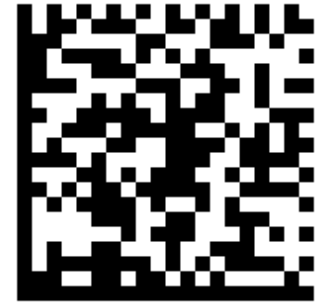




PLANTING – TRADING – DEVELOPING



SCAN ME!



BUSINESS PRESENTATION 2013



*If you plan for a decade, plant trees.
If you plan for a century, educate people.*

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BUSINESS OVERVIEW



- ✓ *946 Farmers engaged in planting and managing new cocoa farms*
- ✓ *2505 Acres (1014 hectare) cocoa farms planted in a unique shareholder system*
- ✓ *>1.000.000 \$ Turnover*
- ✓ *51 Employees*
- ✓ *12.644 farmers certified UTZ*
- ✓ *7000 farmers certified Fairtrade under Millenium Cooperative*
- ✓ *835 farmers in final stage of Rainforest Alliance Certification*
- ✓ *Supply ability of 6168 mT cocoa and 1770 mT coffee from 43.165 ha certified plantations*
- ✓ *Cocoa and coffee from 20.479 certified small scale farmers*
- ✓ *Multi Stakeholder project involving international development and finance organisations*

BALMED CORE OBJECTIVES

Balmed Holdings Ltd. is an agricultural enterprise registered in Sierra Leone since 2005. The company has 3 main business fields, which involves plantation development, trading of commodities and developing of improved livelihoods of people in rural areas.

PLANTING

TRADING

DEVELOPING



Youth planting new cocoa seedlings. (Mobai, Kailahun District)

BALMED BUSINESS FIELDS

PLANTING

- Development of new treecrop plantations with focus on cocoa, coffee & cashew
- 2505 acres of cocoa planted in eastern Sierra Leone
- Additional 5,000 acres (cocoa, coffee, cashew) will be planted till 2014
- **No Landgrabbing**
- **No Childlabour**
- The **Balmed Blockfarming System®** as sustainable investment for international development organisations and banks
- Legal land share benefits small scale farmers
- Official land documents signed by land owners, farmers, Balmed and government authorities
- Secured supply of commodities

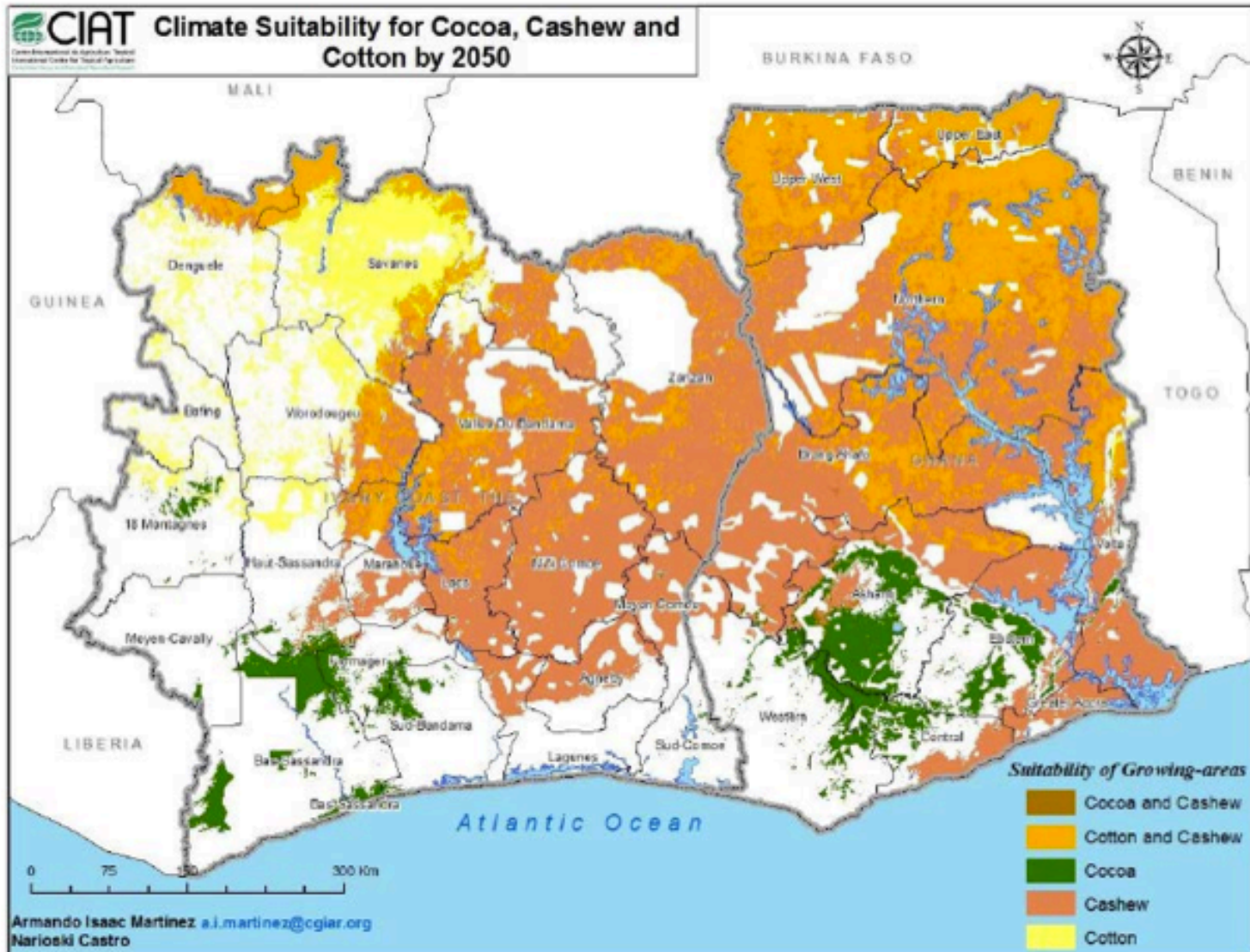
TRADING

- 14,000 farmers trained, certified and registered with the company
- Cocoa/ coffee is handled in 10 processing centers at community level (drying, fermentation, cleaning, standardising, store)
- Cocoa/ coffee is transported to central warehouse in Freetown for export
- Full traceable supply chain
- Balmed exports its products to international customers
- Secured supply from own plantations

DEVELOPING

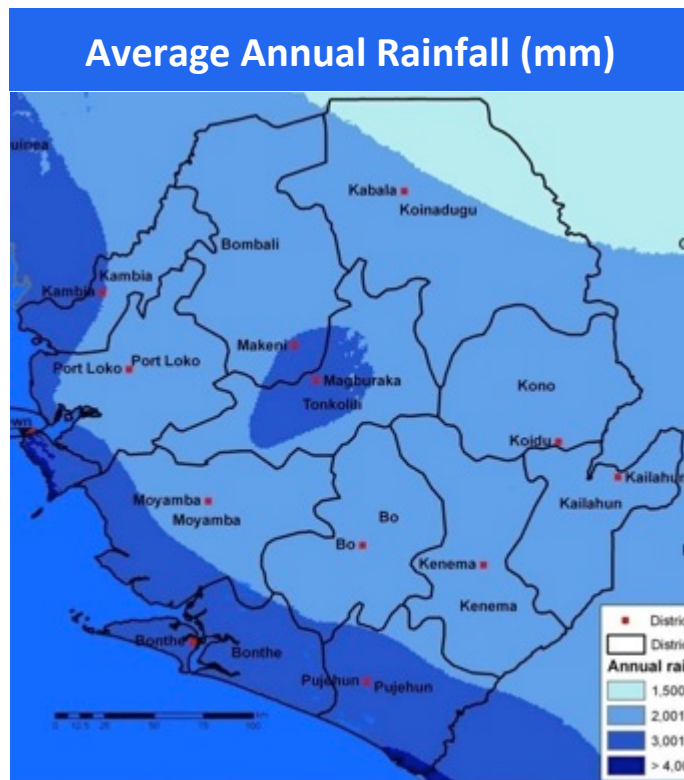
- Farmer training on GAP (Good agricultural practices)
- Development of constant income and employment in rural areas
- Functional Adult Literacy courses provided by the company to fight illiteracy
- Capacity building and infrastructure creation in rural areas for sustainable development
- Support football clubs in the provinces. (www.hawks-united.com)

