will minimize traffic movements. Only the off island animals would need over night lairage in small pen or paddock.

On the slaughter day there will be a maximum three people (slaughterman, helper and vet), and on cutting days which could be the same day there would be two people. On this day too waste will be delivered to the incinerator, which is close by. Meat delivery could be conducted on one day if well organized.

The location of the abattoir is close to the industrial estate and close to the incinerator, which will reduce journey distances for all activities.

7.2.3 Noise, smell and visual impact

Noise levels will be low, but slaughter activity could be carried out when people are at work. There is unlikely to be any more smell than a livestock building as waste will be disposed of daily. The site of the abattoir will be shielded from view by other buildings and existing hedges and trees. If it is necessary to do so additional trees will be planted as screening.

7.3 Use on information and communication technology

It is intended to utilise all possible technologies to ensure most effective communications in all areas of the business. Specifically this will be in the use of software to allow for effective management of the abattoir and customer relations.

7.4 Equal Opportunities Policy

In recruiting staff for the proposed development attention will be paid to all aspects of equal opportunities legislation within the personal attributes required for the posts at the processing plant. In recruiting livestock producers this opportunity will be available to all producers capable of meeting the requirements of the group. There are two part time posts to be created by the abattoir/cutting plant. Specific skills will be required for this work, although training will be provided. Whilst Mainland Marketing are mindful of the requirements of Equal Opportunities Legislation and will meet those requirements, it is likely that staff will be recruited from the population of the Isles of Scilly rather than from staff who travel from the mainland due to travel cost constraints; unless suitable staff cannot be procured on the islands. Two potential staff members have already been approached and are interested. They are Paul Watts and Paul Hicks, who are ex slaughtermen and currently engaged in farming. They will require their skills to be updated, especially in meat cutting.

Governance: The abattoir will develop an environmental management plan and policy with guidance from experts in the field.

8 Other project details

8.1 Regional fit of the project

The project meets with regional and Objective One priorities of developing diversified income streams for farmers as well as leading to environmental gains. A farmer controlled business will own the abattoir and hence it is possible that producers will benefit from a second processing margin when the abattoir is running at full output.

The project will also lead to the development of added value niche products with the proposed brand development for meat products from the Isles of Scilly.

8.2 Risk Assessment

The major risk to the project centres on the response of farmers on the Isles of Scilly to keep livestock or to allow other producers to acquire the forage from their land. Without adequate livestock throughput the abattoir will not be viable and unlike abattoirs on the mainland it will not be possible to bring animals from further away as the transport costs would be prohibitive. To minimise this risk it is considered necessary to improve access for farmers on the Isles of Scilly to livestock technical advice in order to help them make the transition to livestock production as efficiently as possible.

A secondary risk centres on the quality of the meat products produced by the abattoir. To be acceptable to a sophisticated visitor population the presentational qualities must be at least as good as that they could buy on the mainland. If quality is not adequate it will be difficult for the abattoir to convince buyers to change suppliers. This is being addressed by the provision of training for meat cutters and packers in modern and innovative techniques.

8.3 Project promotion and publicity

The proposed abattoir will display a plaque acknowledging the grant aid received from Objective One. Additionally all stationery for the first five years of the abattoir will display this acknowledgement in the footer.

8.3 Project exit strategy

The exit strategy for this project is through the development of a commercial business, which will not require further grant support in order to flourish once the requested capital grant aid is in place. The budgets demonstrate the future potential for profitability in a commercial climate.

APPENDICES

Details of the planning permission for the abattoir on the Isles of Scilly

Livestock Gross Margins for the Isles of Scilly

The budgets for cattle production are based on the results achieved on the island of Tresco and sheep gross margins based on results achieved on St Martins

The start up capital required per farm is based on farmers sharing equipment

Capital required	£
10 ewes at £70/head	700
25% Ram	87.50
5 suckler cows @ £700/head	3,500
20% Bull	240
Handling facilities (10% of total cost)	500
Trailer (20% of total cost)	400
Cattle crush / weigh crush	300
Lamb Scales	80
Total capital required	5,807.50

Suckler Cow Gross Margins

Assumptions

Stocking rate 3.5 acres/suckler cow where no heathland is used, reduced to 3.0 acres per cow where heathland is used

In the budgets all calves are transferred to rearing enterprises at 10 months of age at £250/hd

Hay made for calves for the first winter

Cattle sold finished at 2 – 2.5 years of age

Cattle are purebred and 25% of female cattle are sold as breeding stock rather than for meat

