



FAIR TRADE SPORTS BALLS LTD (trading as BALA SPORT)

OFFER DOCUMENT for the issue of shares
to a maximum value of £150,000



June 2015

INTRODUCTION

More money is pouring into sport than ever before. Yet few of the benefits reach those at the bottom – the producers of the balls on which so many sports depend.

Fair Trade Sports Balls Ltd. (trading as Bala Sport) is a new co-operative venture that plans to take Fairtrade sports balls to the same level of awareness and sales as other popular Fairtrade products such as bananas, coffee, tea, sugar and chocolate.



Our sports balls come from Fairtrade accredited factories in Sialkot, Pakistan, where both workers and the wider community benefit from the Fairtrade premium that is paid.

This offer document outlines how you can help us to achieve this goal by investing as little as £50 in our business. But we hope you will invest more if you can afford it (up to a maximum of £25,000) to enable us to reach our target of £150,000.

The initial offer closed on 31st May 2015 and the total investment raised by this date was £72,670. We have decided to extend the offer until the 31st July 2015. Our target investment level remains at £150,000.

HMRC have confirmed that UK investors will be able to set 50% of the cost of their shares against tax under the terms of the government's Seed Enterprise investment Scheme (SEIS).



BACKGROUND

Fairtrade footballs and other sports balls have been available in the UK for more than ten years, but only on a small scale with limited marketing and distribution resources.

6.7 million sports balls were sold in the UK in 2012, but of these only 17,000 (0.25%) were Fairtrade certified – whereas over 40% of sugar bags now carry the Fairtrade Mark.

The most recent importer, Fair Corporation, has now withdrawn from the retail market (we are grateful to its proprietor, Jamie Lloyd, for his support and advice in helping us to fill the gap).

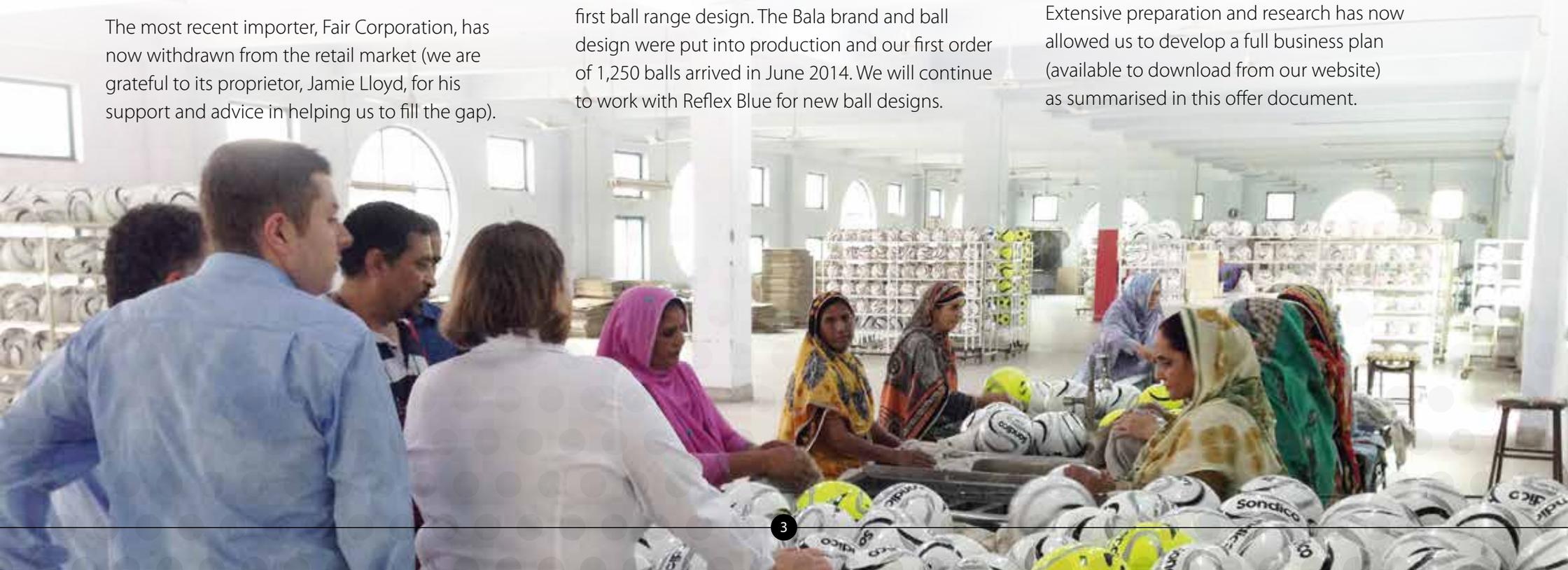
Bala Sport, the trading name of Fair Trade Sports Balls Ltd, was set up by Fairtrade and sports enthusiasts in early 2014 with the help of a grant from Glasgow City Council's Co-operative Business Development Fund which allowed initial trading.

