

Fair Trade Sports Balls Limited

Business Plan

January 2015

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1.0 Executive Summary

The global sports ball market is a multi billion pound industry. Global sales of Fairtrade certified products were more than €5 billion in 2013. The UK is the world's largest single market for Fairtrade certified products with 40% of all bananas and almost 30% of all ground coffee sold now carrying the Fairtrade logo. Contrary to this, sales of Fairtrade sports balls have not shown any growth over the past 15 years and account for less than 0.25% of UK sales. Fair Trade Sports Balls Limited, trading as Bala Sport, aims to change this with increased awareness and sales of branded and custom design Fairtrade certified sports balls enabling those that produce the balls to benefit.

A Community Benefit Society formed in 2014 by a team of talented and passionate professionals from a variety of backgrounds, Bala Sport is currently the UK's only licensed trader importing branded certified balls, having taken over the business of The Fair Corporation (Fair Corp), the main supplier to the UK market in the past.

There are currently six factories licensed to produce Fairtrade sports balls in the world, all located in Sialkot, Pakistan. Two members of the board, along with representatives from our design agency Reflex Blue, visited the factories in August 2014 and we are initially dealing with three factories. The product range in year 1 will consist of footballs, rugby balls and futsal with volley and netballs being added to the range in year 2. Around 90% of sales over the first five years will come from football sales.

The two major suppliers of Fairtrade logoed product in Europe are Ethletic in Germany and Stadium AB in Sweden, neither of which currently market directly into the UK. Within the main sports retail sector the Bala brand will compete directly with the major international brands such as Adidas, Nike and Puma.

Initial research and pilot product sales over the past six months confirms that there is demand for both branded and custom design Fairtrade certified balls in both the ethical/Fairtrade market and the wider commercial market. Based on an initial Share Offer of £150,000, a conservative sales target of 20,000 balls in Year 1 (based on Fair Corps historical sales) and an average year on year growth on sales of 35% the Society will return a profit in year 3. At the end of Year 5 the Society will be selling almost 70,000 balls, a conservative 1% of the UK sports ball market.

2.0 Introduction

The Fairtrade mark is globally recognised and respected. It is estimated that six out of ten consumers in the western world recognise the Fairtrade mark (78% in the UK) and of those nine out of ten trust it. Over the past 25 years the growth in Fairtrade certified product sales has grown exponentially and is now a €5.5 billion per year industry¹.

The global sports ball market is a multi billion pound per year industry with some 60 million sports balls being produced per annum. Fairtrade certified sports balls currently account for less than 0.1% of global sports ball production. The first Fairtrade certified sports balls were produced in 1998. Over the last fifteen years the production and sales of Fairtrade certified sports balls has failed to match the exponential growth in Fairtrade labelled products globally with an approximate value today of only £885,000.

¹ Fairtrade International Annual Report 2013-14.

With initial start-up funding coming from The Co-operative Business Development Fund of Glasgow City Council, the business was formally registered as a Co-operative Community Benefit Society in March 2014 by a steering group made up of eight individuals from a range of professions with a common passion for Fair Trade.

The Society intends to raise the necessary capital to fully fund the business via a community share issue.

2.1 Objectives

The objectives of the Society are 'to carry on any business for the benefit of the community, and in particular to promote and distribute Fair Trade sports balls and any related items in such a way as to:

- Benefit the workers involved in their manufacture
- Enhance the health and well being of their users
- Educate the public about Fair Trade in general'

In order to achieve the above, the Society must adopt a business model that increases the awareness and sales of Fairtrade sports balls in the UK and wider European market.

2.2 Keys to Success

- Achieve a sales target of 20,000 balls in Year 1.
- Realise an annual growth rate of 35% per annum thereafter for the first five years.
- Increase the range of balls to include futsal, rugby, netball and volleyballs.
- Introduce a range of branded apparel to compliment the sports balls.
- Fairtrade sports balls being widely used by amateur and professional leagues backed by respective governing body support.

3.0 Business Summary

3.1 Start-Up Summary

The Fair Corporation (Fair Corp) and its predecessor Fair Deal Trading has been the major supplier of Fairtrade sports balls to the UK market for the past ten years. Initial discussions took place between the Scottish Fair Trade Forum (SFTF) and Jamie Lloyd, the director of Fair Corp, around passing sales and distribution of Fairtrade sports balls to a new enterprise to allow Fair Corp to focus on new business ventures. An initial feasibility study carried out by Glasgow company Fair Pley in 2013 (funded by SFTF via a Big Lottery Investing In Ideas grant) concluded that there is considerable interest in Fairtrade footballs within Scotland.

A grant of £19,450 at the end of 2013 from Glasgow City Council's Co-operative Business Development Fund funded the initial set-up for the Society, providing finance for branding research and development, the purchase of an initial stock of footballs, production of a detailed business plan and financial projections to underpin a share issue and the production of a prospectus,.

3.2 Business Structure

Fair Trade Sports Balls Limited is registered as a Community Benefit Society under the Co-operative and Community Benefit Societies Act. The date of registration was the 25th March 2014 and is

regulated by the Financial Conduct Authority. The business is VAT and Economic Operator Registration and Identification (EORI) number registered.

Registered Office: Studio 2, 19 Marine Crescent, Glasgow G51 1HD.

Registration Number: 2788RS

VAT Number: 188 4070 83

EORI Number: GB188407083000

The Society will be governed by a Board of Directors, with a minimum of three Directors at any one time. The founding group of eight will be the initial board members from start-up date to the first Annual General Meeting. The founding directors have a wide and varied skill set which includes finance, retail sales and marketing, co-operative development, media production, PR and sports club facilitation (names and biographies of directors listed in Appendix). The Board will aim to meet at least every second month.

The trading name of Fair Trade Sports Balls Ltd is Bala Sport. The day to day running of Bala Sport will be carried out by an appointed Managing Director who will report to the board on a regular basis.

3.3 Business Ownership

The Society 'shall be owned and controlled by its members on a fair and equitable basis' with members each having one vote whatever the size of their investment. The minimum age for membership is 11 years. Each share shall have a £10 nominal value.

3.4 Share Issue

The Society intends to raise the necessary capital to fully fund the business via a community share issue. Shares will be in denominations of £10 with a maximum holding per individual of £25,000. A number of potential investors have already been identified and the target revenue from an initial issue is £150,000.

3.5 Business Premises

The business will operate from a Glasgow based location, ideally within a fully serviced office to facilitate three staff. The society is currently operating rent free from the Fair Play offices. Suitable permanent premises will be identified and a rental rate has been included in the budget.

3.6 Banking

The business will use Unity Trust Bank, a specialist bank for charities, co-operatives, credit unions, community interest companies, local councils, social enterprises, trade unions and voluntary organisations that support their customers with socially-responsible banking services. The business account will enable online, phone and postal customer relations channels. There are currently five signatories with any two required to authorise payments.

Payments to manufacturers in Pakistan are in US\$. The business will use Moneycorp, a foreign exchange and money service company regulated by the Financial Conduct Authority, for US\$ transfers. No speculative FX positions will be taken.

3.7 Product Range

Fair Trade Sports Balls Ltd will sell its own branded sports balls, sports equipment and apparel under the brand name Bala Sport. It will also offer clients the facility to design their own custom balls.

Initially focused on a range of Fair trade footballs that cross the full user spectrum from professional to recreational player, the business will develop additional ranges across other ball sports including rugby, netball, volleyball and futsal. A sports equipment and clothing range may also be developed in due course.

Sports balls will be purchased from Fairtrade certified factories in Sialkot, Pakistan. There are currently six producers registered with Fairtrade International.

3.8 Fairtrade Foundation

Fair Trade Sports Balls Ltd is registered as a licensee with the Fairtrade Foundation and as such is authorised to import Fairtrade labelled products into the UK and use the Fairtrade mark on its materials. The FLO ID number is 30966. A fee of 1.7% of total net sales value is payable to the Foundation on a quarterly basis. The business may be eligible for a 50% discount on these fees once it is confirmed that its trade consists only of Fairtrade products.

3.9 Shipping Agent

J.S.I Logistics, Suite 6, Merlin House, Hillington Park, Glasgow G52 4XZ

3.10 Storage, Pick and Pack Facility

All merchandise will be stored in a secure warehousing facility at PPD Europe Ltd in Perth, at an agreed per pallet rate. PPD are responsible for initial stock check and can facilitate periodical stock checks on request. Using their online system, orders will be processed and dispatched by post using one of several carriers. Rates for postage and packaging have been agreed in advance for UK deliveries.

3.11 Staffing

During the first year of operation Bala Sport will operate with two full-time equivalent members of staff, a Managing Director and a Sales Manager.

The Managing Director role will be shared jointly between Annie Howie and Angus Coull, two founding members of the group. The Sales Manager, a role to be advertised in due course, will be responsible for UK wide ball sales. In year 2 a part-time office administrator will be employed.

3.12 Insurance

An insurance policy has been purchased through Nelson Policies at Lloyd's, with an Employers Liability of £10 million and Public Liability of £5 million. The policy also covers all stock held at PPD Europe Ltd.

3.13 IT and Online Presence

Bala Sport has an online presence via a number of channels: website, Facebook page, Twitter, Pinterest, Instagram, You Tube and an online store hosted by Shopify. Retail customers can purchase balls directly from the Shopify store and also the Facebook page.

For day to day business management and accountancy a Sage One software package is used to manage cash flow, client database, invoicing and VAT returns. A software upgrade to include stock management is scheduled for February 2015.

4.0 Ball Manufacture and Product Range

4.1 Production

68% of the world's annual sports ball production now takes place in China, a major shift from twenty years ago when 80% of all production took place in Pakistan. Pakistan continues to have a good reputation in the global market, producing 13% of all balls and, significantly, 70% of all hand stitched balls as well as 100% of the world's Fairtrade sports balls. This year's World Cup 'Brazuca' ball was made in Sialkot, Pakistan.

There are currently six sports ball manufacturers in the world who are registered with FLO-CERT to produce Fairtrade certified sports balls. All of these factories are located in Sialkot, Pakistan.

Following a fact-finding trip to the Fairtrade certified factories by two of the directors in August 2014 it has been decided to work with the following three producers in the first year:

- Ali Trading Company (Pvt) Ltd
- Tramondi Pakistan
- Vision Technologies Corporation (Pvt) Ltd

Each of the above producers is able to offer the full range of balls that Bala Sport envisages including in its range for the coming three years. Working with three suppliers allows Bala increased flexibility in order size, design and specification technology. Bala will work with Ali Trading and Vision on Bala branded balls and with Tramondi on custom ball orders for clients. All three have a visible and active Fairtrade Premium programme and dedicated member of staff for Fairtrade matters.