Replacement rate 20% from homebred animals

Culling rate 18% with 2% mortality

Fertility 89% cows produce a live calf per year that remains for sale

Suckler Cows (Average Enterprise size 5 cows)

Output	£/ Suckler cow
Transfers	
0.58 animal for finishing enterprise	145
0.11 animals for sale as breeding stock	28
0.20 animals for enterprise replacements	50
Cull cow sales – 0.18 cows at £1.60/kg (210 kg DW) less cost of disposal of dead stock	58
Less cost of replacements - 0.20 females transferred into the suckler herd as replacements at £700/hd	- 140
Total Output	140
Variable costs	
Youngstock feed	2
Adult cattle	36
Bedding (Bracken)	0
Vet and Med	12
AI (if necessary)	15
Other variable costs	8
Total variable costs before forage and contracting costs	72
Gross margin before forage and	68

contracting costs	
Forage costs based on 1.8 bags fertiliser per acres	18
Contracting for hay/silage (based on £32/acre for forage production)	20
Contracting for bedding	1
Reseeding costs including herbicide	22
Total forage and contracting costs	61
Net margin per cow after forage and contracting costs	7

Heifer Production Gross margin

Assumptions

Calves transferred at £100/hd at weaning

Heifers transferred back to herd at 3 years of age at £700/hd

Mortality 2%

Stocking rate 2 acres per heifer unit (one large and one small animal)

Output	£/ Heifer
Transfer of heifer to suckler herd/sale at £700/hd	700
Less cost of weanling at £250/hd	- 250
Mortality at 2%	-8
Total Output	442
Variable costs	
Feed	40
Bedding (Bracken)	0
Vet and Med	20
AI (if necessary)	25
Other variable costs	15
Total variable costs before forage and contracting costs	100
Gross margin before forage and contracting costs	342
Forage costs based on 1.8 bags fertiliser per acres	30
Contracting for hay/silage (based on £32/acre for forage production)	30
Contracting for bedding	4
Reseeding costs	15
Total forage and contracting costs	80
Net margin per heifer after forage and contracting costs	262

Finishing Animal Enterprise

Output	£/ Animal
Sale of finished animal (250kg dw at £1.95/kg)	487
Less cost of weanling at £250/hd	- 250
Mortality at 2%	-8
Total Output	228
Variable costs	
Feed	55
Bedding (Bracken)	0
Vet and Med	12
Other variable costs	15
Total variable costs before forage and contracting costs	82
Gross margin before forage and contracting costs	146
Forage costs based on 1.8 bags fertiliser per acres	30
Contracting for hay/silage (based on £32/acre for forage production)	30
Contracting for bedding	4
Reseeding costs	26
Total forage and contracting costs	90
Net margin per heifer after forage and contracting costs	56

Typical unit size for suckler cow herd 5 cows plus 1.5 replacement units and 3 finishing units. Total gross margin from cattle production is £596/year once system fully established. Depreciation of infrastructure equipment (£1,200 over 10 years) will cost around £120 per year per farmer where five farmers work together. The equipment itself could be used by more than five farmers and this would reduce this area of cost.

Sensitivities for the suckler herd unit

Finished cattle prices +/- 10p/kg = +/- £72 on annual profit

Finished cattle weights +/- 25 kg dw = +/- £138 on annual profit

Price of breeding stock +/- £50/hd = +/- £78 on annual profit

This analysis demonstrates the importance of weight on the achievement of target gross margins as well as sale prices. Current prices for organic beef rise as high as £2.20/kg dw. Given this the improvement in profit could be as high as £216 per unit if similar prices to organic premiums could be achieved.

Sheep Gross Margins

Assumptions

Lambing rate 1.4 lambs per ewe
 Lambs sold finished at 20kg dw at £2.50/kg average
 Self contained pure bred flocks
 Stocking rate 3 ewes per acre
 Culling rate 20%
 Replacement rate 24%

Output	£/ ewe
Sales of lambs 1.16 lambs sold per ewe	58
Cull ewes 20% at £25/hd	5
Ram depreciation	-1.50
wool	1.80
Total Output	63.30
Variable costs	
Feed including rearing replacements	14
Bedding (Bracken)	0
Vet and Med	4.5
Other variable costs	3.5
Total variable costs before forage and contracting costs	22
Gross margin before forage and contracting costs	41.30
Forage costs based on 1.8 bags fertiliser per acres	3
Contracting for hay/silage (based on £32/acre for forage production)	3
Contracting for bedding	0.3
Total forage and contracting costs	6.3
Net margin per ewe after forage and contracting costs	35

It is anticipated that flock size will be around 10 breeding ewes with total breeding population on the islands of around 150 breeding ewes. For each individual flock the contribution to farm net margin will be around £350 before depreciation on infrastructure equipment of £8/flock per year.