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. We will continue to work with Reflex Blue for new ball designs.



A grant from the Scottish Fair Trade Forum enabled two directors plus representatives of Reflex Blue to visit Pakistan in August 2014 and meet with factory management and workers in Sialkot – where 70% of the world's hand-stitched balls are produced.

Extensive preparation and research has now allowed us to develop a full business plan (available to download from our website) as summarised in this offer document.



PRODUCERS

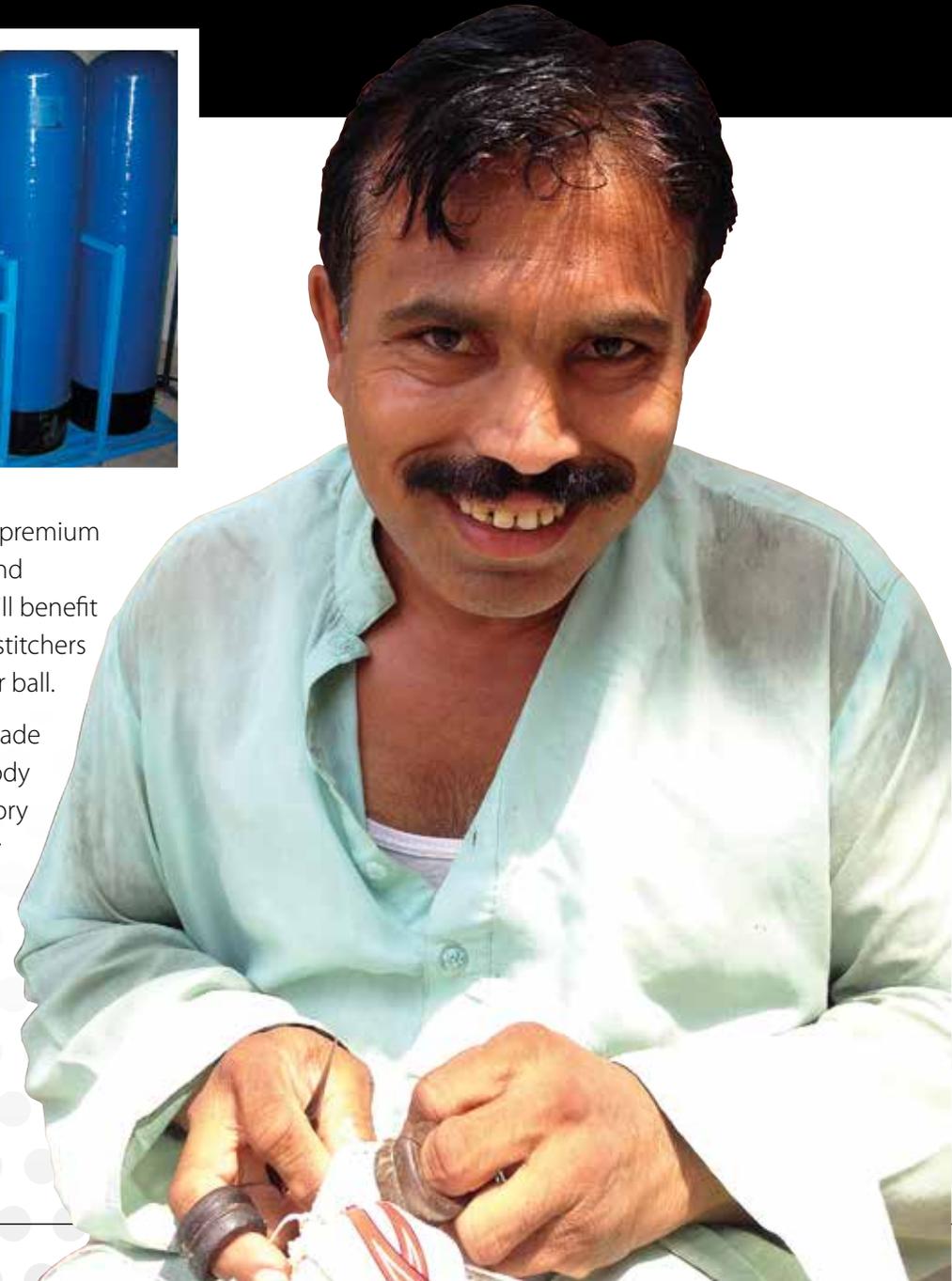
There are currently six manufacturers in the world (all in Sialkot) approved by the global licensing body FLO-CERT for the production of Fairtrade sports balls. Bala Sport is proposing to work with three of these in the first instance: Ali Trading Company (Pvt) Ltd; Tramondi Pakistan; and Vision Technologies Corporation (Pvt) Ltd.