4.2 Fairtrade Premium

Each Fairtrade certified factory is responsible for their own registration with FLO-CERT, an independent certification company owned by Fairtrade International. FLO-CERT carries out periodic and rigorous inspections to ensure that factories are adhering to stipulated standards.

Bala Sport will pay a 15% Fairtrade premium on all balls produced, hand and machine-stitched. This premium is payable on the US\$ Free on Board (FOB) price per ball quoted by the factories. Note that 10% of the premium is paid into a dedicated ring-fenced account visible in each factory's annual accounts, ensuring that the premium is used for welfare projects. The other 5% is payable to the factory to cover Fairtrade compliance costs.

In each factory the use of the Fairtrade premium is decided by a formal body made up of both workers and factory management. At each of the factories we are working with the premium benefits ALL of the factory workers, with those involved in stitching also receiving an additional premium per ball rate of pay. Projects financed by Fairtrade premium payments to date include a water purification facility, health insurance and a children's day care facility.

4.3 Bala Range

Glasgow based design agency Reflex Blue were commissioned to carry out research and development of a brand name and subsequent first ball range design. The Bala brand and ball design were put into production and our first order of 1,250 balls arrived in June 2014. Fair Trade Sports Balls Ltd will continue to work with Reflex Blue for new ball designs.

Bala Sport currently has a football range consisting of three specifications and sizes:

- Bala Pro: a hand-stitched competition grade ball made to the same specification as FIFA approved balls, Size 5
- Bala Team: a hand-stitched high quality training ball made to the same specifications as a FIFA inspected ball, Size 3, 4, 5.
- Bala Play: a hand-stitched training or kick around ball for recreational use, made to International Match Standard (IMS) specification, Size 5.

The three balls have been well received with 85% of balls being sold over a period of three months with minimal marketing. A second order for 1,500 balls is currently in production and due in the UK by mid December 2014. In addition to the above, this order includes Bala Play balls in sizes 3 and 4 as the Play ball was well received and, given the IMS equivalent specification, is suitable as a club training ball and is able to compete price wise with the competition.

The business will expand its Bala branded range over the next two years to include:

- Year 1: Futsals, competition, match and training specification in Size 3 and 4.
 - Rugby Balls: match, training and recreational specification in Sizes 3, 4, 4.5 and 5.
- Year 2: Volley Balls: senior and junior ball specification, one size only
 - Netballs: match and training specification, Sizes 4 and 5.

4.4 Custom Balls

In addition to the Bala branded balls, the business will offer bespoke custom balls with the Fairtrade logo. Balls with a client's desired specification, size, panel format and design can be manufactured to order with a minimum order of 50 balls. Bala will work with Tramondi Pakistan on these orders due to their low minimum order size, experience in dealing with custom orders and advanced digital imaging technology. Tramondi will produce and email design images for clients and send sample balls if required.

4.5 Apparel

In the longer term, Bala Sport would like to extend its brand beyond sports balls to include sports clothing and equipment. This would include team kits, training vests, logo t-shirts and ball carry bags. Further research is required to determine if a Fairtrade certified apparel range can be produced with competitive pricing.

5.0 The UK Market

5.1 Market Overview

- Global production of sports balls in 2012, 60 million balls.
- UK sales of sports balls in 2012, 6.7 million balls.
- UK Sales of Fairtrade Sports Balls in 2012, estimated at 17,000 balls.

UK Sports Equipment and Sports Balls Market

The sports equipment industry encompasses both the personal consumer and expenditure by organisations involved in sports such as schools, universities, health clubs and local authorities. The total sports equipment market in the UK is worth approximately £1.1 billion, a growth of 13% over the past five years. The balls for team sports sector saw a growth rate of 11% over the same period, with a value of £50 million today and accounting for around 4.5% of total expenditure on sports equipment.

Fairtrade Sales

Sales of Fairtrade products globally have shown exponential growth over the past twenty years and the UK remains the largest single market in the world for Fairtrade branded products. The UK sales value was £1.7 billion in 2013, an increase of 12% from 2012. As a percentage of all sales by category, Fairtrade bananas account for 35% of all bananas sold in the UK and Fairtrade coffee represents 27% of all roast and ground coffee sales. Sales of Fairtrade sports balls have not mirrored this increasing trend, showing little growth since the first Fairtrade football was produced in 1998 and making up less than half of 1% of all sales today.

5.2 Distribution Channels

UK Sports Ball Market

In the UK, sports balls are largely distributed through one of the following channels:

- Multinationals
- Sports Goods Importers
- Sports Chain Retailers
- Other retailers

Significant players in each of these channels are listed below in Table 1.

Table 1 UK Sports Ball Distribution Channels

Multinationals	Sports Goods Importers	Sports Chain Retailers	Other Retailers
Adidas	Cartasport	Sports Direct	Supermarkets
Nike	Grays International	Decathlon	Department Stores
Umbro	Reydon Sports	Intersport	Ethical Stores
Mitre	Stadia Sports	JD Sports	Online stores
Puma	Maudesport		
	Mitre		

The most popular retailer in 2013 was Sports Direct, with 29.8% of adults using them for purchases. Online retailers were used by 18.7% of adults surveyed (Table 2 below).

Table 2 Retailers Used to Buy Sports Equipment, 2013 (Percentage of adults)

Sports Direct	29.8
Online/ Mail order	18.7
Supermarkets	16.2
JD Sports	14
Argos	11.6
Department Stores	10.2
Outdoor Activity Stores	9.7
Dave Whelan Sports	1.8
Other Sports Specialists	8.9

Source: Keynote Sports Balls Market Report 2013

UK Fairtrade Sports Ball Market

A Brighton based company, The Fair Corporation, has previously been the major licensed supplier of Fairtrade sports balls to the UK. Our Chair, Martin Meteyard, has a good relationship with Fair Corp's Director, Jamie Lloyd, and it is understood that Fair Corp's annual sales volumes over the last fifteen years have ranged between 12,000 and 17,000 balls, split between branded and custom order balls. In future Fair Corp will no longer produce own brand balls although it will continue to offer custom balls to charities and NGO's. An agreement has been reached where Fair Corp will act as an agent for Bala Sport for Bala branded balls, receiving 2.5% commission on balls sales from customers that it introduces, running for a period of three years. Fair Corp will be a direct competitor for custom ball orders in the charity and NGO sector. Fair Corp's ball routes to market have been through their own online facility, using ethical online retailers and directly with schools, colleges and charities.

5.3 Competition

Commercial International Brands

Bala branded balls will compete against the major sports ball brands such as Adidas, Nike and Puma who are selling a wide range of product across many sports. The multinational branded sports balls account for the majority of all balls sold in the UK each year. These balls are sold through various market channels including sports equipment wholesalers and retail outlets such as Sports Direct. They also have their own branded online presence as well as having their brands widely available through numerous online retailers. Pricing is extremely competitive.

Fairtrade Sports Balls

In the specialist UK Fairtrade sports ball market the leading player, Fair Corp, is withdrawing from the branded ball market leaving Bala Sport to take over its existing branded ball customer base. To our knowledge there are currently no other organisations offering branded certified balls to the UK market.

Competition for existing Fairtrade certified balls from other European players could emerge in the future if they look to expand their geographical coverage. Notable players in the European market

include Ethletic branded balls produced by Fair Deal Trading GmbH in Germany and Swedish based Stadium AB who market under the brand SOC. Together they account for over 70% of total global Fairtrade sports ball sales. Other registered traders include Denmark's Ji Sport A/S, EROSKI S.Coop in Spain, Tramondi Sport AG Schweiz in Switzerland and German companies GEPA GmbH and Bad BOYS Soccer. Outside of Europe, Senda Athletic in the USA is offering a range of Fair Trade USA certified sport specific balls similar to the full range that Bala envisages after the first two years of operation, and it is understood that they have aspirations to enter the European market in the medium term. In Canada there is Social Conscious and in New Zealand Jinta Sports are selling Fairtrade sports balls.

Alive and Kicking, an African social enterprise with British based directors, is manufacturing a growing number of sport balls in Africa using a local work force. The company offers ethically minded consumers an alternative to Fairtrade certified sports balls.

Custom Balls

There are a large number of companies in the UK offering custom balls for promotional purposes. Typically, online retailers offer a full range of sports balls and design facilities to enable individual graphics, a service more sophisticated than Bala will offer. With regard to Fairtrade certified custom balls, Fair Corp will be the main competitor, focusing on the charity and NGO sectors. Note that Fair Corp's minimum order size for custom balls is 300 units, Bala's is 50 balls.

6.0 Sales and Marketing Strategy

6.1 Overview

Over the past five years the sports ball market in the UK has grown by 13%. Over the same period the UK market for Fairtrade labelled products has grown by over 100%, while the market for Fairtrade sports balls has shown no growth. The Fair Corporation, by its own admission, has cited lack of time and resources rather than lack of demand as the main reason for the lack of increased sales in Fairtrade balls over the past decade. Fair Trade Sports Balls Limited sees this as an opportunity in the market, with the belief that a business dedicated to the sports ball market with a quality branded product, sufficient stock and focused UK wide marketing effort can significantly increase awareness and sales of Fairtrade sports balls.

A sales strategy reaching out to all sports ball consumers in the UK will enable the business to take advantage of current growth trends in ball sales and ethical purchasing. Additionally, the introduction of Fairtrade labelled custom balls will enable the business to reach a wider audience, including corporate customers, charities and national and local government, offering them an ethical option for promotional merchandise.