National Gap Stock Husbandry Training Syllabus

For site managers/stockmen 2 day course

Content:

Introduction

Grazing Ecology and Physiology on natural and semi-natural habitats;

- Principles

- Grazing abilities of different types of livestock

- Design of grazing systems

- Q & A session

Health and Welfare Regulations;

- Legislation including transportation of stock, buying and selling

- Update of new legislation

- Q & A session

Health and Welfare in Practice;

- Risk Assessments

- Principles and procedures of minimising disease transmission and spread

- Q & A session

Practical handling session;

- Rounding up and penning, handling equipment, hands-on checking techniques, hygiene standards to minimise disease transmission

Responsibilities of the keeper;

- Administration and record keeping

- Action Plans

- Q & A Session

Responsibilities to others;

- Insurance

- Information

- Other considerations

Animal Health Plan;

- Writing a plan

- Further advice

- Future grazing systems

Site visit;

- Looking requirements

- Observations

- Monitoring impacts

- Practical handling exercise

- Risk Assessments and Health Plans

- Herbage availability and sward assessment both from the point of view of animal and ecological requirements

Conclusions and feedback

Quotes for the proposed items of capital expenditure and details of the umbrella funding programme

	Estimated cost (£)	In Kind Contribution (£)
Site clearance, landscaping etc		
Site clearance and disposal of waste materials	3,750.00	
materials for construction of foundation and floor slab, perimeter block walls, timber for ceilings	8,000.00	
labour costs for above	10,000.00	10,000.00
materials for construction of the vehicular access and parking	8,000.00	
labour costs for above	5,000.00	5,000.00
materials for landscaping the site	1,000.00	
labour costs for above	1,500.00	1,500.00
Construction of building		
provision of the portal framed building	25,000.00	
Labour for construction of the portal framed unit	7,000.00	7,000.00
perimeter walls and ceiling labour	10,000.00	10,000.00
Glass fibre coatings to walls and ceilings	12,000.00	
materials and labour for the internal perimeter stud work office & adj. rm only	2,000.00	
internal walls	11,000.00	
supply and installation of floor treatments	5,000.00	
supply and fit of internal galvanised steel gates, fences and doors	2,500.00	
Temperature controlled areas		
Chiller rooms and condenser unit and freezer	21,000.00	
Electricity, water, drainage etc		
supply and installation of internal electrical system	7,000.00	
supply and installation of internal plumbing	3,500.00	
BT installation	500.00	
Supply and installation of foul drainage from site to main system	10,000.00	
Supply and installation of foul drainage waste separator	18,000.00	
Water and electrical supply	5,500.00	
Miscellaneous		
safety netting costs	750.00	
scaffolding costs	2,500.00	
professional fees for the provision of risk assessments and H & S plans and method statements	500.00	
professional fees for the provision of plans and specification to tender stage equal 75% of 8% of the construction costs	8,370.00	
Equipment and overhead tracking	75,000.00	
Installation of Equipment	15,000.00	
Freight costs for all materials	25,000.00	
Total	300,620.00	£33,500.00

Umbrella Grant Fund

Item of expenditure			Grant Fund being approached for support	Grant aid rate requested	Total Objective One Grant aid requested	Match Funding Source
Umbrella Grant Scheme						
Umbrella Grant aid programme	Fencing and water	35,000	Objective One	50	17,500	Producers
	Livestock Handling	12,000		50	6,000	Producers
	Breeding Stock	50,000		50	25,000	Producers
Total Umbrella Grants Scheme Costs		97,000			48,500	

Fencing and Water Scheme: This will be a combination of a first come first served scheme with restrictions as to the maximum amount any individual farmer can claim from the fund.

Livestock Handling: The fund size is based on creating two handling units at an average cost of £6,000 per unit

Native Breeding Stock: For livestock farmers will be only be able to access grant aid for pedigree breeding stock of the following breeds:-

Cattle

- ◆ North Devon
- ◆ South Devon

Sheep breed examples

- ◆ Devon and Cornwall Closewool
- ◆ Exmoor Horn
- ◆ Shropshires
- ◆ Dorset Down
- ◆ Hampshire Down
- ◆ South Down
- ◆ Lleyn

Grant aid will be available for breeding cows up to a maximum value of £1,000 at 50%. For cattle valued above this a flat rate of grant aid of £500 per head will be available.