CLIMATE CHANGE

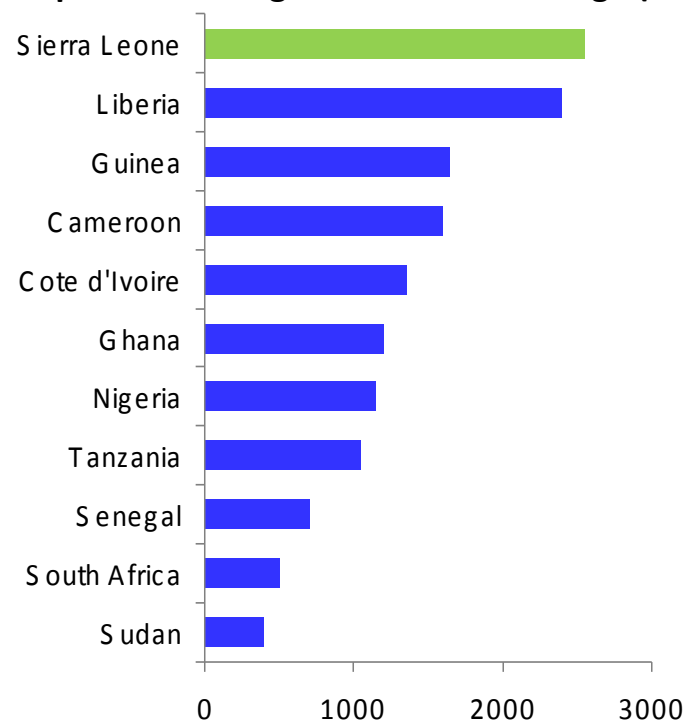


CLIMATE CHANGE

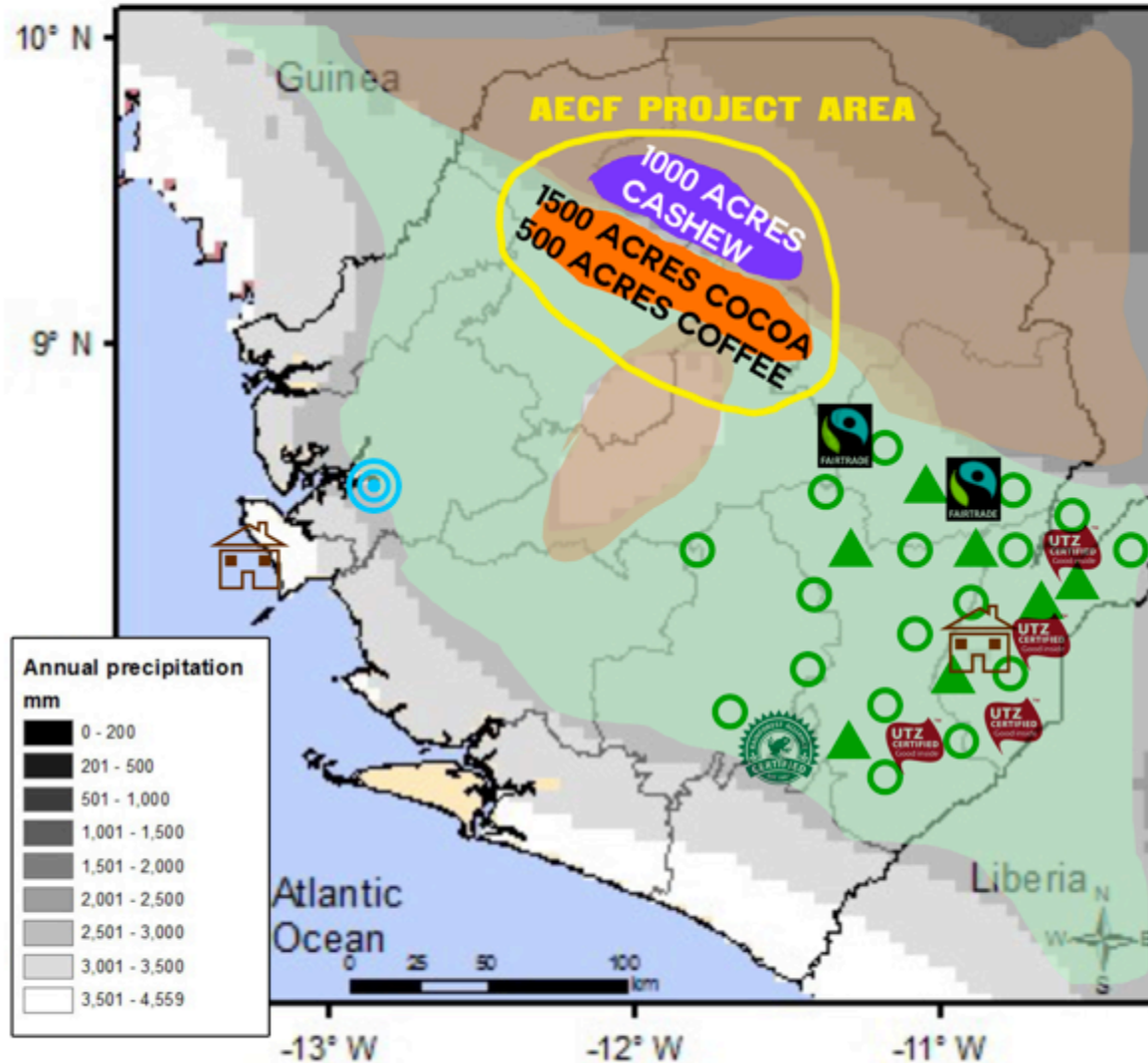
The global cocoa supply is threatened by major climate changes in the two main producing countries Ghana and Cote d'Ivoire. Compared to other West-African countries, Sierra Leone accounts for more rainfall, which is the key for cocoa and coffee production.



Total Precipitation – Long-term Annual Average (mm per year)



BALMED OPERATIONAL AREA



AECF Project implemented 2013 onwards

COMPANY STRUCTURE

Board of Directors

CEO

HEAD OFFICE

FINANCE

LOGISTICS

HR

TRACEABILITY

BLOCKFARMS

- District Manager
- Masterfarmer
- Farmer

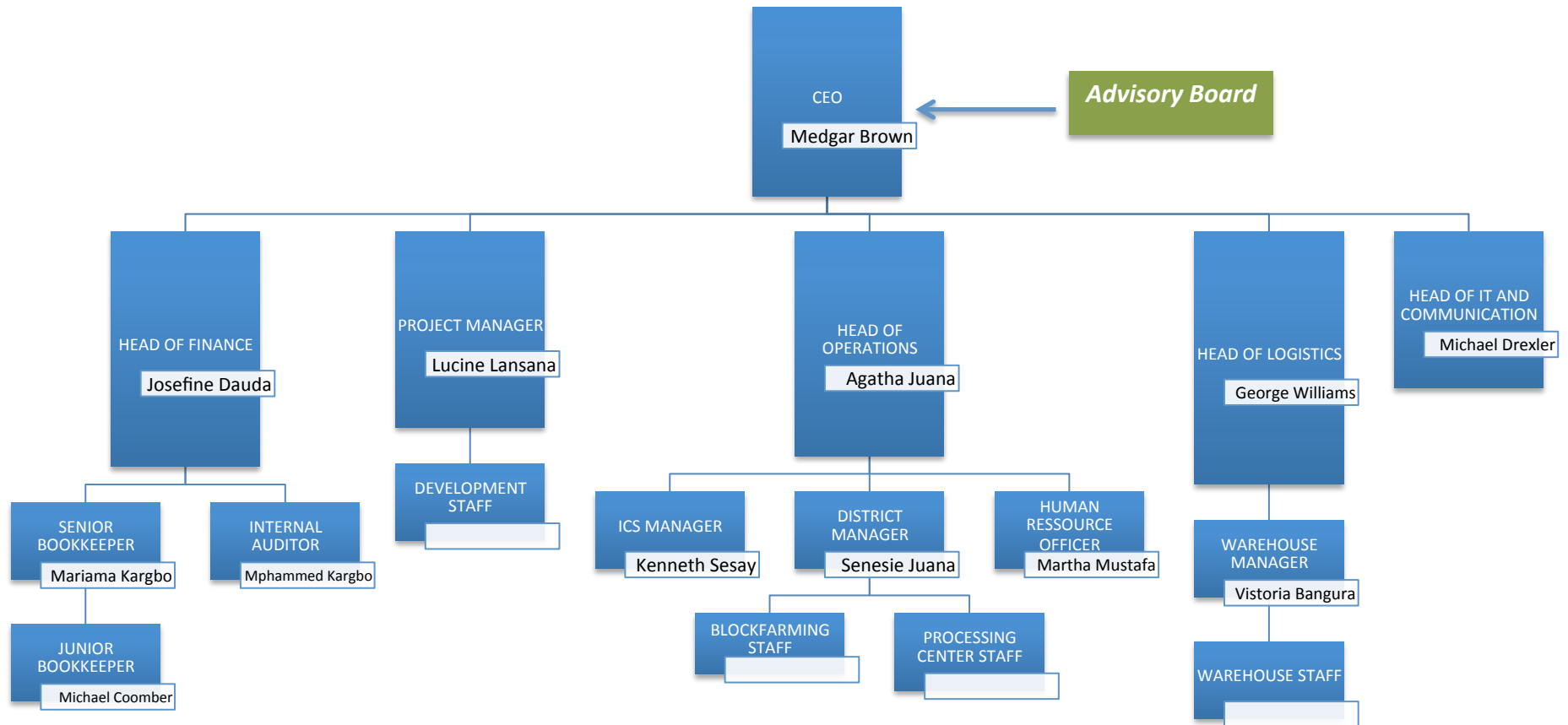
PROCESSING CENTERS

- Center Manager
- Quality Manager
- Bookkeeper
- Processor

WAREHOUSE

- Warehouse Manager
- Quality Manager
- Warehouse Assistant

ORGANIZATION CHART



MANAGEMENT

Medgar Brown – Chief Executive Officer

Medgar has over 15 years experience working in the telecom industry in the United Kingdom before establishing the cocoa and coffee business in 2005 in Sierra Leone. With no prior experience of this industry, he has built a business model which is unique to the country and capable of transforming the livelihoods of over 30,000 farmers and restoring the past glory of Sierra Leone as a major cocoa exporter to the global market.

He is working in Sierra Leone since 2002 and established a private company to trade Cocoa and Coffee in 2003.

After an unsuccessful 2 years buying Cocoa and Coffee he changed the business structure to reach scale and export quality by setting up MCGC through which he could organise farmers into groups and use donor funding to improve farmers volumes and yields. He has recently diversified into cocoa farm management and new cocoa plantations as Balmed under a PPP arrangement.

He is known by business and donor partners as being honest and hard working, with an excellent sense for business opportunities and innovations. He builds business on sound and professional advice, hence making use of his strong management and advisory team, backing him in decision making and implementation.

Lucine Kenneh Lansana – Project Manager and Deputy Manager

Lucine is 30 year old Sierra Leonean, with 9 years of professional experience mainly in the banking sector. He has a very sound experience in Commercial Banking and is since 2011, within Balmed, in charge of the Blockfarming Component and all Developmental projects, like Adult literacy programme etc. Lucine also steps in as Deputy manager. He has a Diploma in Banking and Financing Management and a Bachelor in Business Administration. Lucine was before 5 years the Head of Operations at the First International Bank, and for each one year the Site and Procurement Manager for Fajaha Construction Company, Data Entry Operator for Statistic Sierra Leone (SSL) and Account officer for the NGO Current evangelism Ministry (CEM). He started his career as Assistant Account Officer for the NGO Network Movement for Justice and Development (NMJD) (2000-2002).

Josefine Dauda – Chief Financial Officer

Josefine is a Sierra Leonean with 38 years and over 10 years working experience in international accounting. She has a CIMA-Degree from a university in UK in financial management and accounting. Josefine joined Balmed in 2013 and works as a CFO. She oversees all financials as well as investors and banking relations.

Agatha F. Juana - Operations Manager

Agatha, a Sierra Leonean from the cocoa region, is managing all operations in the 9 processing centres who report in line to her. She holds an IT Diploma, and has over 10 years experience in administration, with the international NGO International Rescue Committee (IRC), as well as with the National Center For Social Action (NaCSA). Agatha works as Operations Manager since 6 years with Balmed, based in Kenema.

George Nelson-Williams - Export Manager

George is a Sierra Leone national, 38 years old, and is responsible for overseeing all logistic matters relating to export. He has been with Balmed Holdings for the past 8 years as Admin and Finance manager, General Manager, and since 2006 as Export Manager. He is managing export operations, and the port handling issues. Before that he worked for 3 years in a management position in the tourism industry. He has a strong relationship with the Sierra Leone government, especially the Ministry of Trade and Industry as well as the shipping companies.

Michael Drexler – Head of IT and Communications

Michael is 28 years old, of German nationality and holds a Bachelor Degree from the University of Applied Sciences in Munich. His working experience includes TV and cinema productions, media production and editorials. He has been working for several major TV and Film-productions as well as international development agencies. Recent project involved cocoa, cashew and coffee value chains in Africa. His key skills are photography, filmmaking, corporate communication and IT-solutions. He has been working with Balmed since 2010 and joined Balmed fully in 2013. He is responsible for internal and external company communication, corporate appearance and IT. Michael is the project manager for the implementation of a newly developed SAP-Prototype for commodity sourcing in rural areas and link to the Quickbooks-Accounting Software for Balmed.