6.2 Target Groups

The business will target the following groups based on geographical location and sport played:

National Governments	Local Authorities	Local Sports Clubs
Sports Governing Bodies	Professional Clubs	Amateur Clubs
Ethical Consumers	Fairtrade Consumers	Schools, Colleges and Universities
Sports Retailers	Supermarkets	Other Major Retailers
Charities and NGOs	Corporates	

Pertinent facts on each of these target groups are listed below:

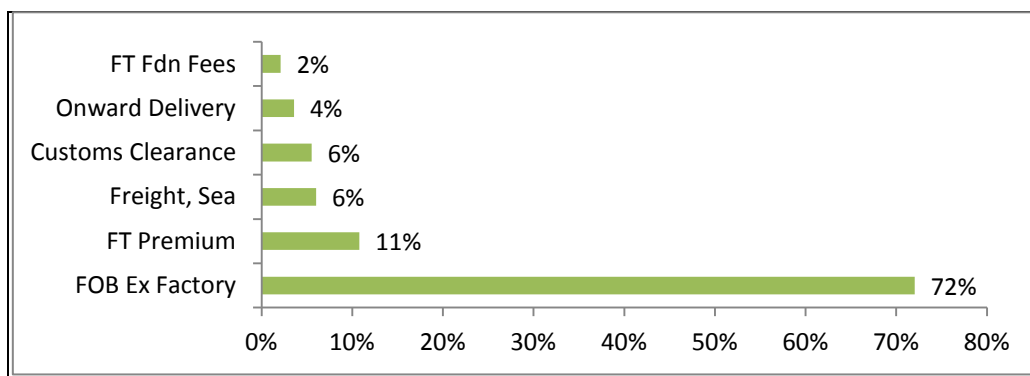
- *National Government and Local Authorities:* Wales and Scotland are Fairtrade nations with a commitment at national government level to promote and make available Fairtrade products internally. Scotland Excel, the procurement centre for Scotland's local government sector, sold 13,000 sports balls in 2013. Inclusion on the authorised buyers list, which would allow Bala access to these customers, is in process. Several directors of Bala have key contacts in many local authorities across Scotland and initial response amongst those approached has been positive, with one looking to place an order for custom balls in the coming weeks. Across the UK there are over 400 local authorities.
- *Nurseries, Schools, Colleges and Universities:* UK wide there are over 30,000 schools. Initial targets will be the 1,000+ Fairtrade schools, 70 Fairtrade universities and 1,500 Independent schools in the UK. Again, directors of Bala Sport have useful contacts with Scottish based establishments and interest in custom balls has been shown by a Glasgow based University and Fairtrade nurseries.
- *Sports Governing Bodies:* The business will approach national and UK governing bodies for the five sports serviced by its range in order to widen its knowledge of ball requirements at all levels of participation and educate the bodies in order that they can promote the range themselves.
- *Professional and Amateur Clubs:* Professional Clubs are sponsored by the major brands and will be hard to reach in the short-term. Youth development squads within these clubs and amateur clubs playing in Saturday leagues across the country are more accessible. The semi-professional community-based clubs playing in Junior leagues in Scotland will also be a target. Pricing is competitive which will result in smaller margins for the business. An immediate target is the club stadium shops and give-away promotional balls with club branding. Bala is currently in discussion with St Mirren Football Club to supply promo specification balls in club logos.
- *Local Sports Clubs:* According to The Survey of Sports Clubs 2011 there are over 150,000 sports clubs throughout the UK with an average membership of 104 adults and 98 juniors. The estimated number involved in Bala's five ball specific sports is 70,000. In addition to assistance from governing bodies, local clubs will be identified and targeted via social media, ambassadors and word of mouth. Wholesale sales through Sports Retailers will also reach this group. The business has gained an insight into Central Scotland club buying preferences though discussion with a major central Scotland sports equipment distributor confirming that the football range can compete price and specification wise.
- *Ethical / Fairtrade Consumers:* With in-depth knowledge of the sector, a good network of contacts and access to an active customer base from Fair Corp, Fair Trade Sports Balls Ltd's first year of sales will be largely from this target group. Good profit margins are forecast from this group of consumers.

- *Supermarkets / Other Major Retailers:* All the large UK supermarket chains now stock sports balls and will be approached in addition to department stores, large retailers such as IKEA, ARGOS and Toys ‘R’Us. Note that John Lewis had a promotional deal with Alive and Kicking footballs last winter.
- *Sports Retailers:* The national and regional retail shops stock numerous brands and specifications of sports balls to cater for all client types. With no other Fairtrade sports balls being offered in the UK, Bala will be able to offer a unique product.
- *Charities and NGOs:* Charities with an international developmental aim such as Oxfam and Traidcraft (which have both bought Fairtrade balls in the past) and Scottish based not-for-profits will be initial targets for Bala branded and custom balls.
- *Corporate Businesses:* The majority of corporate businesses include charitable giving in their Corporate Social Responsibility business model. Corporate gifts and promotional giveaways for brand awareness are popular as are ball promotion / prizes for large sports events such as the World Cup. Dealing with Bala will enable such businesses to purchase a quality product and satisfy charitable aims.

6.3 Pricing Strategy

The value chain cost of a ball delivered to the UK is listed in Figure 1 below. The bulk of the delivered cost of each ball is made up of the factory unit cost and Fairtrade premium. Unit cost per ball ex factory falls when order size increases (over 2500 balls) and economies of scale on freight and customs charges kick in at 9,000 balls, a full container load. Figure 1 below illustrates the percentage cost per stage of delivered price of a training ball specification for an order size of 300 balls.

Figure 1. Percentage Cost per Stage of Delivered Price of Training Ball Specification.



Balls will be delivered to the UK by air or sea. Air shipments are priced by weight with a transit time of 5-10 days, sea shipments are priced by volume and take 4-6 weeks. Typical air freight premiums for shipment sizes of up to 5,000 balls are £1 per ball more than by sea. Scheduled shipments of branded balls will come by sea, from Karachi into Grangemouth. Air freighting balls from Pakistan will be done as required. All stock will be stored at our warehouse facility in Perth.

Pricing of the current range of Bala footballs is shown below (figures in brackets are the percentage gross profit margin in relation to delivered cost price).

	Delivered Cost Price (£)	Wholesale Price (£)	RRP / Online Price + VAT (£)
Bala Pro	14.20	22.00 (35%)	37.50 (62%)
Bala Team	7.50	11.50 (35%)	16.67 (55%)
Bala Play	4.10	7.60 (46%)	10.00 (59%)

Across the brand the gross profit margin for wholesale and retail prices will be in line with the current football range with balls on the upper, mid and lower specifications having mark-up percentages of:

	Wholesale	Retail
Top Spec	35%	62%
Mid Spec	35%	55%
Lower Spec	46%	59%

Price comparison analysis for an equivalent specification Mitre ball was carried out on the Bala Pro and Bala Team ball RRP's. Results showed that both balls are priced in the middle/upper of the range with the cheapest balls being special offers of the moment. An insight into branded balls wholesale market pricing, courtesy of a current central Scotland sports equipment wholesaler, indicates that the Bala prices are at the higher end of the spectrum. Volume discounts will be offered on retail pricing to encourage larger purchases. Percentage discounts will be applied as follows:

Number of Balls	Discount
0-10 Balls	0%
11-25 Balls	5%
26-50 Balls	10%
51-100 Balls	15%
100 + Balls	Negotiable

Of the 1,000 Bala balls sold over the past four months, 83% of these have been around the wholesale pricing level, with RRP sales coming from our online site and Fairtrade supporters. Based on these figures and information obtained on Fair Corp's sales we will assume a conservative split of 85% / 15% wholesale to retail pricing going forward. Pricing analysis will be carried out once specifications of additional balls to the range are confirmed and before they are offered to the market.

Post and packaging rates for UK deliveries have been agreed with PPD Europe. Pricing analysis carried out on P&P rates of a sample of online competitors revealed that these rates were mid-table. Given that they are competitive the full cost of P&P will be passed to the consumer.

6.4 Sales Forecast

Football is the most popular ball sport in the UK. With participation rates of almost 5 million people on a weekly basis, it far outstrips participation in the other four sports the business will focus on, as listed in Table 3. On the assumption that this trend will carry through to ball sales by sport, it is forecast that footballs will make up the bulk of Bala Sports branded ball sales in years 1 to 5.

Interestingly, participation rates in rugby union have fallen by 5% over the past five years while the number of people regularly taking part in netball and volleyball has been growing, with netball seeing a 34% growth in England over the past five years. Futsal (a 5-a-side version of football played mainly indoors) is a growing sport in the UK, and with the Football Association (FA) and FIFA promoting the game, could result in significant growth in future (it is actually more popular than football in Brazil). Fair Trade Sports Balls Limited will monitor participation rates and note national and local initiatives to encourage new participation as a guide to future demand patterns.

Table 3 Participation Rates per Sport, 2012

Sport	Number of Regular Participants
Football	4,800,000
Rugby Union	300,000
Futsal	40,000
Netball	215,000
Volleyball	70,000

Source: Keynote Sports Ball Market Report 2013

FairPley’s feasibility study of 2013 surveyed 16 Glasgow based groups with an active involvement in football to evaluate their appetite for Fairtrade footballs. The results were positive with the following key observations:

- The market is price sensitive but most felt a 5-10% premium for Fairtrade balls was acceptable.
- Clubs purchase size 3-5 training and match balls in the main.
- Purchases take place across the football season through a combination of retail, wholesale and on-line sources.

Limited marketing efforts to date have been Scotland focused and through individual directors’ existing network of contacts. Response to date from groups approached has been extremely positive.

Bala Sport aims to manufacture and distribute 20,000 balls in its first full year of operation with an annual growth rate in sales of 35% over the first five years, in addition to the introduction on new lines in Year 2. Ball sales per annum have been forecast as:

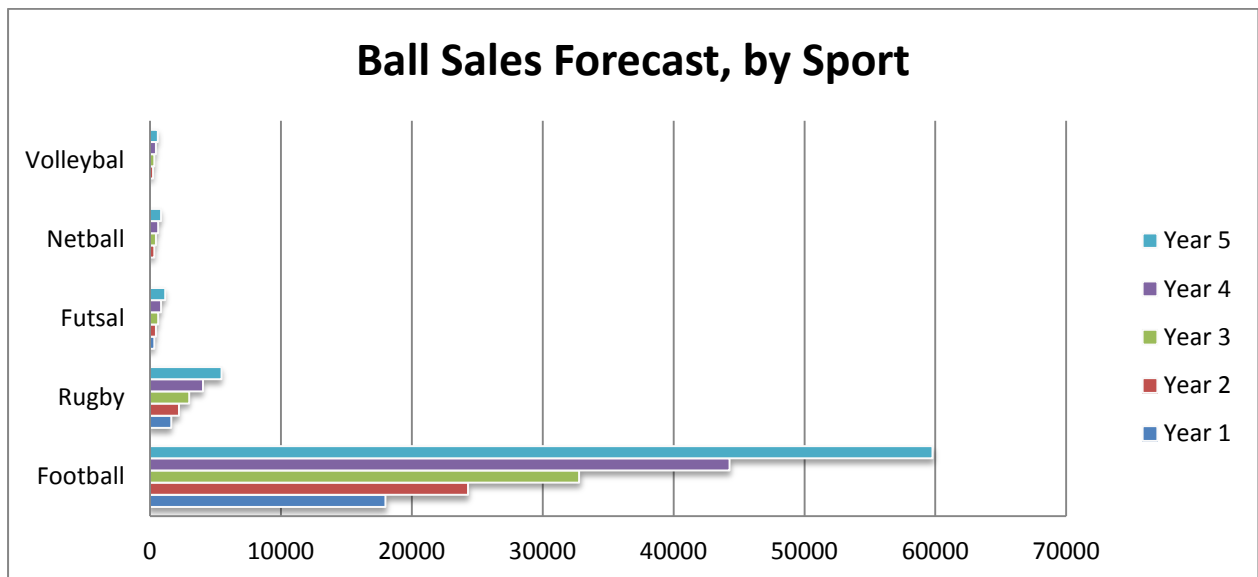
- Year 1 20,000 balls
- Year 2 27,600 balls
- Year 3 37,260 balls
- Year 4 50,301 balls
- Year 5 67,906 balls

Annual sales of 67,906 by Year 5 will equate to approximately 1% of overall UK sports balls sales.