For sheep native breeds only will be grant aided. A maximum figure of £150/hd will be grant aided at 50%. For breeding ewes valued above this level a flat rate of grant aid of £75 per head will be available.

For all elements of the umbrella grant scheme farmers will be expected to commit the expenditure first and then reclaim grant aid as eligible.

Cashflow and Budget Assumptions for the abattoir

Year 1: Year ending May 2008

Receipts

1. Animal Throughputs
 - 80 cattle per year @ £270/hd slaughter and cut/pack
 - 60 lambs per year @ £30/hd slaughter and cut/pack
 - 20 pigs per year @ £40/hd slaughter and cut/pack
2. Skins sale
 - 80 cattle @£15/hd
 - 60 lambs @ £4/hd
3. Grant Aid
 - **Grant aid on abattoir development cost at 50% grant rate**
 Equipment costs of £90,000 - £45,000 grant aid
 Building costs of £215,770 - £107,935 grant aid
 Freight charges of £25,000 - £12,500 grant aid
 Abattoir overhead costs and management £24,190 - £12,095 grant aid (less £10,000 in kind contribution towards abattoir running costs)
4. Loan Receipts
 - Loan of £31,290 taken out in June 2007 at 6.8% APR and repayable over 10 years - £4,416 per year.

Expenditure

1. Processing direct costs
 - Waste removal and destruction; £15.10/hd cattle, £1.50/hd lambs and £5.00/hd pigs
 - MLC and inspection charges; £22.50/hd cattle, £4.30/hd lambs and £4.20/hd pigs
 - Slaughter and processing labour charges; £27.00/hd cattle, £4.20/hd lambs and £12.00/hd pigs
 - Packaging costs; £6.10/hd cattle, £1.20/hd lambs and £3.10/d pigs
2. Overhead Costs
 - Advertising £300
 - Cleaning materials £576
 - Transport costs £600
 - Cleaning and maintenance labour £3,600
 - Machinery Repairs £600
 - Management salary £8,000
 - Power and water £1,400
 - Rates £500
 - Insurance £700
 - Office, professional and telephone £1,900
3. Finance Costs
 - Initial overdraft facility to cover vat payments £56,000 at 6.8% interest
 - Overdraft Interest £2,719
 - Loan Interest £2,040
4. Capital Costs
 - Equipment costs £90,000

Building costs £171, 750 (less £33,500 in kind contribution from farmers)
 Freight costs £25,000
 Training costs £8,700
 Set Up Costs £21,700
 Water, electric and services connection £5,500
 Provision of working drawings £8,370
TOTAL CAPITAL COSTS £351,960

Year 2: Year ending May 2009

1. Animal Throughputs
 - 60 cattle per year @ £275/hd slaughter and cut/pack
 - 40 cattle per year purchased by abattoir and sold wholesale at £965/hd (Beef hung for 2-3 weeks)
 - 50 lambs per year @ £32/hd slaughter and cut/pack
 - 50 lambs per year purchased by abattoir and sold wholesale at £80/hd
 - 15 pigs per year @ £42/hd slaughter and cut/pack
 - 15 pigs per year purchased by abattoir and sold wholesale at £140/hd
2. Skins sale
 - a. 100 cattle @£15/hd
 - b. 100 lambs @ £4/hd
3. £10,000 in kind contribution towards running costs from Mainland Marketing

Expenditure

1. Livestock Costs:
 - 40 cattle at £500/hd
 - 50 lambs at £50/hd
 - 15 pigs at £85/hd
2. Processing direct costs
 - Waste removal and destruction; £15.40/hd cattle, £1.70/hd lambs and £5.30/hd pigs
 - MLC and inspection charges; £22.80/hd cattle, £4.50/hd lambs and £4.70/hd pigs
 - Slaughter and processing labour charges; £29.00/hd cattle, £5.20/hd lambs and £14.00/hd pigs
 - Packaging costs; £6.40/hd cattle, £1.40/hd lambs and £3.40/d pigs
3. Overhead Costs
 - Advertising £450
 - Cleaning materials £500
 - Transport costs £600
 - Cleaning and maintenance labour £3,000
 - Machinery Repairs £600
 - Management Salary £8,400
 - Power and water £1,600
 - Rates £520
 - Insurance £700
 - Office, professional and telephone £1,900
4. Finance Costs
 - Loan Interest £1,904