MANAGEMENT

Mariama Kargbo – Senior Bookkeeper

Mariama is Sierra Leonean of 36 years of age, and Finance Officer for Balmed Holdings since 2009. Before that she was Accounting officer for Sierratel, Whitex factory and Sierra Development Limited (SDG) for each 0.5 to 1 year.

Martha M.J. Mustapha – Human Ressources Officer

Martha is acting as Human Ressources Officer for Balmed since 2011. She's based in the Office in Kenema and oversees all staff contracting and casual labour contracts.

Kenneth Sesay - Internal Control System Manager

Kenneth is a 29 year old Sierra Leonean holding a Diploma in Publishing & Photocopy repairs and one in Computer and Secretariat Studies. He started with Balmed Holdings as documentation officer, progressing to an Internal Inspector for Utz/ Rainforest Alliance/ Fairtrade and Organic. Since 2011 he is in charge of the Internal Control and Management System for all certification projects of Balmed Holdings, thus assuring fully documented traceable flow of cocoa and coffee from farm and farming community to the international buyers.

Senesie Juana – Kailahun District Manager

Senesie is Sierra Leonean, 28 years old. He is qualified with a National Diploma in Public and Business. As District Manager for Balmed Holding he controls all buying and certification aspects in the Kailahun processing centers. He also oversees the establishment of new cocoa blockfarms.

Victoria Bangura – Warehouse Manager

Victoria is a 37 year old Sierra Leonean with 10 year of professional experience. She is working for Balmed Holdings managing the Export Warehouse in Freetown since 2007 until now. She was Secretary for Centerioun General Supplies in 2005, Paying Cashier for the National Commission for Disarmament Demobilization and Resettlement (NCDDR) for one year, and Secretary for the Clearing forwarding Agency Trans clear from 2001 to 2003.

ADVISORY BOARD

Phillip Stein – Finance and Investment Advisor

Phillip is a very widely experienced Chartered Accountant in professional general practice in London, England. He applies his professional skills to facilitate the growth of world trade particularly in developing nations. Exercising basic skills of analysis, fiscal control, organisation and planning as well as economic training and education, his experience includes establishing hugely profitable export industries in China in the '80s, Russia in the '90s, then the Philippines and Eastern Europe. His special long standing interests in Sierra Leone's agricultural potential stems from his family's generation's of involvement in this part of the world, and his personal desire to add value to developing situations.

Elsa Meinzer – Development & Education Expert/ Training Advisor

Elsa is an international development and education expert, working for development organisations across the globe. Elsa has 30 years of working experience in the field of vocational and adult training. Elsa has worked more than 3 years in Sierra Leone, he recently was employed by GIZ in Afghanistan. She advises Balmed in all educational and vocational training issues arising in the project.

Ralph Lynch – Business Expansion Advisor

Ralph Lynch is a Scottish born, US based businessman who has been working with and advising Balmed since 2007. Ralph has a 25 year career in the international advisory and investment fields working with a number of leading investment banking and private equity firms in Europe and the US. His previous positions include Head of Mergers & Acquisitions for Lehman Brothers in Europe, Head of Cross Border Mergers and Acquisitions for Credit Suisse based in New York, and Head of the New York office for the leading private equity firm, Sun Capital Partners, Inc. Ralph has been involved in a number of award winning mergers and acquisitions transactions during his career and has been an invited speaker at the Harvard Business School and the Wharton Club of New York. Ralph now provides investment advice to a select number of emerging companies and supports various charitable organizations in his adopted home town of Greenwich, Connecticut.

Abel Onomake – Architect/ Infrastructure and Logistics Advisor

Abel is a Nigerian architect. He is one of the Directors of his private company IDEAD Ltd. in Sierra Leone. He has 22 years of experience as architect, and worked for Aprofem, a contractor in hotels construction (e.g. Hilton Abuja). He is the president of the Nigerian community in Sierra Leone, and the PRO for Sierra Leonean Institute of Architects. Abel holds and MSc in architecture from Ife University in Nigeria.

Franz Moestl – Agronomist / Agricultural Advisor

Franz is project manager for the tree crop project by the German NGO Welthungerhilfe financed through the German International Cooperation / GIZ. Franz has over 25 years experience with companies and international organisations specialised in the agricultural production and smallholder farm management. His working experiences are in Europe, Latin America/ Argentina, Asia/ Laos and in Africa, with more than 5 years working on cocoa and coffee in Sierra Leone. He holds and MSc in Agronomy from Germany.

PLANTING

*Securing supply by setting up
new plantations*



BALMED BLOCKFARMING SYSTEM

The **Balmed Blockfarming System**® combats the low productivity of current cocoa farming in Sierra Leone. Balmed leases community land, with an agreed shareholding model, which allows controlled investment, and gives gradually ownership back to landowners and youth working on the land.

1,500 acres were planted in 2010/11 and 2012 in 4 locations, with best results, and an increased demand from cocoa growing communities. Land lease agreements are in place and under way for an additional 10,000 acres. These can be developed with a staggered investment of \$5 million, at an annual interest rate of 8 – 12%, assuming a 50% co-funding by development organizations

The **Balmed Blockfarming System**® attracts the first year an investment of more than USD 400,000, and the 2nd and 3rd year an additional USD 100,000 for Balmed (as then the youth farmers and landowners will have already part of the total income. These costs can be recovered by the investing company through the shares from intercrop and cocoa only after about 5 years. Hence a public risk sharing through development oriented investors is necessary, to make the social investment in this fair and long-term sustainable land use model viable.

Youth participating in the **Balmed Blockfarming System**® will have from the second year onwards a **minimum of USD 100 / acre**, and **from the 4th year onwards about USD 190 / acre**. This translates per youth with 4 acres to an **annual net income of about USD 750**, after having deducted farm maintenance costs and management costs.

The landowners income will raise from the second year onwards to about USD 90 / acre over the years.



BALMED BLOCKFARMING SYSTEM

Executive Summary

The **Balmed Blockfarming System**® is a landuse model for a fair and longterm partnership between landowners, landusers and Balmed Holding. Balmed takes the initial risk and investment in developing the farms for a productive use, and therefore has the purchasing guarantee during the period of the lease agreement from all farms involved in the Blockfarming System.

To start off, written agreements are put in place between a) the community and the land owners; b) the youths interested in farming business and the company and the land owners. The legal right to the land of the plantations will be held by the company for a period of 20 years unless otherwise agreed with the community. The company will be responsible for all the inputs (tools, poly bags etc) and the general management of these 'farm management groups', training and knowledge transfer and transparent record keeping. The youths will form groups, deciding on the manageable size for nursery and farms. They also decide on the average acreage per member, with a suggestion of minimum 4 acres per youth, which is needed for sufficient longterm income.

The GPS measured plantations will be managed by the company for a determined period and then handed over to a local management committee. This is to guarantee a professional management and knowledge transfer at the beginning, until the youths farmers have acquired all necessary skills to do so.

The model implementation follows the crop calendar – starting the nurseries in December and January, passing on to land preparation, for outplanting from May onwards. After that, there will be an annual maintenance of the farms with underbrushing, shade management and in later years also adding pruning. For a close quality management and traceability, all plantations under the **Balmed Blockfarming System**® are placed under one of the International certifications (UTZ, organic, Rainforest Alliance, Fair Trade). Thus premiums of up to USD 200/ton shall be attracted.

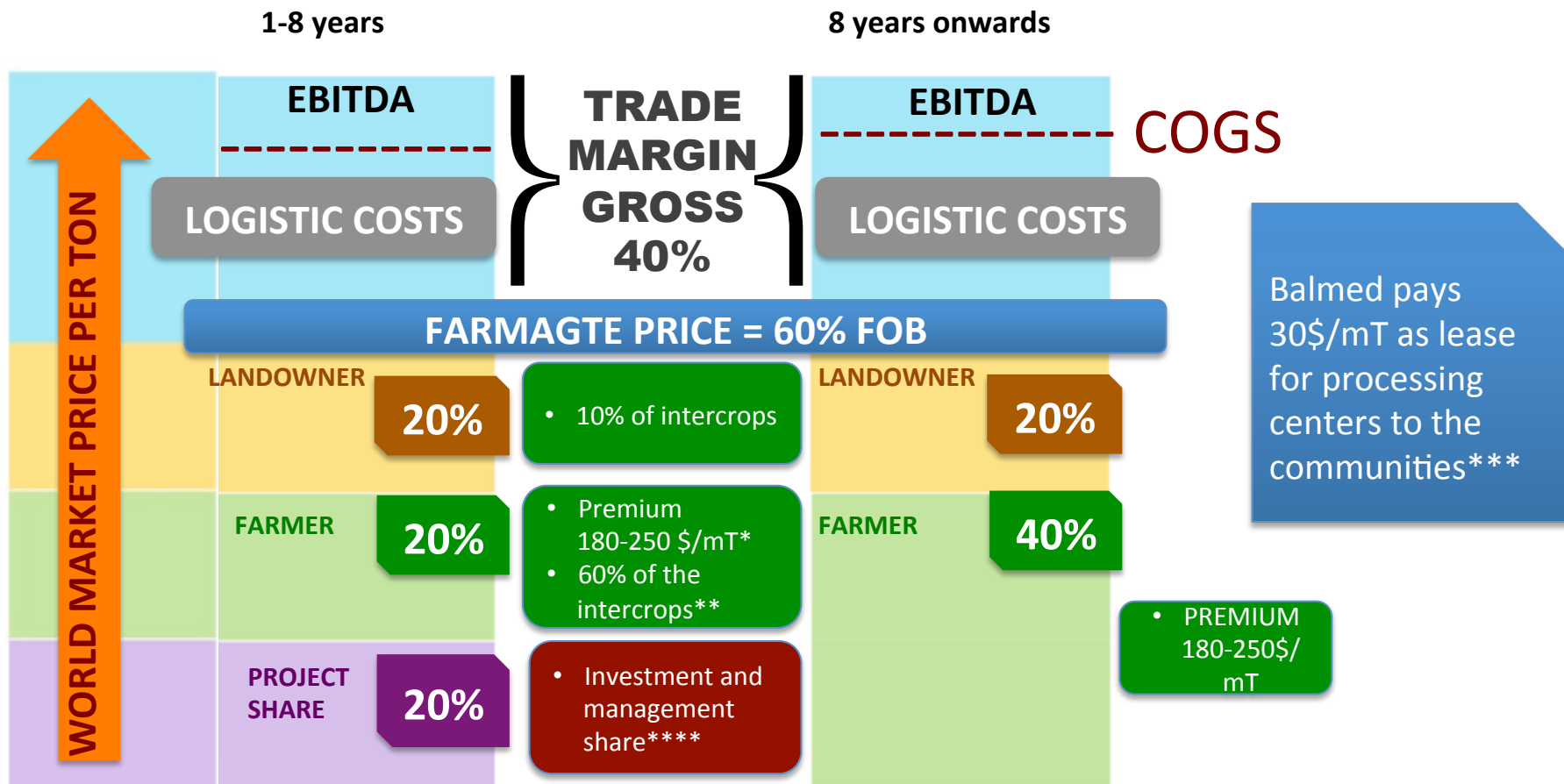
The harvested cocoa will be shared 1/3rd each - land owners/community, youths and the company - after directly attributed costs respectively. The management costs are fully covered by the company. After 8 years the 1/3 share by the company will be handed over to the youths – together with the management responsibility going to the management committee trained and functional by then. The intercrop (plantain or pineapple) will be shared 60% to youths, 10% to landowners and 30% for the company.