Bala forecasts that sales per sport in the first five years of operation will be as shown in Figure 2 below. Although sales of netballs and volleyballs are expected to be relatively small, there will be a

demand for these balls from existing customers (such as schools) thus requiring minimal marketing costs. Sales will come from across the customer target groups described previously.

Figure 2 Ball Sales Forecast by Sport



Football sales will make up the bulk of sales in each of the five years. These sales will come from all customer types identified above, split between Bala branded and custom balls. The above sales figures include existing Fair Corp clients for branded balls, estimated at 7-10,000 balls per annum. In the first year of operation we forecast good sales volumes coming from Fairtrade supporters such as Fairtrade schools, colleges and universities, charities and NGOs with an international presence such as Oxfam and Traidcraft, not-for-profit sports clubs and local authorities whose areas have already been awarded Fairtrade status.

6.5 Marketing Channels

Fair Trade Sports Balls Limited will utilise a number of marketing channels in order to reach the target markets and ball sales figures outlined above. Emphasis will be on a high impact social media campaign and UK wide media launch with event around the share issue during Fairtrade Fortnight 2015. Also during Fairtrade Fortnight a sports ball hand-stitcher from Sialkot will tour the UK demonstrating how the balls are made and telling how the lives of whole communities can change thanks to Fairtrade.

Staff: There will be one full time experienced sales person who will operate throughout the UK with a defined customer target focus. The joint Managing Directors will also be involved in marketing the brand and recruiting ambassadors. Directors will continue to use existing networks to increase awareness of the organisation.

High Profile Launch Event: Scheduled for 24th February 2015, this event will officially launch the business and community share offer. With a central Scotland location, ideally Hampden or Murrayfield Stadium, the invitee list will include well known figures from national and local government, sport, Fairtrade and the co-operative network.

Business and Sports Governing Bodies: Increasing awareness of the enterprise through business networks such as the Fairtrade Foundation, Co-operatives UK, Social Enterprise Scotland and its equivalent in other parts of the UK will increase exposure. Bala have a good relationship with Supporters Direct. They are keen to promote the brand across their network and have an active social media presence and links with The Scottish Fans Facebook page. In addition, approaches will be made to national and UK sports governing bodies to promote the range on our behalf. Organisations in Scotland such as Sport Scotland and The Scottish Football Partnership have already shown interest in doing this.

Ambassadors and Volunteer Network: The business aims to recruit a small number of high profile individuals to act as ambassadors for the brand across the whole of the UK. Humza Yousaf, Scottish Minister for External Affairs and International Development, is already a supporter, launching the initial development project in February 2013. Bala will also draw on the large network of volunteers working in Fairtrade, such as Traidcraft local retailers, to promote the Bala brand.

Social Media: Social media is now the number one activity on the web. Facebook has one billion users. 53% of people on Twitter recommend products in their tweets and 90% of consumers trust peer recommendations whilst only 14% trust advertisements. Selling can be done directly through Facebook. Facebook and Twitter will be at our core, with engagement levels and sharing of posts the target on Facebook rather than likes. The target is 1,000 followers on Twitter in the first year with an Instagram and Pinterest presence also. Bala Sport has an online shop attached to its website and a facility within its Facebook page to purchase balls. There will be no physical retail facility, except at key events.

Local, Regional and National Press: Broadcast media and bloggers. Regular dialogue with general sport and ethically focused media with ideas presented which would increase the awareness of the brand.

Club and Tournament Sponsorship: Bala Sport will selectively sponsor local teams and leagues in the form of ball donations. Website links and social media inclusion will be encouraged. Bala Sport will aim to sponsor one tournament per sport each year. In 2013 a Fairtrade five-a-side football tournament was organised by Neil Bibby MSP with twenty Glasgow based teams taking part. Neil has confirmed that a similar tournament will take place on 8th March 2015.

Trade Shows: Attendance at UK and international sports goods or ethical fairs will be considered on an ongoing basis - possibly twice per year. ISPO in Munich is the largest sporting goods trade fair in Europe and takes place in spring each year. Fairtrade Fortnight, in February, is the UK wide Fairtrade campaign.

Specialised Promotions: Considered on an ongoing basis, the business will actively seek promotional opportunities with print publications and TV and radio whose form could include documentary, official launch coverage, charity football match or a competition ball giveaway. The Board has good media contacts within the BBC which will be drawn upon, as will relationships with supportive journalists such as Graham Spiers.

Celebrity Endorsements / Partners: Identify and pursue a handful of suitable celebrity figures to promote the brand. The number one target is Zain Malik from boy band One Direction, who has family connections with Pakistan and is a keen footballer. Other targets include Pat Nevin, Sir Alex Ferguson and Stuart Cosgrove. World number 2 freestyle footballer Daniel Dennehy has expressed an interest in promoting Bala balls.

Significant Sporting Events: Ball sales increase substantially during major sporting events, with average global sales of footballs increasing by 25% during World Cup years. Major events in the coming three years include the Rugby World Cup 2015 in England and Euro 2016 Football in France.

7.0 Financial Plan

Bala Sport will start trading with an active customer list, being the existing branded ball customers of The Fair Corporation. The Society will launch a Community Share Issue during Fairtrade Fortnight in February 2015, with a £150,000 target. A number of potential investors have already been earmarked. Assuming this level of investment is achieved, income from operations will be sufficient to fund the business and reach the milestones in the plan. A business line of credit will be established which can be drawn upon if required. Residual profits will be reinvested into the business for expansion.

7.1 Community Share Issue

Fair Trade Sports Balls Ltd. (FTSB) will launch a community share issue during Fair Trade Fortnight 2015 (23 February – 8 March) with the aim of raising £150,000 to fund the long-term development of the business. If a minimum of £50,000 is not reached by the 31st May 2015 all investments will be returned and the direction of business outlined in this document will be revisited. If an amount greater than the £50,000 minimum but less than the £150,000 target is raised the business will seek short term loan facilitation for the shortfall at an indicative rate of 9% per annum.. This will result in a decreased rate of growth with a net profit for the society surfacing in year 4 rather than year 3.

Share issues by community benefit societies have become an increasingly popular form of raising capital for ethical projects in recent years. Community benefit societies like FTSB are exempt from the provisions of the Financial Services & Markets Act 2000 when it comes to issuing shares to the public because of their social purpose and democratic voting structure. Customers will have a genuine feeling of ownership and commitment to the venture and regardless of the level of investment the democratic co-operative principle of “one member, one vote” will still apply.

However FTSB will still issue a prospectus to potential investors based on this business plan, summarising the Society’s objectives and underlining the risk that investors could lose some or all of their capital if things do not work out as expected.

The maximum individual investment permitted under the Co-operatives & Community Benefit Societies Act 2014 is £100,000; however, FTSB has set a maximum for this share issue of £25,000 in order that no one individual controls too much of the capital of the business.

Shares have a fixed value of £10, with a minimum investment of £50, and can be bought by anyone from the age of 11 upwards. The shares are withdrawable on request, but only at the discretion of the Board – and it is unlikely that this will be possible save in exceptional circumstances until the business has properly established itself (Year 5).

Once the business is profitable it is anticipated that a small amount of annual interest on shares will be payable for the use of capital.

It is also anticipated that investments will qualify for tax relief under the Enterprise Investment Scheme and Seed EIS. This will be confirmed by HMRC on sight of the prospectus. As FTSB is a new business (and therefore has a higher risk profile), the first £150,000 of investment should qualify for 50% tax relief under Seed EIS, with additional investment qualifying for 30% under EIS.

The share issue will primarily be targeted at Fair Trade supporters and campaign groups across the UK (numbers of e.g. FT Town groups, faith groups, schools etc.).

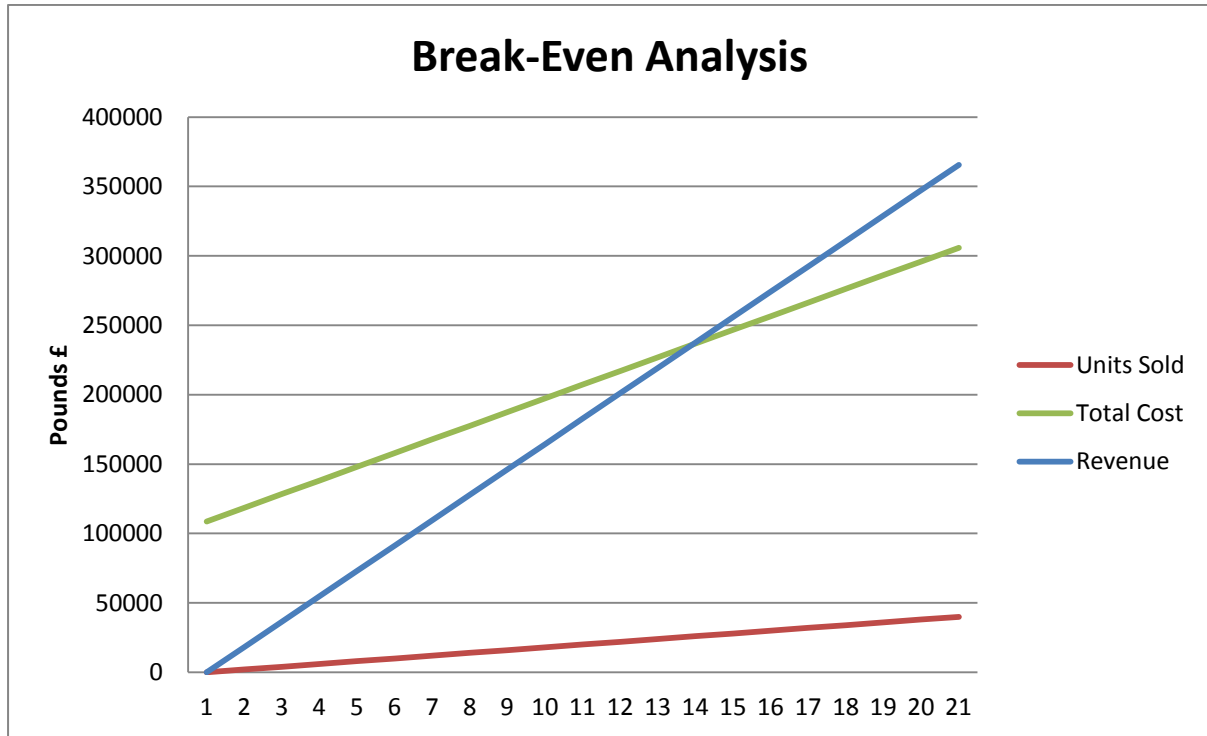
7.2 Financial Assumptions:

- Year 1 start date is 1st January 2015.
- Initial investment of £150,000 from share issue. Shares cannot be drawn upon for 3 years. A further £75,000 offer will be made in September 2016. It is assumed that members will continue to join the Society after the initial share offer to the value of £500 per month. Bala Sport is under no obligation to return a profit on investors' initial investment.
- Provision has been made for a 10% withdrawal of shares in Year 5.
- Initial sales will be 20,000 balls with a growth rate of 40% from Year 1 to Year 2 and 35% per annum thereafter. In addition, new product lines will be introduced in Year 2.
- Sales price of balls assumed to be 85% wholesale and 15% retail pricing.
- A bad debt rate of 2% on the income from ball sales.
- 1.5% stock loss / returns.
- Fairtrade Foundation Licence Fee of 1.7% of net sales in Year 1, 0.85% from Year 2 onwards, paid quarterly.
- Travel and subsistence costs increase 15% per annum.
- Marketing costs increase 10% per annum.
- 2% inflation in other costs, including salaries, from Year 2.
- Ball orders to be placed in February, May, August and December. 50% of the cost of balls is payable at the time of order and 50% payable at dispatch.
- Manufacture time 2 months, transport 1 month by sea.
- 20% VAT due on shipments value as they clear customs.
- The Fair Corporation will be paid 2.5% commission on the sales price of orders from introduced clients for 3 years, assumed to be 5,000 ball sales per annum.
- A 3.5% reduction in football unit cost has been applied from Year 2 given increased order size.
- A 5% reduction in all ball unit costs has been applied from Year 3 to account for economies of scale in shipping costs.
- An opening stock of 1,400 balls.
- A stock of each product will be held, target 10% of annual sales.
- Credit terms on sales: 50% within 28 days, 35% 29-60 days and 15% 61- 90 days.

7.3 Break-Even Analysis

The break-even analysis shown in Figure 3 below has been carried out on Year 1 financial data. It assumes that running costs including staff salaries, office rental and PR events such as sponsorship and marketing materials are fixed costs. A weighted average sales price of £9.14 has been calculated on the Year 1 sales projections of 20,000 balls. The break-even point is 26,200 balls / £237,000.

Figure 3 Break-Even Analysis, Year1



7.4 Projected Profit and Loss

The projected Profit and Loss for five years is detailed in Figure 4 below. The business will start to make a profit by the end of Year 3.

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<u>INCOME</u>					
Sales	182,045	255,956	345,544	466,484	629,754
Cost of Sales	-102,566	-150,995	-174,043	-241,650	-326,227
GROSS PROFIT	79,479	104,961	171,501	224,834	303,527
Other Income (Grants)	-	-	-		
TOTAL INCOME	79,479	104,961	171,501	224,834	303,527
<u>EXPENDITURE</u>					
Wages (inc NI and pension contributions)	63,578	86,768	88,503	90,273	122,079
Staff Training/Professional Memberships	600	612	624	637	649
Book-keeping/Annual Accounts	2,482	2,532	2,582	2,634	2,687
Travel and Subsistence	8,440	9,703	11,158	12,836	17,000
Office Rental/Phones	2,925	7,200	7,344	7,491	7,641
Storage	1,524	2,808	3,440	3,825	5,164
Stationery	1,000	1,020	1,040	1,061	1,082
Marketing/PR/Sponsorship	22,000	24,200	26,620	29,282	32,210
Sales Commissions (Fair Corp)	1,138	1,374	1,351	-	-
FT Foundation Licensee Fees	2,696	2,175	2,817	3,965	5,353
Insurance	740	755	770	786	801
Web Design/Hosting/Email	1,060	1,081	1,103	1,125	1,147
Ball Design	2,200	2,200	-	-	-
Online Shop	630	900	918	936	955
Bad Debtors (2%)	3,195	6,114	7,872	9,330	12,595
Stock Losses (1.5%)	2,078	2,413	3,093	3,625	4,893
Other/Misc	3,000	3,060	3,121	3,184	3,247
Share Interest	-	-	-		7,500
TOTAL EXPENDITURE	119,287	154,915	162,358	170,990	225,003
NET PROFIT / LOSS	-39,808	-49,954	9,143	53,844	78,524
Corporation Tax	0	0	0	0	10,000
NET PROFIT / LOSS	-39,808	-49,954	9,143	53,844	68,524

Figure 4 Projected Profit and Loss, Year 1-5

7.5 Projected Cash Flow, Years 1-3

Cash Flow Year 1													
	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sept 15	Oct 15	Nov 15	Dec 15	TOTAL
INCOME													
Invoiced Sales	1,647	1,647	2,471	4,572	11,244	20,446	27,048	27,430	35,667	12,630	13,262	23,981	182,045
VAT	329	329	494	914	2,249	4,089	5,410	5,486	7,133	2,526	2,652	4,796	36,409
Total	1,976	1,976	2,965	5,486	13,493	24,535	32,458	32,916	42,800	15,156	15,914	28,777	218,454
Sales Income Received	988	1,680	2,471	4,077	9,111	17,813	26,840	31,498	37,789	27,496	19,682	22,232	201,678
Shares Issued	-	20,000	30,000	40,000	60,000	500	500	500	500	500	500	500	153,500
Loans		10,000											10,000
Grants													-
TOTAL INCOME	988	31,680	32,471	44,077	69,111	18,313	27,340	31,998	38,289	27,996	20,182	22,732	
EXPENDITURE													
Capital Expenditure													
Loan Repayments				10,000									10,000
Stock Purchases	3,071	15,597	3,071	16,279	21,300	-	17,834	19,560	-	15,597	3,466	22,767	138,542
VAT on Stock Purchases				1,229	6,239	-	-	7,133	-	-	6,239	-	20,839
Wages (inc NI and pension contributions)	1,395	2,790	5,365	6,083	6,083	6,083	6,083	6,083	6,083	6,083	6,083	6,083	64,299
Employment Allowance Rebate	-	-	-	-721	-	-	-	-	-	-	-	-	-721
VAT due to HMRC					1,153			-215			10,896		11,834
Staff Training/Professional Memberships			200		50		275		20	55			600
Book-keeping/Annual Accounts	136	136	136	986	136	136	136	136	136	136	136	136	2,482
Travel and Subsistence	370	370	520	520	520	520	520	520	520	520	3,020	520	8,440
Office Rental/Phones	25	50	75	75	75	75	75	75	600	600	600	600	2,925
Storage	44	37	28	58	262	182	75	250	110	60	256	162	1,524
Stationery	25	225	75	75	75	75	75	75	75	75	75	75	1,000
Marketing/PR/Sponsorship	-	7,750	-	1,500	1,250	1,000	3,500	250	4,000	2,500	250	-	22,000
Sales Commissions (Fair Corp)	10	10	15	29	70	128	169	171	223	79	83	150	1,138
FT Foundation Licensee Fees	25	-	-	98	-	-	616	-	-	1,532	-	-	2,272
Insurance	-	-	-	-	-	-	-	740	-	-	-	-	740
Web Design/Hosting/Email	30	30	230	280	30	30	30	30	280	30	30	30	1,060
Ball Design	2,200	-	-	-	-	-	-	-	-	-	-	-	2,200
Online Shop	30	30	30	30	30	30	75	75	75	75	75	75	630
Bad Debtors (2%)	-	-	20	34	49	82	182	356	537	630	756	550	3,195
Stock Losses (1.5%)	46	234	46	244	319	-	268	293	-	234	52	342	2,078
Other/Misc	-	273	273	273	273	273	273	273	273	273	273	273	3,000
Investor Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE	7,407	27,532	10,084	37,072	37,915	8,613	30,186	35,807	12,931	28,479	32,289	31,762	300,077
NET CASH INFLOW/ OUTFLOW	-6,419	4,148	22,387	7,006	31,196	9,700	-2,846	-3,809	25,358	-483	-12,107	-9,030	
OPENING BALANCE	1,805	-4,614	-466	21,921	28,927	60,123	69,823	66,977	63,168	88,526	88,043	75,936	
CLOSING BALANCE	-4,614	-466	21,921	28,927	60,123	69,823	66,977	63,168	88,526	88,043	75,936	66,906	

Cash Flow Year 2													
	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sept 16	Oct 16	Nov 16	Dec 16	TOTAL
INCOME													
Invoiced Sales	6,694	5,854	7,238	11,958	11,958	34,196	45,315	45,315	33,401	17,835	14,477	21,715	255,956
VAT	1,339	1,171	1,448	2,392	2,392	6,839	9,063	9,063	6,680	3,567	2,895	4,343	51,191
Total	8,033	7,025	8,686	14,350	14,350	41,035	54,378	54,378	40,081	21,402	17,372	26,058	307,147
Sales Income Received	16,475	10,641	8,006	11,268	13,500	27,692	43,704	52,377	47,230	32,886	22,189	22,320	308,288
Shares Issued	500	500	500	500	500	500	500	500	30,500	20,500	25,500	500	81,000
Loans													-
Grants													-
TOTAL INCOME	16,975	11,141	8,506	11,768	14,000	28,192	44,204	52,877	77,730	53,386	47,689	22,820	
EXPENDITURE													
Capital Expenditure													
Loan Repayments													
Stock Purchases	-	26,214	14,166	3,447	22,515	-	21,749	23,854	-	19,021	4,227	25,679	160,874
VAT on Stock Purchases			9,107	-	1,379	-	-	8,700	-	-	7,609	-	26,794
Wages (inc NI and pension contributions)	6,523	6,523	7,145	7,397	7,397	7,397	7,397	7,397	7,397	7,397	7,397	7,397	86,768
Employment Allowance Rebate	-	-	-	-	-	-	-	-	-	-	-	-	-
VAT due to HMRC		3,736			-5,150			10,243			16,106		24,936
Staff Training/Professional Memberships			204		51		280.5		20.4	56.1			612
Book-keeping/Annual Accounts	139	139	139	1,006	139	139	139	139	139	139	139	139	2,532
Travel and Subsistence	569	569	569	569	569	569	569	569	569	569	3,444	569	9,703
Office Rental/Phones	600	600	600	600	600	600	600	600	600	600	600	600	7,200
Storage	137	115	449	402	398	264	86	253	124	56	304	220	2,808
Stationery	85	85	85	85	85	85	85	85	85	85	85	85	1,020
Marketing/PR/Sponsorship	-	8,525	-	1,650	1,375	1,100	3,850	275	4,400	2,750	275	-	24,200
Sales Commissions (Fair Corp)	73	47	36	50	60	123	195	233	210	147	99	99	1,374
FT Foundation Licensee Fees	424	-	-	168	-	-	494	-	-	1,054	-	-	2,140
Insurance	-	-	-	-	-	-	-	755	-	-	-	-	755
Web Design/Hosting/Email	31	31	235	286	31	31	31	31	286	31	31	31	1,081
Ball Design	2,200	-	-	-	-	-	-	-	-	-	-	-	2,200
Online Shop	75	75	75	75	75	75	75	75	75	75	75	75	900
Bad Debtors (2%)	394	445	330	213	160	225	270	554	874	1,048	945	658	6,114
Stock Losses (1.5%)	-	393	212	52	338	-	326	358	-	285	63	385	2,413
Other/Misc	255	255	255	255	255	255	255	255	255	255	255	255	3,060
Investor Dividend	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL EXPENDITURE	11,504	47,752	33,606	16,255	30,278	10,863	36,401	54,376	15,035	33,568	41,653	36,192	367,484
NET CASH INFLOW/ OUTFLOW	5,471	-36,611	-25,100	-4,487	-16,278	17,329	7,802	-1,499	62,695	19,818	6,036	-13,372	
OPENING BALANCE	66,906	72,377	35,766	10,666	6,179	-10,098	7,231	15,033	13,534	76,229	96,047	102,082	
CLOSING BALANCE	72,377	35,766	10,666	6,179	-10,098	7,231	15,033	13,534	76,229	96,047	102,082	88,710	