Year 3: Year ending May 2010

1. Animal Throughputs
 - a. 90 cattle per year @ £280/hd slaughter and cut/pack
 - b. 70 cattle per year purchased by abattoir and sold wholesale at £965/hd (Beef hung for 2-3 weeks)
 - c. 70 lambs per year @ £34/hd slaughter and cut/pack
 - d. 80 lambs per year purchased by abattoir and sold wholesale at £80/hd
 - e. 20 pigs per year @ £44/hd slaughter and cut/pack
 - f. 15 pigs per year purchased by abattoir and sold wholesale at £140/hd

5. Skins sale
 - a. 160 cattle @£15/hd
 - b. 150 lambs @ £4/hd

Expenditure

1. Livestock Costs:
70 cattle at £500/hd
80 lambs at £50/hd
15 pigs at £85/hd

2. Processing direct costs
 - a. Waste removal and destruction; £15.70/hd cattle, £1.90/hd lambs and £5.60/hd pigs
 - b. MLC and inspection charges; £22.00/hd cattle, £4.90/hd lambs and £5.10/hd pigs
 - c. Slaughter and processing labour charges; £31.00/hd cattle, £5.70/hd lambs and £16.00/hd pigs
 - d. Packaging costs; £6.60/hd cattle, £1.70/hd lambs and £3.80/d pigs

1. Overhead Costs
 - Advertising £650
 - Cleaning materials £720
 - Transport costs £780
 - Cleaning and maintenance labour £3,300
 - Machinery Repairs £720
 - Management Salary £12,000
 - Power and water £1,900
 - Rates £650
 - Insurance £720
 - Office, professional and telephone £3,940

2. Finance Costs
Loan Interest £1,753

**Detailed three year cashflow and profit budget for the abattoir
to March 2009**

Abattoir waste information

Back up Information to show potential waste to be disposed

	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
Cattle	2	2	4	4	6	14	18	20	24	24	24	8	160
Lambs	0	0	0	5	8	10	30	40	35	28	14	0	150
Waste - Beef	230	230	460	460	690	1610	2070	2300	2760	2760	2760	920	17,250
Waste - Lamb	0	0	0	68	109	136	408	544	476	381	190	0	2,312
Total Gut & Blood Waste	230	230	460	528	799	1746	2478	2844	3236	3141	2950	920	19,562
Blood													
Bones Max from Processing	53	53	106	106	158	369	475	528	633	633	633	211	3,959
Total Weight - Beef	460	460	920	920	1380	3220	4140	4600	5520	5520	5520	1840	34,500
Total Weight - Lamb	0	0	0	100	160	200	600	800	700	560	280	0	3,400
Total Weight	460	460	920	1020	1540	3420	4740	5400	6220	6080	5800	1840	37,900
Burger / Mince Production	227	227	454	454	681	1589	2043	2270	2724	2724	2724	908	17,025

	Kill %	Carcase	Waste	Bon'g %	Mince %	Bones %
Beef	56	230	115	73%	49%	23%
Lamb	50	20	14			

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04 October 2006

QUOTATION – ABATTOIR EQUIPMENT – ISLES OF SCILLY

	<u>£</u>
1. Cattle stunning pen, constructed in steel with hot dipped galv finis	5425.00
2. Cattle humane stun pistol complete with 1000 cartridge	1002.08
3. Smalls humane electro-stunning system complete with tongs.	1488.00
4. Cattle bleed hoist, 3ph,1000kg capacity, 6m lift height at 12m/min	2664.45
5. Cattle dressing cradle, constructed in steel with hot dipped galv fi	775.00
6. Cattle carcass splitting saw, reciprocating, 3ph, 110v	1937.50
7. Transformer to suit above saw, 415v – 110v, 3ph	1046.25
8. Spring counter-balancer to suit the above saw.	675.00
9. Steriliser, carcass saw, electric with thermal cut-out.	775.00
10. Smalls splitting saw, reciprocating, 1ph, 110v	1240.00
11. Transformer to suit above saw, 240v – 110v, 1ph	107.80
12. Steriliser, small saw, electric with thermal cut-out.	465.00
13. Scalding/Dehairer for pigs, 3ph, electric heaters. Galv finish.	7195.00
14. Overhead track scale, 1500kg capacity.	3500.00
15. Pig hoist, 3ph, 500kg capacity, 3m lift height at 12m/min.	2565.25
16. Gambrel table, constructed in steel with hot dipped galv finish.	434.00
17. Rise & fall operators platform, pneumatic.	4650.00
18. Inspection table constructed in stainless steel.	542.50
19. Blood transfer pump, pneumatic.	1139.25
20. Beef tree, collapsible.	387.50
21. Unloading hoist, 3ph, 1000kg capacity, 6m lift height at 12m/min.	2664.45
22. Wash-screen, constructed in stainless steel, inc washgun.	620.00
23. Table, constructed in stainless steel with stainless steel top.	434.00
24. Scale, table mount platform, 60kg capacity.	1930.00
25. Steriliser, knife, electric.	145.00
26. Insectocutor, 80 sq m coverage.	136.40
27. Waste bin, exterior, constructed in steel, paint finish.	775.00
28. Plastic bin with galv steel handles.	35.65
29. Trays & racks (<i>further details required to quote</i>)	
30. Smalls bleed chain/shackle, galv finish.	14.74
31. Gambrel, 300mm lg x 12mm dia, stainless steel.	2.95