Costs and Benefits

The overall costs for 1,000 acres of new plantations are about US\$ 700.000.

The **Balmed Blockfarming System**® assures a long term sustainable employment for young farmers. 49% of the overall income goes to them. This translates to more than USD 100 / acre in the second and third year, and later on an estimated USD 190 / acres, i.e. Over USD 750 per youth farmer – this after deducting the maintenance costs for the farm from the 4th year onwards, and including management costs from the 9th year onwards. The landowner have a share of 23%, or USD 90 / acre. Balmed taking a share in the crop initially, later makes its income through the margin on cocoa trading from the farms. The risk of the company is however that the initial investment will only be paid off after minimum 5 years, if there is no other financing contributions; and paid off after 3 years, assuming a 50% share of the investment costs by development partners.

BLOCKFARMING STAKEHOLDER BENEFITS: COCOA (LOCAL VARIETY)



Blockfarming Lease Agreement for 25 years

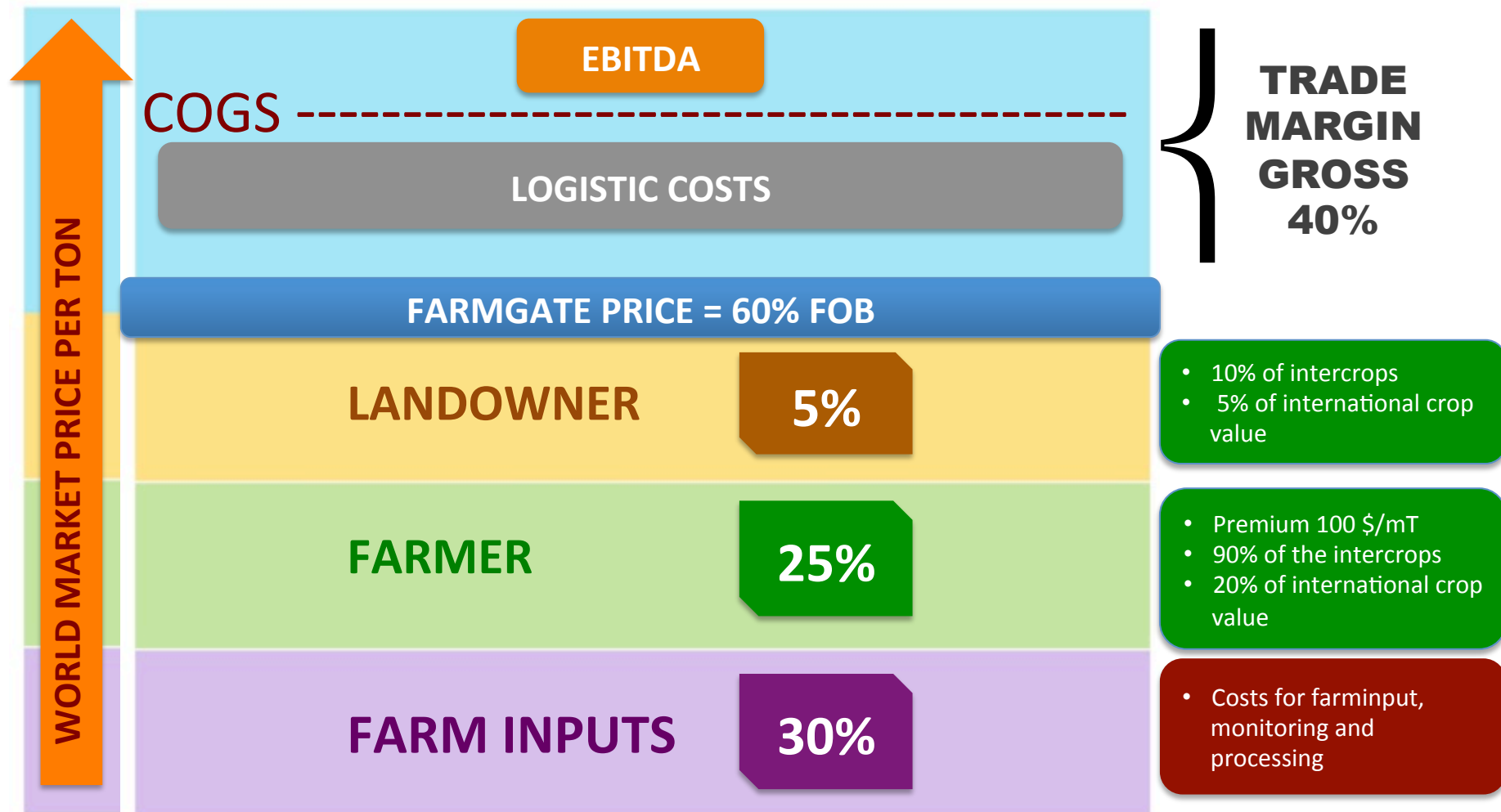
*Premium for certified commodities from the 4th year onwards

** The remaining 30% intercrop is used for staff catering

*** The lease amount shall be used for community development purposes

**** The management and investment share is part of Balmed's exit strategy and will be handed over to the youths after the 8th year.

BLOCKFARMING STAKEHOLDER BENEFITS: HYBRID COCOA/GAP



Blockfarming Lease Agreement for 40 years

DIRECT FARMER BENEFIT: COCOA (LOCAL VARIETY/GAP)

BLOCKFARMING (Local/GAP): INCOME FOR FARMER WITH 4 ACRES (1,6 HECTARS, NO INTERCROPS, Year 4-8)

Crop	<i>Cocoa (Theobroma cacao)</i>								
Est. yield per hectare in kg	700								
World Market Price		\$2.500,00							
Certification Premium		\$250,00							
VALUE PER HA		CERTIFICATION PREMIUM		AVERAGE FARMSIZE OF FARMER (HA)		BLOCKFARMING SHARE		FARMER BENEFIT PER YEAR	
\$1750,00	+	\$83,33	x	1,6	x	20%	=	\$586,67	
Income for farmer per day									
		\$1,61							
Effective income for farmer per day (130 labour days)									
		\$4,51							

Full Maturity period of local cocoa variety in Sierra Leone.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year8	Year 9	Year 10
Maturity	0%	0%	0%	0%	13%	33%	68%	92%	100%	100%

Farmer Income

\$161,59 \$73,64 \$114,55 \$114,55 \$76,27 \$193,60 \$298,93 \$539,73 \$1173,33 \$1173,33

From the 9th year onwards, a farmer will have a stable income of \$ 1173,33/4acres for min. 20 years more! From year 8 to 9, the amount increases significantly, through the handover of shares from BHL to the farmers.

Notes: The income in the 1st to the 4th year is payment to farmers from BHL for brushing and pruning (farmmanagement). Part of it will be paid in rice throughout the World Food Programm.(WFP)

DIRECT FARMER BENEFIT: COCOA (HYBRID VARIETY/GAP)

BLOCKFARMING (Hybrid/GAP): INCOME FOR FARMER WITH 4 ACRES (1,6 HECTARS, NO INTERCROPS)									
Crop	<i>Cocoa (Theobroma cacao)</i>								
Est. yield per hectar in kg	1080								
World Market Price	\$2.500,00								
Certification Premium	\$250,00								
VALUE PER HA		CERTIFICATION PREMIUM		AVERAGE FARMSIZE OF FARMER (HA)		BLOCKFARMING SHARE		FARMER BENEFIT PER YEAR	
\$2.700,00	+	\$83,33	x	1,6	x	25%	=	\$1113,33	
Income for farmer per day									
\$3,05									
Effective income for farmer per day (130 labour days)									
\$8,56									

Full Maturity period of hybrid cocoa variety in Sierra Leone.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year8	Year 9	Year 10
Maturity	0%	0%	13%	33%	68%	92%	100%	100%	100%	100%
Farmer Income	\$161,59	\$73,64	\$144,73	\$367,40	\$757,67	\$1024,27	\$1113,33	\$1113,33	\$1113,33	\$1113,33

From the 7th year onwards, a farmer will have a stable income of \$ 1113,33/ha for min. 20 years more!

Notes: The income in the 1st to the 2nd year is payment to farmers from BHL for brushing and pruning (farmmanagement). Part of it will be paid in rice throughout the World Food Programm.(WFP)



BLOCKFARMING: COCOA (LOCAL VARIETY/GAP)

Cocoa - traditional															
1. Yield per acre		= 4 years after planting													
year			1	2	3	4	5	6	7	8	9	10	11	12	
% yield	%		0%	0%	0%	13%	33%	68%	92%	100%	100%	100%	100%	100%	
100% yield	kg/ hectare	700													
	kg/acre 4046m2	283	283	283	283	283	283	283	283	283	283	283	283	283	
net yield	kg/acre		0	0	0	37	93	193	261	283	283	283	283	283	
			2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
2. Acres		new plants	1.000	500	1.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000
		total	0	1.000	1.500	2.500	4.500	6.500	8.500	10.500	12.500	14.500	16.500	18.500	20.500
3. Total yield		kg													
		planted													
		2010				0	0	0	0	0	0	0	0	0	0
		2011					36.819	93.463	192.590	260.562	283.220	283.220	283.220	283.220	283.220
		2012						18.409	46.731	96.295	130.281	141.610	141.610	141.610	141.610
		2013							36.819	93.463	192.590	260.562	283.220	283.220	283.220
		2014								73.637	186.925	385.179	521.125	566.440	566.440
		2015									73.637	186.925	385.179	521.125	521.125
		2016										73.637	186.925	385.179	385.179
		2017											73.637	186.925	186.925
		2018													73.637
TOTAL		kg	0	0	0	0	0	36.819	111.872	276.140	523.957	866.653	1.331.134	1.874.916	2.441.356
		MT	0	0	0	0	0	37	112	276	524	867	1.331	1.875	2.441
of which planted 2010-2013 (20/20/20 contracts)		MT	0	0	0	0	0	37	112	276	450	606	685	708	708
of which planted 2013 onwards (5/25/30 contracts)		MT	0	0	0	0	0	0	0	0	74	261	646	1.167	1.733
total		MT	0	0	0	0	0	37	112	276	524	867	1.331	1.875	2.441