Each of these factories has a visible and active Fairtrade Premium programme with a dedicated member of staff for Fairtrade matters, and is able to offer the full range of balls that Bala Sport will require. Working with three suppliers will also allow for increased flexibility in order size, design and specification technology.



Bala Sport will pay a 10% Fairtrade premium on all balls produced, both hand and machine-stitched. The premium will benefit all workers in the factory, with the stitchers receiving an additional amount per ball.

In each factory the use of the Fairtrade premium is decided by a formal body made up of both workers and factory management. Projects financed by Fairtrade premium payments to date include a water purification facility, health insurance and a children's day care facility.



BUSINESS PROJECTIONS

Bala Sport is projecting sales in 2015 of 20,000 balls – generating approximately £182,000 in income – with an increase of 40% in 2016 and 35% in subsequent years. These projections are regarded as conservative given the high level of awareness and support for Fairtrade products in the UK (Fair Corporation were already able to sell 17,000 balls in 2012).

Football with three different quality specifications and three different sizes (covering ages 4 and upwards) will form the main initial product range, although rugby balls and futsal balls will also be available in 2015 in limited quantities. Netballs and volleyballs will be added in 2016.

We expect the main initial markets to be Fair Trade groups and shops, community sports groups, and schools, colleges and universities (there are now almost 1,100 Fairtrade schools and over 170 Fairtrade colleges and universities in the UK). Discussions are also being held with local authorities in Scotland.

It is also anticipated there will be a market among NGOs and charities for customised promotional balls.

	2015	2016	2017	2018	2019
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
Salaries	63,578	86,768	88,503	90,273	122,079
Marketing/PR/sponsorship	22,000	24,200	26,620	29,282	32,210
Other overheads	33,709	43,947	47,235	51,435	70,714
Net profit/(loss)	(39,808)	(49,954)	9,143	53,844	78,524
Max cash requirement	86,832	160,098*	215,236*	<225,000	<225,000

* Depending on the progress made by the business, it is planned to make a further offer of shares to the value of £75,000 in 2016 to fund the additional cash requirement.

The professional game will be a harder nut to crack as most clubs are tied to sponsorship deals with big brands, although there has been some interest from semi-professional (Junior) clubs in Scotland.

There is also a potential market outside the UK, particularly in the Nordic countries (there is already a Bala customer in Finland).

Above is a summary of financial projections for 2015-19. The high cash requirement of £150,000 being sought through the issuing of community shares is due to two main factors:

- Investment in building up the business, including the employment of two full-time equivalent staff from April 2015.
- Fairtrade payment terms, which require 50% of the cost of an order to be paid when it is placed (month 1) and the other 50% when it leaves the factory (month 3) – although the balls will only arrive in the UK and be available for sale in month 4.