32.	Galv Skid with stainless steel hook.	6.36
33.	Skinning hooks, stainless steel.	7.75
34.	4-star carrier, stainless steel.	34.10
35.	Dressing roller with stainless steel hook(to fit twin rail system)	38.75
36.	Head/Offal carrier, stainless steel.	25.58
37.	Knife set	77.50
38.	Table, cutting, constructed in stainless steel with 25mm plas top.	426.25
39.	Table, chopping, constructed in stainless steel with 50mm plas top	565.75
40.	Eurobin, 200 litres, stainless steel with nylon wheels.	286.75
41.	Sink, single bowl & drainer, 1200 lg, inc. spouts and knee-valves.	844.32
42.	Mincer 5hp 3ph 1.5 tonne per hr	3063.00
43.	Sausage Machine 20l capacity	2035.00
44.	Hand Burger press	350.00
45.	Gas/Vac Packer 710 x 530 x 155 chamber	4250.00
46.	Boot-wash, constructed in stainless steel.	387.50
47.	Apron-wash, constructed in stainless steel, with knee-valve.	697.50
48.	Price/weight/labeller	3600.00
49.	Hand-wash basin, wall mount, stainless steel, knee-op.	185.00

ALL PRICES ARE EX-WORKS AND EXCLUSIVE OF VAT, WHICH WOULD BE CHARGED AT THE APPROPRIATE RATE, AND DELIVERY AT COST.

Outline staff job descriptions

1. Abattoir staff (2 part time posts) 10 hours per week per member of staff

Pay: 8.50/hour including Employers National Insurance and PAYE contribution

Job Description

To work as a team with the marketing and management staff to provide a slaughter and processing service for livestock produced on the Isles of Scilly. It is anticipated that you will be required to work as a team to slaughter cattle, sheep and pigs on one day per week and to cut and pack meat on a second day in the week. You will also be required to maintain and clean equipment with use of maintenance experts as required. You will also be required to clean the waste systems once per week.

2. Marketing staff – part time post 10 hours per week (It is envisaged that this role will be provided by staff at Mainland Marketing)

Pay: 8.50/hour including Employers National Insurance and PAYE contribution

Job Description

To work as a team with the management and abattoir staff to promote and market meat produced on the Isles of Scilly. You will be responsible for liaison between producers and the abattoir coordinating slaughtering and processing activity. You will also be responsible for customer account management and brand development once animals are being purchased by the abattoir for slaughter and processing (Year 2). An allowance within the budget of £1,000 per annum has been allowed for brand development and advertising.

3. Abattoir management - part time post 8 hours per week (It is envisaged that this role will be provided by staff at Mainland Marketing)

Pay: 12.50/hour including Employers National Insurance and PAYE contribution

Job Description

To manage the marketing and abattoir staff, the Objective One project and the abattoir/cutting plant and to promote and market meat produced on the Isles of Scilly.

In kind contribution rates for hourly paid staff

Labour (unskilled) - £8.00
Manager/foreman - £15.00
Digger (plus operator) - £20.00
Teleporter (plus operator) - £20.00
Tractor and trailer (plus operator) - £16.00
Compacting roller (plus operator) - £15.00
Tractor and mixer (plus operator) - £16.00

Commercial rates for the above have been fixed at an hourly rate of:

Digger - £25.00
Teleporter - £25.00
Tractor and trailer - £20.00
Tractor and mixer - £20.00
Compacting roller - £18.00

The proposed in kind contributions have taken into consideration £10.00 for operator (skilled work), plus fuel, depreciation, and insurance. It does not allow for any profit, and is based on actual costs.



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