Cash Flow Year 3													
	Jan 17	Feb 17	Mar 17	Apr 17	May 17	Jun 17	Jul 17	Aug 17	Sept 17	Oct 17	Nov 17	Dec 17	TOTAL
INCOME													
Invoiced Sales	9,036	7,903	9,772	16,144	16,144	46,165	61,175	61,176	45,092	24,077	19,544	29,316	345,544
VAT	1,807	1,581	1,954	3,229	3,229	9,233	12,235	12,235	9,018	4,815	3,909	5,863	69,109
Total	10,843	9,484	11,726	19,373	19,373	55,398	73,410	73,411	54,110	28,892	23,453	35,179	414,653
Sales Income Received	17,148	12,446	10,809	15,213	18,226	37,385	59,000	70,709	63,761	44,397	29,955	30,132	409,180
Shares Issued	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Loans													-
Grants													-
TOTAL INCOME	17,648	12,946	11,309	15,713	18,726	37,885	59,500	71,209	64,261	44,897	30,455	30,632	
EXPENDITURE													
Capital Expenditure													
Loan Repayments													
Stock Purchases	-	33,699	5,706	8,020	31,144	-	29,362	32,204	-	25,679	5,706	34,666	206,185
VAT on Stock Purchases			10,271	-	3,208	-	-	11,745	-	-	10,271	-	35,496
Wages (inc NI and pension contributions)	6,654	6,654	7,288	7,545	7,545	7,545	7,545	7,545	7,545	7,545	7,545	7,545	88,503
Employment Allowance Rebate	-	-	-	-	-	-	-	-	-	-	-	-	-
VAT due to HMRC		3,197			-4,929			12,483			21,744		32,494
Staff Training/Professional Memberships	-	-	208	-	52	-	286	-	21	57	-	-	624
Book-keeping/Annual Accounts	141	141	141	1,026	141	141	141	141	141	141	141	141	2,582
Travel and Subsistence	654	654	654	654	654	654	654	654	654	654	3,961	654	11,158
Office Rental/Phones	612	612	612	612	612	612	612	612	612	612	612	612	7,344
Storage	187	157	528	465	513	331	91	316	142	51	385	273	3,440
Stationery	87	87	87	87	87	87	87	87	87	87	87	87	1,040
Marketing/PR/Sponsorship	-	9,378	-	1,815	1,513	1,210	4,235	303	4,840	3,025	303	-	26,620
Sales Commissions (Fair Corp)	57	41	36	50	60	123	195	234	211	147	99	100	1,351
FT Foundation Licensee Fees	459	-	-	227	-	-	667	-	-	1,423	-	-	2,776
Insurance	-	-	-	-	-	-	-	770	-	-	-	-	770
Web Design/Hosting/Email	31	31	239	291	31	31	31	31	291	31	31	31	1,103
Ball Design	-	-	-	-	-	-	-	-	-	-	-	-	-
Online Shop	77	77	77	77	77	77	77	77	77	77	77	77	918
Bad Debtors (2%)	444	446	343	249	216	304	365	748	1,180	1,414	1,275	888	7,872
Stock Losses (1.5%)	-	505	86	120	467	-	440	483	-	385	86	520	3,093
Other/Misc	260	260	260	260	260	260	260	260	260	260	260	260	3,121
Investor Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE	9,662	55,939	26,537	21,499	41,651	11,377	45,048	68,691	16,062	41,589	52,583	45,854	436,492
NET CASH INFLOW/ OUTFLOW	7,985	-42,993	-15,228	-5,785	-22,925	26,509	14,452	2,517	48,199	3,307	-22,128	-15,222	
OPENING BALANCE	88,710	96,695	53,702	38,474	32,689	9,764	36,272	50,724	53,242	101,441	104,748	82,621	
CLOSING BALANCE	96,695	53,702	38,474	32,689	9,764	36,272	50,724	53,242	101,441	104,748	82,621	67,399	

7.6 Projected Balance Sheet

BALA SPORT BALANCE SHEET							
		<u>Opening</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Fixed assets							
At cost							
Less depreciation							
		0	0	0	0		
Current assets							
Stock		1,703	18,264	25,231	48,386	70,000	85,000
Debtors		487	16,776	15,635	21,107	25,000	30,000
Prepayments		7,673	22,767	25,679	34,666	55,000	70,000
Cash at bank		1,805	66,906	88,710	67,399	82,136	114,710
TOTAL		11,668	124,713	155,255	171,558	232,136	299,710
Current liabilities							
Creditors/accruals		5,200	424	459	500	550	18,100
VAT		-392	3,736	3,197	4,316	5,000	5,500
Loans due in less than one year							
TOTAL		4,808	4,160	3,656	4,816	5,550	23,600
Net current assets/liabilities		6,861	120,553	151,599	166,742	226,586	276,110
Long-term liabilities							
Loans due in more than one year		0	0	0	0	0	0
Total assets/liabilities		6,861	120,553	151,599	166,742	226,586	276,110
FUNDED BY							
Members' shares		0	153,500	234,500	240,500	246,500	227,500
Profit & loss account		6,861	-32,947	-82,901	-73,758	-19,914	48,610
TOTAL		6,861	120,553	151,599	166,742	226,586	276,110

Appendix

1.0 List of Directors / Biographies

Martin Meteyard (Chair), Co-operative business consultant and former Chair of Cafédirect plc and the Scottish Fair Trade Forum

Jim Lister (Secretary), Director of Fair Play arts production company

Hugh Donnelly (Treasurer), Director, Co-operative Education Trust Scotland and Secretary, Glasgow Fair Trade Co-operative

Annie Howie (Joint Managing Director), Independent business consultant, former Head of Energy Derivative Sales at Credit Lyonnais

Angus Coull (Joint Managing Director), TV production freelance and former Marketing & Communications Officer, Fairtrade Australia & New Zealand

Andrew Jenkin, Acting CEO of Supporters Direct Scotland

Martin Stepek, CEO, Scottish Family Business Association

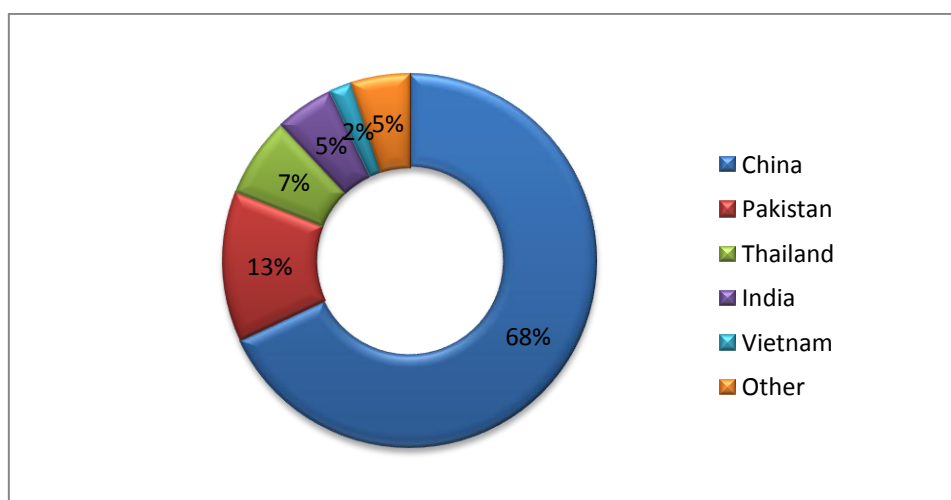
Kevin McCullough, Joint Head of Campaigns, the Fairtrade Foundation

2.0 Sports Ball Market Overview

2.1 Production

Global sports ball production is dominated by five Asian countries with 95% of the world's balls being made by China, Pakistan, Thailand, India and Vietnam. Of the remaining 5%, notable small scale producers include Mexico and Indonesia with the only European countries involved in production being Hungary and Italy.

Figure 1 *Global sports ball production share by country, 2010*



Source: ITC Trademap and Facts Figures Futures (2010).

Note: The majority of producing countries do not keep records of production figures so export values have been used on the understanding that almost all of domestic production is exported.

Up until the late 1990's Pakistan was recognised as the most significant producer of inflatable balls in the world, accounting for around 80% of the world's production. The country has lost significant market share to China over the past fifteen years with China now producing 68% of the global supply (Figure 1). This shift in production volumes between the two countries is a result of rapidly growing machine stitched balls at the cost of hand-made balls, driven by advances in manufacturing technology in China, which enables them to produce 36 machine stitched balls per day against an average of four hand stitched balls in Pakistan.

The bulk of China's increased production is for lower quality machine stitched balls. It is estimated that 20% of the world's sports balls produced are still hand-made of which 70% are made in Pakistan.

Pakistan

With a long history in football manufacture and producing 70% of the global hand-stitched balls today, Pakistan is still widely recognised as the most important sports balls producer in the world.