BRANDING

The Bala branding has been developed for us by Glasgow design agency Reflex Blue. The word Bala is Gaelic for ball, and the final 'A' is a modern twist on a Gaelic symbol meaning human development (our answer to the swoosh!). Bala also means strength in Punjabi (the language spoken by the ball stitchers).



PARTNERS

Key partners for Bala Sport in this venture alongside our suppliers and design agency will be:

- **The Scottish Fair Trade Forum**
(www.sftf.org.uk)
- **The Fairtrade Foundation**
(www.fairtrade.org.uk)
- **Supporters Direct Scotland**
(www.supporters-direct.org)

Discussions are also underway with the Homeless World Cup Foundation (www.homelessworldcup.org), which supports local and national football programmes for homeless people in 73 countries around the world. A partnership arrangement here would open up many more opportunities than are outlined in this document.



**Scottish
Fair Trade
Forum**



**FAIRTRADE
FOUNDATION**



LEGAL STRUCTURE & GOVERNANCE

Fair Trade Sports Balls Ltd (trading as Bala Sport) is registered with the Financial Conduct Authority as a community benefit society under the Co-operative and Community Benefit Societies Act 2014, registration number 2788RS.

Its objects 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 wellbeing of their users;
- educate the public about Fair Trade in general.”

Every shareholder has one vote as a member of the Society whatever the size of their investment. The Society’s rules (available on its website, www.balasport.co.uk) incorporate a statutory asset lock ensuring that its resources cannot be diverted for private benefit.

Details of the current Board who have approved this offer document can be found below. A new Board will be elected at the first AGM – to be held by the end of October 2015. Any shareholder over the age of 16 may be nominated for election to the Board, and every shareholder is entitled to cast a vote in that election.



ABOUT THE SHARE ISSUE

- The maximum share investment set by the Board is £25,000 to avoid over-dependence on any one investor, although offers of loans will also be considered.
- Each member will have one vote irrespective of the number of shares held.
- No interest is likely to be paid on shares in the first four years. Interest may be paid subsequently at the discretion of the Board.
- As this is a new business, investors will be able to set 50% of the cost of their shares against tax under the terms of the government's Seed Enterprise Investment Scheme.
- The initial offer closed on 31st May 2015 and the total investment raised by this date was £72,670. We have decided to extend the offer until the 31st July 2015. Our target investment level remains at £150,000.
- In the event of the share issue being over-subscribed, the Board reserves the right to reduce the allotment of shares from those applied for under some equitable formula.
- The value of shares of a deceased shareholder may be transferred to another person in accordance with his/her wishes.
- This is a long-term investment. Shares cannot be sold and can only be withdrawn after a minimum period of four years with three months' notice. Even this is at the discretion of the Board, having regard to the long-term interest of the Society and the need to maintain prudent reserves.
- Anyone from the age of 11 can become a member, but shares cannot be withdrawn by anyone under 16.
- The value of shares cannot increase beyond their nominal value of £10. However their value may fall if the Society makes a loss, and shares will only be repaid at the value shown in the balance sheet at that time.



THE SECURITY OF YOUR SHARES

A Community Benefit Society is registered with, but not authorised by, the Financial Conduct Authority. Therefore the money you pay for your shares is not safeguarded by any depositor protection or dispute resolution scheme.