BLOCKFARMING: COCOA (HYBRID VARIETY/GAP)

Cocoa - hybrid														
1. Yield per acre		= 3 years after planting												
year			1	2	3	4	5	6	7	8	9	10	11	12
% yield	%		0%	0%	13%	33%	68%	92%	100%	100%	100%	100%	100%	100%
100% yield	kg/ hectare		1.000											
	kg/acre	4046m2	405											
			405	405	405	405	405	405	405	405	405	405	405	405
net yield	kg/acre		0	0	53	134	275	372	405	405	405	405	405	405
2. Acres														
		2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
acres	new plants	1.000												
	total	0	0	0	0	1.000	2.000	3.000	4.000	5.000	6.000	7.000	8.000	9.000
3. Total yield		kg												
	planted													
	2010				0	0	0	0	0	0	0	0	0	0
	2011					0	0	0	0	0	0	0	0	0
	2012						0	0	0	0	0	0	0	0
	2013							0	0	0	0	0	0	0
	2014								52.598	133.518	275.128	372.232	404.600	404.600
	2015									52.598	133.518	275.128	372.232	404.600
	2016										52.598	133.518	275.128	372.232
	2017											52.598	133.518	275.128
	2018												52.598	133.518
	TOTAL	kg	0	0	0	0	0	0	52.598	186.116	461.244	833.476	1.238.076	1.590.078
		MT	0	0	0	0	0	0	53	186	461	833	1.238	1.590

BLOCKFARMING: REVENUES OF STAKEHOLDERS

				2012 -	2013 -	2014 -	2015 -	2016 -	2017 -	2018 -	2019 -	2020 -
				2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue		Units										
Product A - Cocoa traditional												
Volume		MT		0	0	37	112	276	524	867	1.331	1.875
Unit price		USD		2.560	2.560	2.560	2.560	2.560	2.560	2.560	2.560	2.560
Sales revenue		USD		0	0	94.256	286.392	706.917	1.341.330	2.218.632	3.407.703	4.799.786
Product B - Cocoa hybrid												
Volume		MT		0	0	0	0	53	186	461	833	1.238
Unit price		USD		2.560	2.560	2.560	2.560	2.560	2.560	2.560	2.560	2.560
Sales revenue		USD		0	0	0	0	134.651	476.457	1.180.785	2.133.699	3.169.475
Product C - Coffee												
Volume		MT		0	0	0	0	0	0	37	93	193
Unit price		USD		2.200	2.200	2.200	2.200	2.200	2.200	2.200	2.200	2.200
Sales revenue		USD		0	0	0	0	0	0	81.001	205.618	423.697
Total Sales				0	0	94.256	286.392	841.568	1.817.787	3.480.418	5.747.019	8.392.958
Cost of Sales												
Product A - Cocoa traditional												
Revenue share landowner - planted 2010-13		%	20%	0	0	18.851	57.278	141.383	230.564	310.318	350.921	362.522
Revenue share farmer - planted 2010-13		%	20%	0	0	18.851	57.278	141.383	230.564	310.318	350.921	362.522
Revenue share farmer - planted 2013 onw		%	5%	0	0	0	0	0	9.426	33.352	82.655	149.359
Revenue share landowner - planted 2013 onw		%	25%	0	0	0	0	0	47.128	166.760	413.275	746.794
Total				0	0	37.702	114.557	282.767	517.681	820.749	1.197.771	1.621.197
Product B - Cocoa hybrid												
Revenue share landowner		%	5%	0	0	0	0	6.733	23.823	59.039	106.685	158.474
Revenue share farmer		%	25%	0	0	0	0	33.663	119.114	295.196	533.425	792.369
Total				0	0	0	0	40.395	142.937	354.235	640.110	950.842
Product C - Coffee												
Revenue share landowner		%	5%	0	0	0	0	0	0	4.050	10.281	21.185
Revenue share farmer		%	25%	0	0	0	0	0	0	20.250	51.404	105.924
Total				0	0	0	0	0	0	24.300	61.685	127.109
Total cost of Sales				0	0	37.702	114.557	323.162	660.618	1.199.285	1.899.566	2.699.148
Gross Margin				0	0	56.553	171.835	518.406	1.157.169	2.281.133	3.847.453	5.693.810

Block Farming - key figures

		2012 - 2013 USD 1,000	2013 - 2014 USD 1,000	2014 - 2015 USD 1,000	2015 - 2016 USD 1,000	2016 - 2017 USD 1,000	2017 - 2018 USD 1,000	2018 - 2019 USD 1,000	2019 - 2020 USD 1,000	2020 - 2021 USD 1,000
General										
Acreage planted - cocoa (year)	acres	1.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000
Acreage planted - coffee (year)	acres	0	0	1.000	0	0	0	0	0	0
Investments plantation - gross	USD 1,000	232	652	882	858	921	921	874	874	874
Less: grants	USD 1,000	-225	-615	-510	-290	-20	-20	-20	-20	-20
Investments plantation - net	USD 1,000	7	37	372	568	901	901	854	854	854
Yield - cocoa	MT	0	0	37	112	329	710	1.328	2.165	3.113
Yield - coffee	MT	0	0	0	0	0	0	37	93	193
Profit and loss account										
Trading volume - cocoa	MT	0	0	37	112	329	710	1.328	2.165	3.113
Trading volume - coffee	MT	0	0	0	0	0	0	37	93	193
Sales revenue - total		0	0	94	286	842	1.818	3.480	5.747	8.393
Revenue share landowners/farmers		0	0	-38	-115	-323	-661	-1.199	-1.900	-2.699
Gross margin		0	0	57	172	518	1.157	2.281	3.847	5.694
Other income		3	3	7	11	33	71	136	226	331
subtotal		3	3	63	183	551	1.228	2.418	4.073	6.024
Cost of plantation		-124	-144	-184	-144	-157	-189	-256	-347	-445
Cost of logistics/trade		0	0	-14	-42	-123	-266	-512	-847	-1.240
Overhead		-40	-140	-130	-156	-184	-215	-248	-284	-325
EBITDA		-161	-281	-264	-159	87	558	1.402	2.595	4.015
Depreciation		-20	-30	-39	-48	-53	-59	-77	-106	-144
Interest and related costs		-18	-54	-124	-229	-373	-507	-590	-616	-558
Result before tax - gross		-199	-365	-427	-436	-339	-8	735	1.873	3.312
Contribution from Trading		50	100	100	100	100	100	50	0	0
Result before tax - net		-149	-265	-327	-336	-239	92	785	1.873	3.312
Corporate income tax		0	0	0	0	0	0	0	-430	-994
Net result		-149	-265	-327	-336	-239	92	785	1.443	2.319
Split between 'farming' and 'trading'										
Farming - result before tax		-129	-201	-298	-356	-401	-340	-89	412	1.162
Trading - result before tax		-20	-64	-30	20	162	432	874	1.461	2.150
Total - result before tax		-149	-265	-327	-336	-239	92	785	1.873	3.312
Balance sheet end of year (31 July)										
Plantation		278	299	651	1.195	2.067	2.933	3.741	4.525	5.275
Other tangible fixed assets		43	53	82	97	131	143	171	184	200
Stocks/debtors/creditors		0	0	11	32	94	204	390	644	940
Cash		16	20	6	3	31	1	33	42	4
total		337	371	750	1.327	2.324	3.281	4.334	5.394	6.418
Shareholders' equity		-149	-414	-741	-1.077	-1.316	-1.224	-439	1.004	3.323
Director's capital/loan account		285	285	285	285	285	285	285	285	285
Long term loans		200	500	1.200	2.100	3.300	4.100	4.250	3.700	2.200
Trade finance - balance		0	0	6	18	54	120	238	405	610
		337	371	750	1.327	2.324	3.281	4.334	5.394	6.418
Cash flow										
Net operating cash flow		-182	-338	-402	-409	-348	-58	626	1.295	2.167
Net investment cash flow		-325	-751	-930	-896	-981	-958	-932	-923	-930
Net financing cash flow		523	1.093	1.319	1.303	1.356	986	338	-363	-1.275
Total		16	4	-14	-3	27	-30	32	9	-38
Other										
Trade finance required - gross (before use of excess cash)		0	0	28	86	252	545	1.068	1.786	2.645

RATIONALE FOR THE BALMED BLOCKFARMING SYSTEM

The yield surveys on old and new plantations show that new farms produce per acre up to 5 times more compared to the old farms. This yield survey is based on statistics from **FAO**, **WELTHUNGERHILFE** and **GIZ**.

UP TO 506 % INCOME INCREASE FOR SMALL SCALE FARMERS

FARMER INCOME OVER 10 YEARS (Y1-Y10)

LOCAL COCOA	3919,52 \$
HYBRID COCOA	6982,62 \$

YIELD COMPARISON BETWEEN OLD AND NEW FARMS

	OLD FARMS	NEW FARMS	HYBRID FARMS
Cocoa harvested in kg/ha	184	700	1080
Total cocoa yield in tons	6168	710	*
Area in ha	43165	1014	*

Note: BHL will plant hybrid variety from 2014 onwards

Annual farmer income when trees are majured (1,6 ha farmsize/4acre)

NEW PLANTATIONS



OLD PLANTATIONS

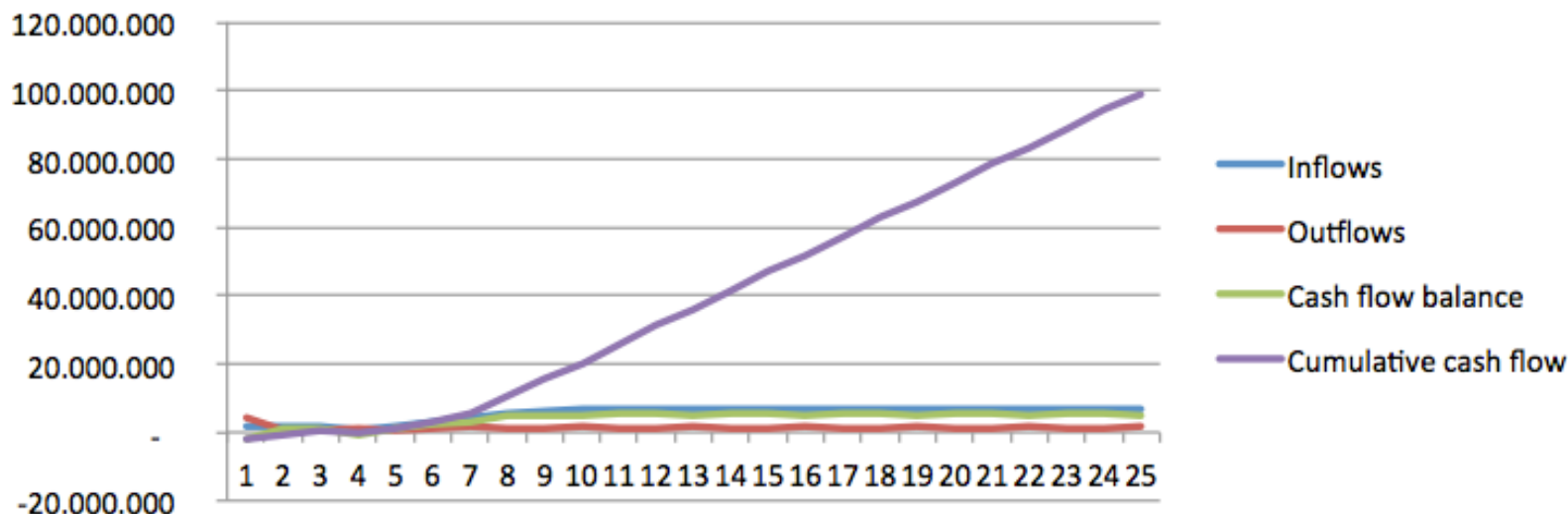
Assumptions for hybrid variety plantations