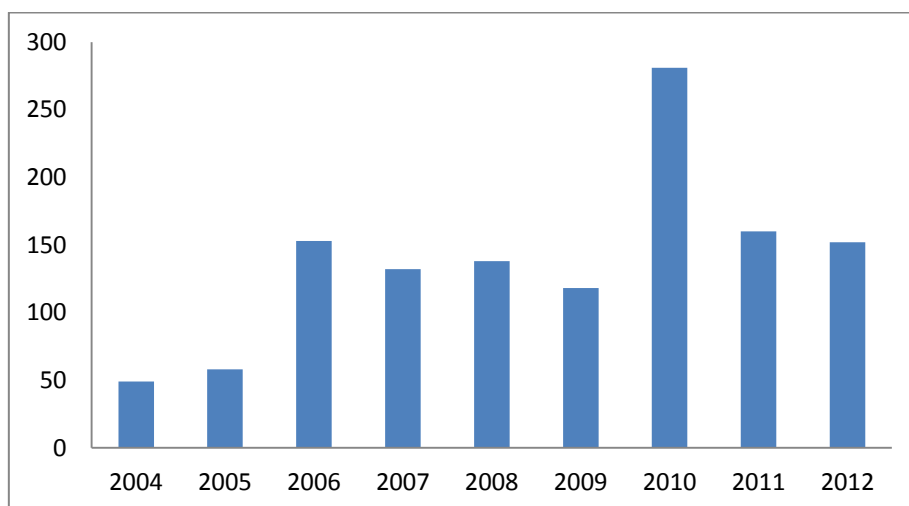
The industry is centred in Sialkot, a city in the eastern province of Punjab, where around 44,000 men and women factory workers and hand stitchers per annum are involved in the production of footballs. The ball stitchers are known for their skilled craftsmanship and their production of high quality balls. A very limited percentage of global machine stitched balls are produced in Pakistan and production of moulded balls is insignificant on the world stage.

2.2 Consumption

Global Sports Ball market

Global sports ball sales are estimated at around 60 million balls per year. Of the 60 million, around two-thirds are footballs ². Fairtrade International reported that 152,000 Fairtrade sports balls were sold in 2012 meaning that Fairtrade sports balls contribute well under 1% of the global sports ball market. Figure 2 below gives historical Fairtrade sports balls sales per year from 2004-2012.

Figure 2 Global Fairtrade Sports Ball sales 2004-2012, thousands.



Source: Fairtrade International Annual Reports 2005-2012

² BTC Trade for Development Report 2010, EU Market for Fair (and sustainable) Sports Balls.

Global sales of Fairtrade sports balls have been greater in World Cup football years relative to previous sales in both 2006 and 2010. The largest increase was over the 2010 World Cup in South Africa where sales of Fairtrade sports balls increased from 118,000 in 2009 to 282,000 in 2010, an increase of 140%. This increase in sales was aided by Fairtrade and development organisation awareness and sales campaigns in the lead up to the event. The four largest European Fairtrade sports ball consuming nations are Sweden, the UK, Germany and the Netherlands.

European Market for Sports Balls

Football has the highest participation rate of all ball sports in Europe followed some way behind by basketball, handball, volleyball and rugby. FIFA estimates that 61 million people play football in European countries regularly³. Figure 3 below shows the total number of regular football players for selected countries in Europe. Germany has by far the greatest number of participants at 16.3 million, followed by Russia at 5.8 million, Italy at 5 million and the UK and France at 4.8 and 4.1 million respectively. For figures for all European countries see appendix.

Figure 3 Football Player numbers for selected countries in Europe



Overall consumer spending on sports goods in Europe was €38.9 million in 2009. Of that, it is estimated that the UK, France, Germany and Italy consumed 58% of the total⁴. These four countries have the largest populations in the EU and also the greatest number of football participants so it is unsurprising to see that they are the top consuming nations. Figure 4 below lists the main consuming countries in the European Union.

³ FIFA website, fifa.com

⁴ Eurostat Prodcom and Facts Figures Future (2010)

Figure 4 Estimated market share of sports balls consumption, selected EU countries, 2009.

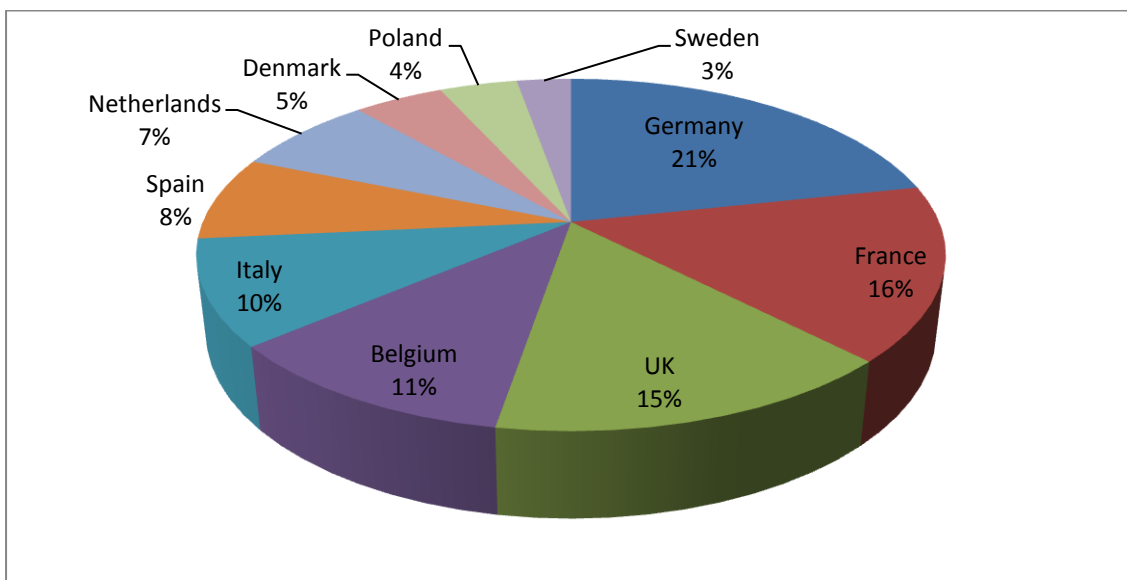
Country	Consumption Market Share
UK	15%
France	15%
Germany	15%
Italy	13%
Spain	11%
Netherlands	5%
Belgium	4%
Poland	3%
Sweden	3%
Denmark	3%
Other	15%

Source: Eurostat Prodcom and Facts Figures Future (2010)

2.3 Imports

European imports account for around 40% of worldwide sports ball imports with an estimated value of €350 million (2009). The majority of these balls are inflatable sports balls, around 80%. Germany is the single biggest importing nation in the EU, importing in the region of 20% of all sports balls to Europe. The ten largest sports ball importing nations in Europe account for 85% of EU imports and are shown below in Figure 5.

Figure 5 Leading European sports ball importing nations, 2009



Source: EU Market for Fair (and sustainable) Sports Balls, BTC Trade for Development report, 2010.

2.4 Exports

Accounting for 68% of the global production of sports balls, China is also the world's largest exporter (50%) followed by Pakistan with 10%. Within Europe there is cross border trade between countries from balls imported to the EU. A very limited number of balls are produced in Europe.

3.0 Fairtrade Sports Balls, Fairtrade International, FLO-CERT

3.1 The Atlanta Agreement

During the mid 1990's, when Pakistan was producing around 80% of the world's sports balls, product quality standards were the only standards set in the industry. Through media coverage and Non-Governmental Organisation (NGO) campaigns in the run up to the 1996 European Football Championships, the extent of child labour in the sports ball production process in Sialkot were exposed. Children as young as five were working several hours a day in dark, one room workshops stitching sports balls for global manufacturers including Nike, Adidas and Puma. To address this, manufacturers in Pakistan agreed to take part in a monitoring programme set up by the International Labour Organisation (ILO) with the aim of eliminating child labour in the sports ball manufacture process. Formally called The Atlanta Agreement and signed in 1997 by the Sialkot Chamber of Commerce and Industry, the ILO, UNICEF, large global sports ball companies and NGO's (including Save the Children) the agreement aims to improve working conditions and eliminate the use of child labour by sufficiently increasing the wage of adult workers. Production was moved from home-based stitchers to independently-monitored stitching centres. The ILO ran the programme until 2003 when the Pakistani organisation the Independent Monitoring Association for Child Labour (IMAC) was formed.⁵ The IMAC is responsible for monitoring the use of child labour as laid out in the Atlanta Agreement. Additionally, the organisation ensures minimal working conditions such as availability of drinking water, good ventilation and toilets of producers who join the programme.

3.2 Fairtrade International and FLO-CERT Certification

After researching the potential impact of Fairtrade in Sialkot, Fairtrade Labelling Organisations International (FLO) launched Fairtrade Standards for Sports Balls in 2002. Today Fairtrade International (formally FLO) is responsible for setting Fairtrade Standards and supporting producers. FLO-CERT, an independent certification company owned by Fairtrade International, inspects producers and traders to ensure they comply with Fairtrade standards. The Atlanta Agreement formed a starting point for the stipulated standards and the Fairtrade generic standard focuses on conditions and pay structure of factory workers and financial support of economic development projects for workers. Pakistan is the only producing country to have FLO-CERT registered producers and all of these are based in the town of Sialkot. Fairtrade International will only issue certification to producers that are monitored by IMAC. Upon certification, sports ball producing factories are then permitted to produce sports balls with Fairtrade labels. The standard for sports balls applies to:

- The manufacture of hand-made sports balls, which includes both stitched and moulded balls.
- All workers who carry out work in factories, stitching centres and subcontracted units where Fairtrade balls are produced.
- All work that is within the value chain of the sports ball company

⁵ EU Market for Fair (and sustainable) Sports Balls, BTC Trade for Development 2010.

3.3 Fairtrade Certified Producers and Traders

There are currently 6 certified factories, listed below in Table 1.