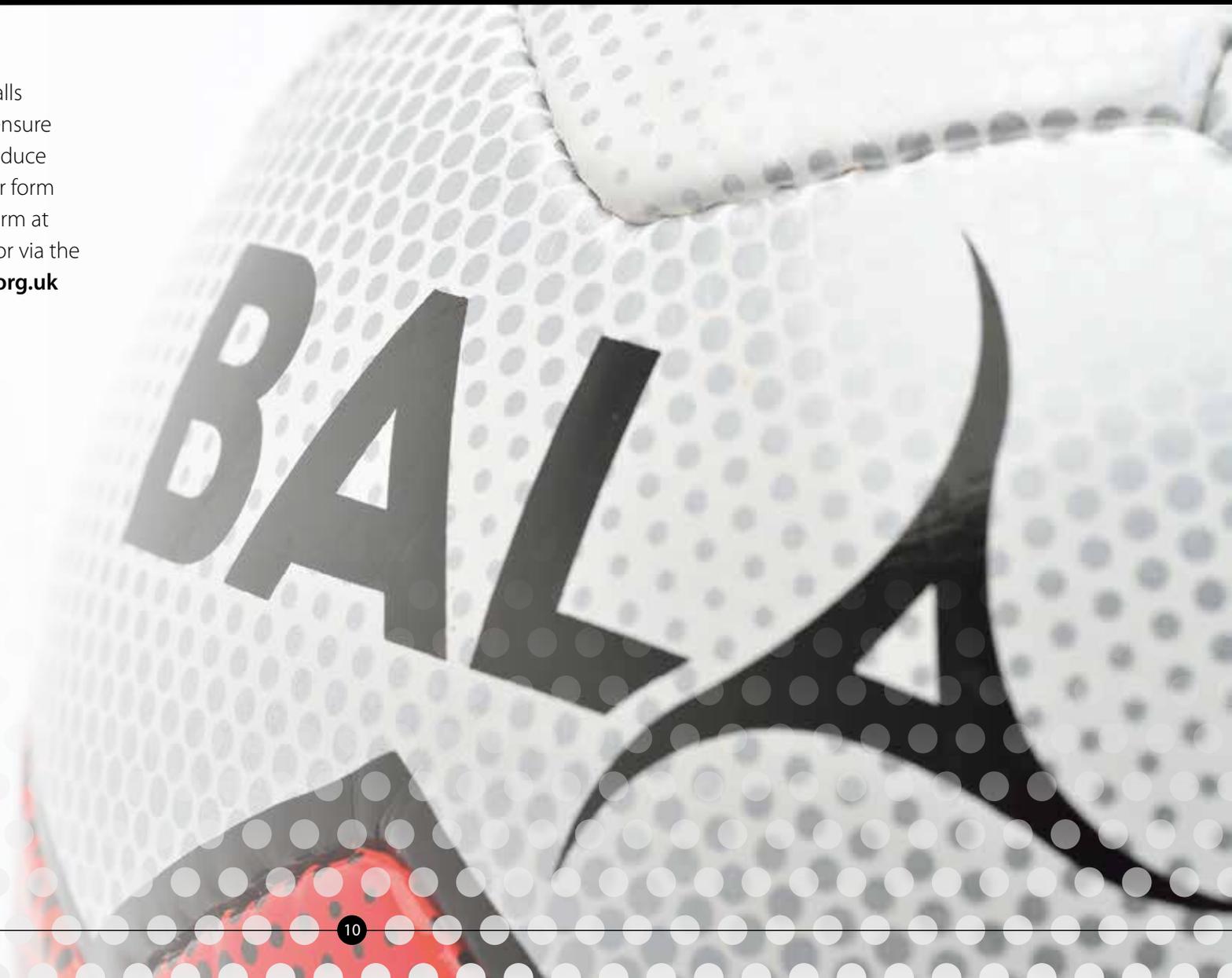
The share offer is exempt from the Financial Services and Markets Act 2000 or subsidiary regulations, which means you have no right of complaint to the Financial Ombudsman.

While the Board will do everything possible to safeguard the value of your investment while pursuing the Society's objectives, any investment in shares carries risks and you should be prepared to lose part or the whole value of your investment. The Board draws particular attention to the risk involved in the Society's overseas transactions and advance payments under Fairtrade terms.



WHAT TO DO NOW

If you would like to help us bring Fairtrade balls into mainstream sports and recreation, and ensure a better livelihood for those who work to produce them, please apply for shares using the paper form attached, the quick and convenient online form at www.balasport.co.uk/pages/share-offer, or via the Microgenius website at www.microgenius.org.uk



INFORMATION ABOUT THE DIRECTORS

This offer document has been prepared by the Directors of Fair Trade Sports Balls Ltd in their individual capacity (organisations named below are for identification purposes only), and to the best of their knowledge all information it contains is correct.

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 Pley 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

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