INVESTMENT IN PLANTATIONS

This chart shows the **Net Present Value** of **1 hectare (ha)** cocoa plantations in Leones (SLL)@ **2.500 \$** Worldmarket Price . The dollar equivalent for 8 years is **1.374 \$** and **7.342 \$** for 25 years @ 8% interest rate) Balmed is currently proofing a valuation of the plantations according to **IAS 41** as bearer of biological assets (BBA) and the crop as consumable biological asset (CBA).

Net Present Value (NPV)	SLL	5.907.762	8 Years
Internal Rate of Return (IRR)		55%	8 Years
Net Present Value (NPV)	SLL	31.572.113	25 Years
Internal Rate of Return (IRR)		63%	25 Years

This chart shows the **Cashflows** of **1 hectare (ha)** cocoa plantations in Leones (LE). (Exchange-Rate: 1 \$ = 4300 Leones



INVESTMENT CASE: BALMED BLOCKFARMING SYSTEM®



Total accumulated costs and net income for investment in 10,000 acres

Developing 10,000 acres under **Bamed Blockfarming System®** requires an overall investment amount of USD 6.2 million (see red dotted line), calculating a 8% interest rate on the investment. Targeting 2,000 acres of new plantations in the first year, 3,000 acres in the second, and 5,000 acres in the third year of investment, the annual investment amount will be staggered as follows: year 1 – USD 0.85 million ; year 2 – USD 1.5 million; year 3 – USD 2.7 million; year 4 – USD 0.7 million.

The annual net income will be positive from the 9th year onwards, after the repaying the investment with an assumed 8% interest rate. The income comes mainly from the traded cocoa, being in the 10th year 1.5 USD million, and stabilising later on at USD 1.3 million annually. Assuming 50% contributions for investment by development partners (besides the reduced interest rate of 8%), the repayment can start already after 3 years.

CASHFLOW FOR 1000 ACRES

COCOA BLOCKFARMING



Total costs and net income per 1,000 acres

The **Balmed Blockfarming System**® requires the first year a high investment of about USD 420,000, followed by annual costs of USD 175,000 from 2nd to 8th year, and USD 100,000 in the subsequent years.

The income increases annually as follows: 2nd year USD 180,000, 3rd year USD 200,000 and 4th year USD 540,000, stabilising from the 5th year onwards at USD 520,000.

When deducting management and maintenance costs of USD 175,000 annually, and USD 100,000 from the 9th year onwards, a total net income of up to USD 500,000 (6th/7th year) and later on USD 420,000 can be expected.

ACTIVITY PLAN

Activity	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Responsible
Agreements with farmers and community														BHL and Community
Land preparation														BHL and Community
Legalization of Land documents														BHL and Community
Filling of polythene bags														BHL and Community
Seeds and planting of seeds														BHL and Community
Nursery managements														BHL and Community
Brushing for Out planting														BHL and Community
Lining and Pegging														BHL and Community
Digging of Holes and Planting														BHL and Community
Monitoring of activities														BHL and Community
Report writing														BHL

Scheduling of activities

For each 1,000 acres under **Balmed Blockfarming System®** which is agreed with landowners, youths, and contributing company or donors, the above timeline is followed. The establishment of the nurseries with shed construction, filling of polyethylene bags and planting of the seeds starts in December, continuing till January. With a further 4 months nurturing of the seedlings in the nurseries until May. The preparations for outplanting start in March with brushing, then in May with lining and pegging, before planting in dug holes. Monitoring and report writing will be done throughout the setup of the **Balmed Blockfarming System®**.

KEY PERFORMANCE INDICATORS FOR 2014



Current Blockfarming operations backed by international development agencies



NL Agency
Ministry of Foreign Affairs



PLANTATION ESTABLISHMENT OF 5000 ACRES NEW TREECROPS IN EASTERN & NORTHERN SIERRA LEONE USING THE BALMED BLOCKFARMING SYSTEM

**CREATE STABLE INCOME FOR 1500
HOUSEHOLDS WITH AN ADDITIONAL YEARLY INCOME OF MIN. 525\$**

**300 PEOPLE EMPLOYED IN 9 COMMUNITY OWNED
PROCESSING CENTER**

TRAINING OF 2000 YOUTHS ENGAGED IN THE PROJECT

5000 BENEFICIARIES INVOLVED THROUGH PROJECT IMPACT



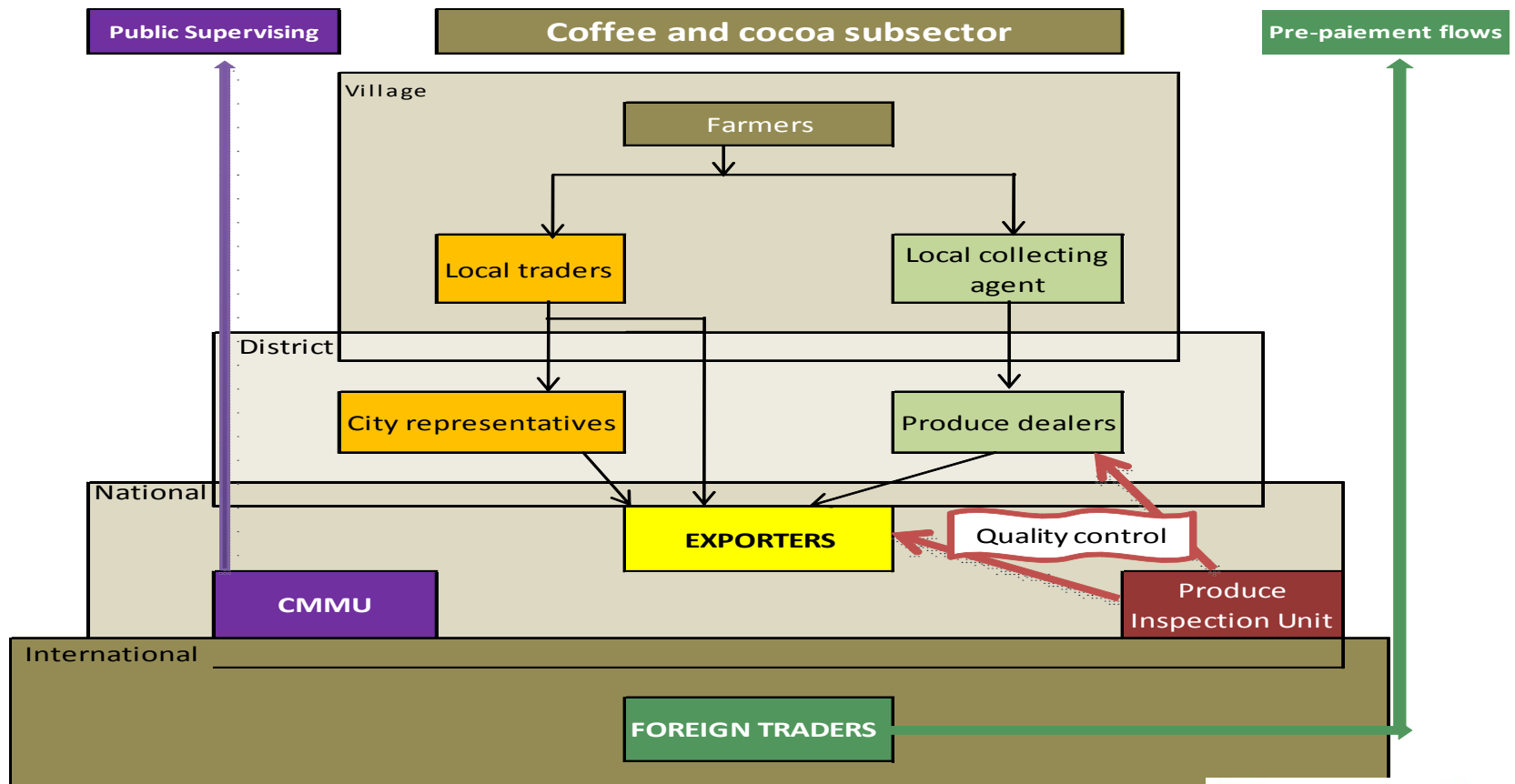
TRADING

Commodity *Supply* Chain



COCOA AND COFFEE VALUE CHAIN IN SIERRA LEONE

Exporters are in the center of Sierra Leoneans cocoa and coffee trade. Quality management is mainly done by the exporters, with control by the Produce Inspection Unit. CMMU has the public supervisory role. So far, there is hardly any investment being made in to improve farming practices. As a result quality of cocoa produced remains low quality



TRACEABLE SUPPLY CHAIN

Farm-Processing-Buyer

Balmed Holding Ltd. strives for a fully traceable supply chain, links its **Balmed Blockfarming-System®** closely to the existing 10 **Balmed-Cocoa-Processing-Centers®** which are spread over the cocoa producing season in the east of Sierra Leone.

In 2010, three **Balmed Processing-Centers®** were selected to start with each 100 to 300 acres. This split was done for a) minimising risks, b) get comparative data, c) enhance competition amongst participating communities, especially the youths. After evaluation, this pilot was expanded in 2011 to another 1000 acres and another 500 acres are underway in 2012, totalling then 2,000 acres planted by smallholders.

Each location under **Balmed Blockfarming-System®** is put under a specific certification programme, and linked with an **international buying company**.