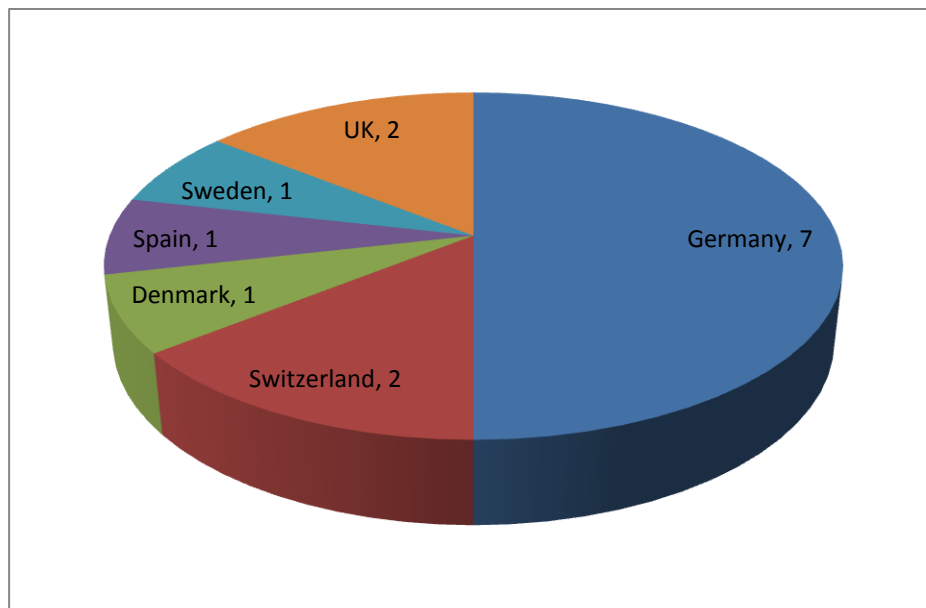
Table 1. FLO-CERT registered Fairtrade sports ball producers, 2014.

<u>Name</u>	<u>Country</u>
Ali Trading Company (Pvt) Ltd.	Pakistan
Anwar Khawaja Industries (Pvt) Ltd.	Pakistan
Leatherware Private Ltd	Pakistan
Talon Sports	Pakistan
Tramondi Pakistan	Pakistan
Vision Technologies Corporation (Pvt) Ltd.	Pakistan

Source: FLO-CERT website. www.flo-cert.com

There are a number of FLO registered traders in Europe, all of whom are certified to import and distribute Fairtrade labelled sports balls throughout Europe. In addition, The Fairtrade Foundation in the UK is responsible for certification of traders operating out of the UK. Currently there are 14 registered traders across 6 different countries. The distribution of traders by country is shown below in Figure 6. Note that Fairtrade Sports Balls Ltd is one of the two registered traders in the UK, the other being The Fair Corporation.

Figure 6. FLO-CERT and Fairtrade Foundation Certified Traders by Country, 2014



Source: Fairtrade International website

3.4 Fairtrade Premium

A Fairtrade Premium of 10% is payable on the Free on Board (FOB) ex factory price by the importer to the manufacturing factory. In addition to this, the factory may add a further premium of up to 5% on the FOB price to cover Fairtrade compliance costs. The use of the Fairtrade Premium is decided by a formal body comprising both workers and factory management. Projects initiated and financed from Fairtrade Premium payments include:

- Installation of a water purification plant which provides a community with access to clean, filtered drinking water.
- Basic Health Insurance to provide regular health checks and emergency medical treatment for workers.
- A Micro Credit Fund enabling factory workers access to loans which facilitates new small business development and reduce families' financial dependence on stitching.
- Daycare facilities for workers children.
- Purchase of bicycles for workers

3.5 Production Process and Value Chain

Football Manufacture

Available in five different sizes (Size 1-5) and five different quality specifications, footballs can be hand-stitched, machine-stitched or heat moulded. The design can be the traditional 32 panel design or an 18, 12 or 8 panel design, depending on ball size. The quality of football is dependent on the materials used and the number of layers in construction. The five quality specifications are:

1. Top Quality: Professional level balls made with high quality PU, backed with 4 polyester layers and with an interior air mattress for shape retention.
2. Premier Quality: A superior quality training ball suitable for match use and amateur clubs and schools.
3. Training Quality: A good quality training ball suitable for amateur training and school use.
4. Training Quality: A standard training ball that is official match weight but has three or less polyester layers.
5. Promo Quality: A machine stitched ball, lighter than official weight and less durable than the other four. Good for recreational use and giveaway, company promotions.

Traditionally made of leather, the majority of balls are now made with synthetic materials. The outer layer is made of Polyurethane (PU) or PVC which comes in various thicknesses. A PU layered ball produces a softer ball with better playing qualities that is not affected by the cold, PVC is used for cheaper balls. The outer layer can be 1-4 sheets thick; the more layers used the better quality of ball. The inner bladder of the ball is made from latex or butyl. Butyl is extremely airtight while latex leaks a little over time. Latex produces a much livelier ball with elasticity and bounce and provides good shape retention. For these reasons latex bladders are seen as superior and have the advantage of being cheaper to produce.

From the manufactured sheet of PU or PVC, hexagonal panels are cut out and the design is hand printed onto each panel. Once dried, all panels and the bladder are sent to the stitchers for ball construction. A good stitcher can make 3-5 footballs per day. Completed balls are fully inflated to check for faults before being deflated and packed for export. Balls are packed in boxes of 25.

Lead time for orders is typically 60 days ex-factory and for a minimum of 200 -300 (dependant on factory used) balls per design and specification. Prices are quoted in USD or Euros with payment terms of 50% or 100% payment required at time of order, dependant on factory.

High specification balls used in football leagues and professional tournaments are usually required to be FIFA Approved, FIFA Inspected or International Match Standard (IMS) balls. FIFA quality balls are put through a series of 6 tests with the FIFA Approved ball being subjected to an additional test. Tests for the balls are designed to mimic match playing conditions. IMS is an alternative to FIFA

Inspected. Footballs marked IMS have passed the quality requirements of FIFA inspected balls. At present FIFA does not permit any other logo, including Fairtrade, on a FIFA Approved or Inspected ball.

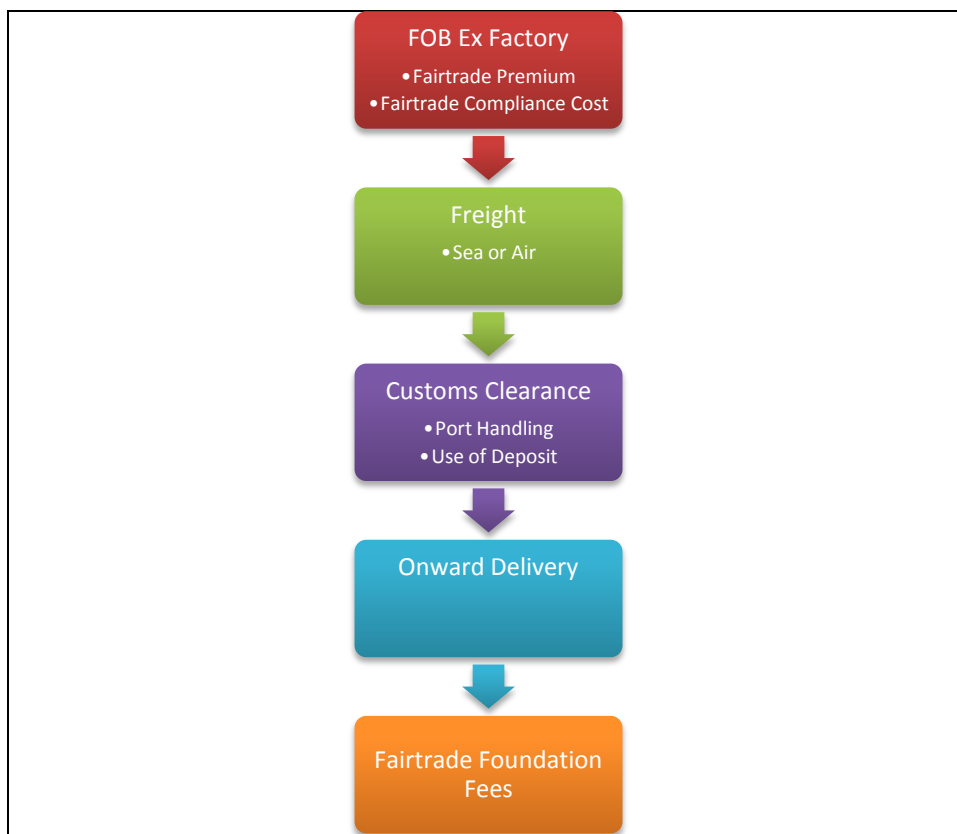
A number of other balls are available for Fairtrade certification. These include indoor footballs, Futsal, rugby, volley and netballs.

Value Chain

Manufactured balls are delivered by the factory to Karachi port for sea transport and Sialkot International Airport for air freight. Freight by sea takes 4-5 weeks and by air 5-10 days. Air Freight is considerably more expensive.

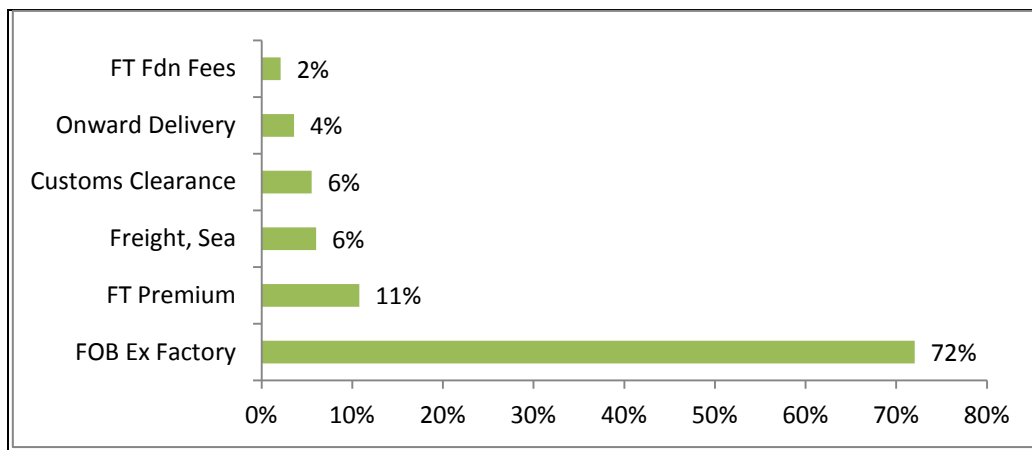
The production cost of a ball delivered to the UK can be broken down into several sections. These are listed in Figure 7 below.

Figure 7. Value chain of a Fairtrade Football.



The percentage share of each stage varies according to the specification of the ball being produced. The higher the specification and price of the ball, the greater the FOB ex factory percentage cost of the total. The Fairtrade Foundation charge a fee of 1.7% of the sales cost of balls. Cost per ball decreases with larger order sizes (over 2,500 balls) and economies of scale on freight and customs / handling charges (9,000 balls per container). Figure 8 below illustrate the percentage cost per stage of delivered price of a training ball specification for an order size of 300 balls.

Figure 8. Percentage Cost per Stage of Delivered Price of Training Ball Specification.



4.0 Fairtrade Standard for Sports Balls for Hired Labour

The complete document can be found at:

www.fairtrade.net/hired-labour-standards.html