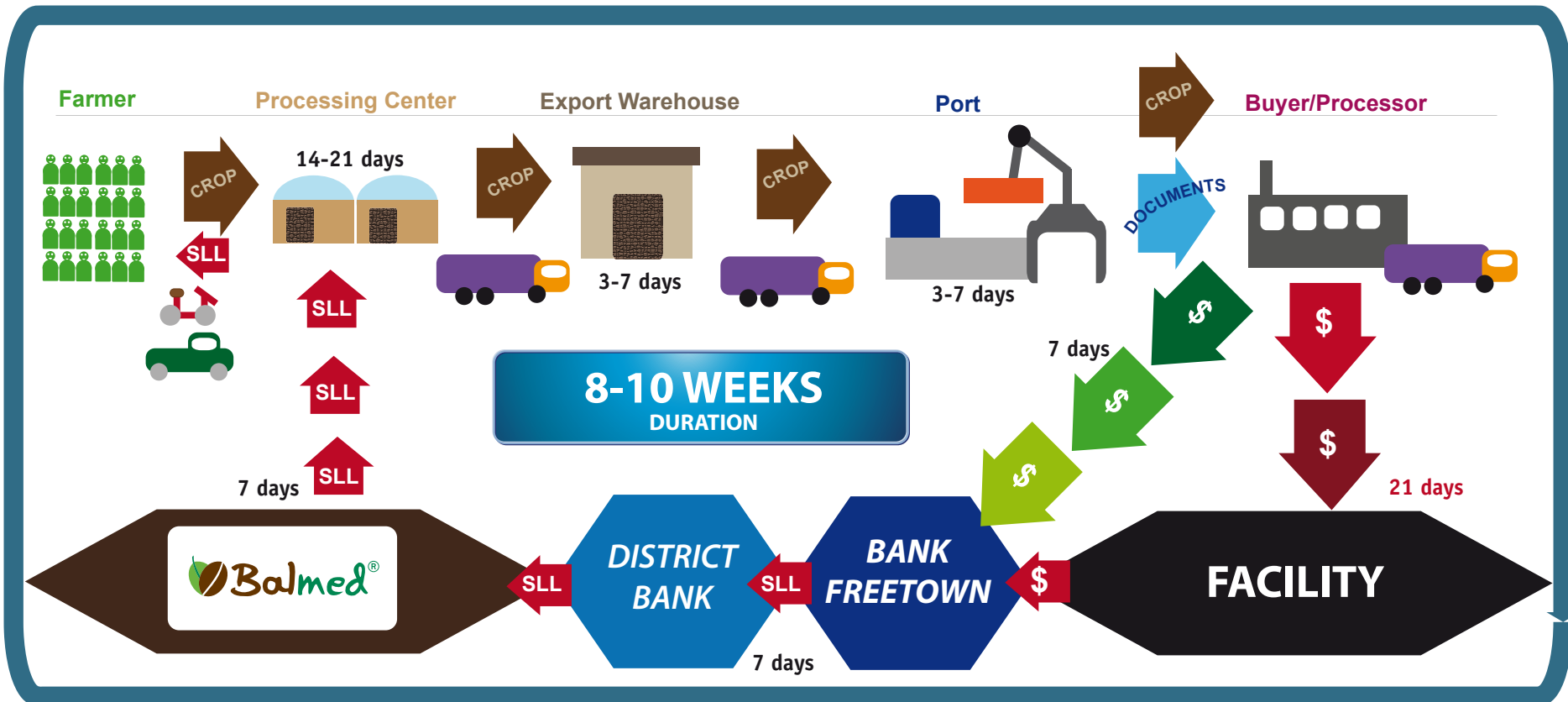
On condition of further funding partners, additional communities will be added gradually .



THE BUYING CYCLE



Buying Cycle - Global Integrated Traceable Supply Chain



Buying cycle and timeframe of commodities supplied by small scale farmers to Balmed and exported afterwards.



QUALITY IMPROVEMENT



Quality

So far **7 Balmed-Cocoa-Processing-Centers®** and **17 Balmed Buying Stations®** are established.

The Processing centers and buying stations are located in rural farming communities to have direct access to the farmers and the products.

The quality is controlled and monitored according to international standards.

Certification

All farms under **Balmed Blockfarming System®** are put under an international certification scheme, like UTZ, Fairtrade, Rainforest Alliance or Organic.

Balmed furthermore sources its commodities from over 14.000 company registered, trained and certified farmers

All products are fully traceable back to its producer.



Traceability

The international consumer demand more and more fully traceable products. This is possible with the **Balmed Blockfarming System®**. Balmed joined partnership with the german based software developer SAP for implementation of a traceability software using smartphones and barcodes



P&L

				2012 -	2013 -	2014 -	2015 -	2016 -	2017 -	2018 -	2019 -	2020 -
		Units		2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue												
Product A - Cocoa												
Volume		MT			1.000	1.500	2.000	2.500	3.000	3.500	4.000	4.500
Unit price		USD		2.560	2.560	2.560	2.560	2.560	2.560	2.560	2.560	2.560
Sales revenue		USD		0	2.560.000	3.840.000	5.120.000	6.400.000	7.680.000	8.960.000	10.240.000	11.520.000
Product B - Coffee												
Volume		MT			400	600	800	1.000	1.200	1.400	1.600	1.800
Unit price		USD		2.200	2.200	2.200	2.200	2.200	2.200	2.200	2.200	2.200
Sales revenue		USD		0	880.000	1.320.000	1.760.000	2.200.000	2.640.000	3.080.000	3.520.000	3.960.000
Total Sales				0	3.440.000	5.160.000	6.880.000	8.600.000	10.320.000	12.040.000	13.760.000	15.480.000
Cost of Sales												
Purchase value of product		65%		0	2.236.000	3.354.000	4.472.000	5.590.000	6.708.000	7.826.000	8.944.000	10.062.000
Cost of Sales				0	2.236.000	3.354.000	4.472.000	5.590.000	6.708.000	7.826.000	8.944.000	10.062.000
Gross Profit				0	1.204.000	1.806.000	2.408.000	3.010.000	3.612.000	4.214.000	4.816.000	5.418.000
Other Income/expense												
TOTAL				0	0	0	0	0	0	0	0	0
Subtotal				0	1.204.000	1.806.000	2.408.000	3.010.000	3.612.000	4.214.000	4.816.000	5.418.000
Expenditure - Logistics/trade			per MT									
District Evacuation Fee		USD	4	0	5.096	7.644	10.192	12.740	15.288	17.836	20.384	22.932
Buying Officer Fees		USD	58	0	81.046	121.569	162.092	202.615	243.138	283.661	324.184	364.707
Transportation		USD	98	0	137.200	205.800	274.400	343.000	411.600	480.200	548.800	617.400
Export Charges		USD	164	0	229.096	343.644	458.192	572.740	687.288	801.836	916.384	1.030.932
Jute Bags		USD	44	0	61.096	91.644	122.192	152.740	183.288	213.836	244.384	274.932
Processing costs		USD	28									
Tax		USD	38	0	53.760	80.640	107.520	134.400	161.280	188.160	215.040	241.920
TOTAL			433	0	567.294	850.941	1.134.588	1.418.235	1.701.882	1.985.529	2.269.176	2.552.823
Expenditure - Overhead												
Staff Salaries/Wages		ann increase	20%	21.611	66.761	80.113	96.135	115.362	138.435	166.121	199.346	239.215
Consultancy												
Administration (office, maintenance etc)		ann increase	15%	109.091	114.545	131.727	151.486	174.209	200.341	230.392	264.951	304.693
Contingencies		10%overhead		13.070	18.131	21.184	24.762	28.957	33.878	39.651	46.430	54.391
TOTAL				143.772	199.437	233.024	272.384	318.529	372.653	436.165	510.726	598.299
Total Expenses				143.772	766.731	1.083.965	1.406.972	1.736.764	2.074.535	2.421.694	2.779.902	3.151.122
EBITDA				-143.772	437.269	722.035	1.001.028	1.273.236	1.537.465	1.792.306	2.036.098	2.266.878
Interest and Depreciation												
Depreciation				58.725	70.519	55.511	89.516	124.169	146.116	149.837	156.167	160.614
Interest expense				104.209	166.164	169.252	172.459	177.455	209.664	244.608	279.552	314.496
Administration fees		2%	New funds	20.000	9.952	38.938	52.116	64.457	76.965	89.439	101.920	114.400
Other Bank Charges		0,30%	sales	0	10.320	15.480	20.640	25.800	30.960	36.120	41.280	46.440
TOTAL				182.934	256.955	279.181	334.731	391.881	463.705	520.004	578.919	635.950
Net Profit / Loss before tax - trading + OH				-326.706	180.314	442.855	666.297	881.355	1.073.760	1.272.302	1.457.179	1.630.928
Less: contribution in cash to Blockfarming				0	-50.000	-50.000	-50.000	-50.000	-50.000	-50.000	0	0
Less: contribution in kind to Blockfarming				-50.000	-50.000	-50.000	-50.000	-50.000	-50.000	0	0	0
Net Profit / Loss before tax - total				-376.706	80.314	342.855	566.297	781.355	973.760	1.222.302	1.457.179	1.630.928
Tax expense			30%	0	0	-13.939	-169.889	-234.407	-292.128	-366.691	-437.154	-489.278
Net Profit for the Year				-376.706	80.314	328.916	396.408	546.949	681.632	855.611	1.020.025	1.141.650
Net Profit / Loss Brought Forward				-1.035.459	-1.412.165	-1.331.850	-1.002.935	-606.527	-59.578	622.054	1.477.666	2.497.691
Net Profit / Loss Carried Forward				-1.412.165	-1.331.850	-1.002.935	-606.527	-59.578	622.054	1.477.666	2.497.691	3.639.341

Cashflow

		2012 -	2013 -	2014 -	2015 -	2016 -	2017 -	2018 -	2019 -	2020 -
		2013	2014	2015	2016	2017	2018	2019	2020	2021
CASH FLOW FROM OPERATING ACTIVITIES										
EBITDA		-143.772	437.269	722.035	1.001.028	1.273.236	1.537.465	1.792.306	2.036.098	2.266.878
Tax expense		0	0	-13.939	-169.889	-234.407	-292.128	-366.691	-437.154	-489.278
Interest expense		-104.209	-166.164	-169.252	-172.459	-177.455	-209.664	-244.608	-279.552	-314.496
Administration fees		-20.000	-9.952	-38.938	-52.116	-64.457	-76.965	-89.439	-101.920	-114.400
Other Bank Charges/Management Fees		0	-10.320	-15.480	-20.640	-25.800	-30.960	-36.120	-41.280	-46.440
(Increase)/Decrease in Debtors		34.000	-103.200	-51.600	-51.600	-51.600	-51.600	-51.600	-51.600	-51.600
(Increase)/Decrease in Money in processing centers		0	-5.576	-44.720	-44.720	-44.720	-44.720	-44.720	-44.720	-44.720
(Increase)/Decrease in Stock - Cocoa		0	-66.560	-33.280	-33.280	-33.280	-33.280	-33.280	-33.280	-33.280
(Increase)/Decrease in Stock - Coffee		0	-22.880	-11.440	-11.440	-11.440	-11.440	-11.440	-11.440	-11.440
(Increase)/Decrease in Sundry Debtors		39.442	-34.400	-17.200	-17.200	-17.200	-17.200	-17.200	-17.200	-17.200
Increase/(Decrease) in Creditors		0	0	0	0	0	0	0	0	0
Increase/(Decrease) in Employee Liabilities		0	0	0	0	0	0	0	0	0
Increase/(Decrease) in Income tax liabilities		0	0	0	0	0	0	0	0	0
Increase/(Decrease) in Other Liabilities		0	0	0	0	0	0	0	0	0
Net operating Cash Flow		-194.538	18.217	326.187	427.684	612.878	769.508	897.209	1.017.952	1.144.024
CASH FLOW FROM INVESTING ACTIVITIES										
Investments in Fixed Assets		0	-126.822	-226.822	-126.822	-153.000	-153.000	-153.000	-158.000	-158.000
Net Investment Cash Flow		0	-126.822	-226.822	-126.822	-153.000	-153.000	-153.000	-158.000	-158.000
CASH FLOW FROM FINANCING										
Movement in directors Loan		140.000	140.000	140.000	140.000	0	0	0	0	0
Movement in Long term Loans		100.877	-313.841	-313.841	-313.841	0	0	0	-0	0
Partner company(ies) investment		0	0	0	0	0	0	0	0	0
Trade Finance Funding (incl AATIF)		1.000.000	-700.480	89.856	131.789	123.402	125.080	124.744	124.811	124.798
Contribution to Blockfarming (cash + in kind)		-50.000	-100.000	-100.000	-100.000	-100.000	-100.000	-50.000	0	0
Net cash flow from finance		1.190.877	-974.321	-183.985	-142.052	23.402	25.080	74.744	124.811	124.798
NET CASH FLOW										
Net increase/(decrease) in cash/bank		996.339	-1.082.925	-84.620	158.811	483.280	641.588	818.953	984.763	1.110.821
Cash/bank at the beginning of the year		-26.682	969.657	-113.268	-197.888	-39.077	444.203	1.085.791	1.904.743	2.889.507
Cash/bank at the end of the year		969.657	-113.268	-197.888	-39.077	444.203	1.085.791	1.904.743	2.889.507	4.000.328

Loans & Trade Finance Interests

		2012 -	2013 -	2014 -	2015 -	2016 -	2017 -	2018 -	2019 -	2020 -
		2013	2014	2015	2016	2017	2018	2019	2020	2021
Long term loan										
Opening balance		840.645	941.522	627.681	313.841	0	0	0	0	0
Additional loans										
Repayments			-313.841	-313.841	-313.841					
Add: interest charge	12%average	100.877	94.152	56.491	18.830	0	0	0	0	0
Less: interest payment	(EOY)		-94.152	-56.491	-18.830	0	0	0	0	0
Closing balance		941.522	627.681	313.841	0	0	0	0	0	0
Trade Finance										
		AATIF (July13)								
Opening balance			1.000.000	299.520	389.376	521.165	644.567	769.647	894.391	1.019.202
Additional loans	7months	1.000.000	497.600	1.946.880	2.605.824	3.222.835	3.848.233	4.471.953	5.096.009	5.719.998
Repayments	80%before Y/E		-1.198.080	-1.857.024	-2.474.035	-3.099.433	-3.723.153	-4.347.209	-4.971.198	-5.595.200
Add: interest charge	8%		69.888	104.832	139.776	174.720	209.664	244.608	279.552	314.496
Less: interest payment	(EOY)	0	-69.888	-104.832	-139.776	-174.720	-209.664	-244.608	-279.552	-314.496
Closing balance		1.000.000	299.520	389.376	521.165	644.567	769.647	894.391	1.019.202	1.144.000
Bank overdraft										
Opening balance		47.594	30.343	113.268	197.888	39.077	0	0	0	0
Additional loans/repayments										
Movements current account		-17.251	82.925	84.620	-158.811	-39.077	0	0	0	0
Add: interest charge	7%	3.332	2.124	7.929	13.852	2.735	0	0	0	0
Less: interest payment	(EOY)	-3.332	-2.124	-7.929	-13.852	-2.735	0	0	0	0
Closing balance		30.343	113.268	197.888	39.077	0	0	0	0	0
Trade finance required										
(a) Cocoa										
Trading volume for the year	MT	0	1.000	1.500	2.000	2.500	3.000	3.500	4.000	4.500
Market sales price - FOB	USD/MT	2.560	2.560	2.560	2.560	2.560	2.560	2.560	2.560	2.560
Purchase price	USD/MT 65%	1.664	1.664	1.664	1.664	1.664	1.664	1.664	1.664	1.664
Total purchase value for the year	USD	0	1.664.000	2.496.000	3.328.000	4.160.000	4.992.000	5.824.000	6.656.000	7.488.000
Number of cycles per year	2									
Trade finance required - cocoa		0	832.000	1.248.000	1.664.000	2.080.000	2.496.000	2.912.000	3.328.000	3.744.000
(b) Coffee										
Trading volume for the year	MT	0	400	600	800	1.000	1.200	1.400	1.600	1.800
Market sales price - FOB	USD/MT	2.200	2.560	2.560	2.560	2.560	2.560	2.560	2.560	2.560
Purchase price	USD/MT 65%	1.430	1.664	1.664	1.664	1.664	1.664	1.664	1.664	1.664
Total purchase value for the year	USD	0	665.600	998.400	1.331.200	1.664.000	1.996.800	2.329.600	2.662.400	2.995.200
Number of cycles per year	1									
Trade finance required - coffee		0	665.600	998.400	1.331.200	1.664.000	1.996.800	2.329.600	2.662.400	2.995.200
Trade finance required - total		0	1.497.600	2.246.400	2.995.200	3.744.000	4.492.800	5.241.600	5.990.400	6.739.200

Notes

1. finance efficiency could increase if trade finance for cocoa and coffee could be combined (sequential seasons).

2. purchase price aimed at 60% of market price, but for prudency reasons projected at 65% (competition in sourcing in the bush).

3. external trade finance assumed throughout projection period. In reality, excess cash may be used to reduce external trade finance or reduce Blockfarming loans

Trading - key figures		2012 - 2013 USD 1,000	2013 - 2014 USD 1,000	2014 - 2015 USD 1,000	2015 - 2016 USD 1,000	2016 - 2017 USD 1,000	2017 - 2018 USD 1,000	2018 - 2019 USD 1,000	2019 - 2020 USD 1,000	2020 - 2021 USD 1,000
Profit and loss account										
Trading volume - cocoa	MT	0	1.000	1.500	2.000	2.500	3.000	3.500	4.000	4.500
Trading volume - coffee	MT	0	400	600	800	1.000	1.200	1.400	1.600	1.800
Sales revenue - total		0	3.440	5.160	6.880	8.600	10.320	12.040	13.760	15.480
Cost of sales		0	2.236	3.354	4.472	5.590	6.708	7.826	8.944	10.062
Gross margin		0	1.204	1.806	2.408	3.010	3.612	4.214	4.816	5.418
Cost of logistics/trade		0	567	851	1.135	1.418	1.702	1.986	2.269	2.553
Overhead		144	199	233	272	319	373	436	511	598
EBITDA		-144	437	722	1.001	1.273	1.537	1.792	2.036	2.267
Depreciation		59	71	56	90	124	146	150	156	161
Interest and related costs		124	186	224	245	268	318	370	423	475
Result before tax - gross		-327	180	443	666	881	1.074	1.272	1.457	1.631
Contribution to Block Farming		-50	-100	-100	-100	-100	-100	-50	0	0
Result before tax - net		-377	80	343	566	781	974	1.222	1.457	1.631
Corporate income tax		0	0	-14	-170	-234	-292	-367	-437	-489
Net result		-377	80	329	396	547	682	856	1.020	1.142
Balance sheet end of year (31 July)										
Tangible fixed assets		113	169	340	378	406	413	416	418	416
Stocks/debtors/creditors		28	261	419	577	735	894	1.052	1.210	1.368
Cash		970	-113	-198	-39	444	1.086	1.905	2.890	4.000
total		1.110	316	561	916	1.586	2.393	3.373	4.518	5.784
Shareholders' equity		-1.412	-1.332	-1.003	-606	-59	622	1.478	2.498	3.640
Director's capital/loan account		581	721	861	1.001	1.001	1.001	1.001	1.001	1.001
Triodos + Root loans - balance		942	628	314	0	0	0	0	0	0
Trade finance - balance		1.000	300	389	521	645	770	894	1.019	1.144
		1.110	316	561	916	1.586	2.393	3.373	4.518	5.784
Cash flow										
Net operating cash flow		-195	18	326	428	613	770	897	1.018	1.144
Net investment cash flow		0	-127	-227	-127	-153	-153	-153	-158	-158
Net financing cash flow		1.191	-974	-184	-142	23	25	75	125	125
Total		996	-1.083	-85	159	483	642	819	985	1.111
Other										
Trade finance required - gross		0	1.498	2.246	2.995	3.744	4.493	5.242	5.990	6.739

(before use of excess cash)

DEVELOPING

Capacity Building and Human
Resource *Development*



FIELDS OF DEVELOPMENT

*Balmeds Development Branch operates in various field of **capacity building** and **human ressource development**. Training of staff and farmers and social enagement is part of Balmed's **Corporate Social Responsibility Policy**.*

- ✓ **Training for Farmers**
- ✓ **Training for Staff**
- ✓ **Adult Literacy Courses**
- ✓ **Establishment of Football Clubs**
- ✓ **Partner up with NGO's**
- ✓ **Consultancy**



TRAINING MODULES

Balmed continuously improves its company specific **Module Training System** which covers all fields, Balmed is working in. The **Module Training System** is a compilation of training materials, such as leaflets, poster and manuals, specifically designed for Sierra Leone. The materials will then be used in the training lessons for staff and farmers.

PLANTING COCOA, COFFEE, CASHEW

BLOCKFARMING

SOIL TESTING

GPS

SAP

QUALITY

PROCESSING

CERTIFICATION

FERTILIZER

MONITORING

WAREHOUSE

PRICING

RISK ANALYSIS: MITIGATION AND REWARDS

Risks and Mitigation Strategies

- **Competition with other traders** ➤ *Close linkage with communities, farmers groups, and cooperatives, through premium payments, trainings, processing centres close to the producer ensures steady supply*
- **Low productivity of old plantations** ➤ *Training and farm management support including new plantations mitigate this risk.*
- **Low quality through poor farm management and handling** ➤ *Farm management, training and processing centres including certification.*
- **Operational risk** ➤ **a) Government monopolising trade through cocoa board** ➤ *this has been mitigated by joint donor response.* **b) Safety of produce in the course of business** ➤ *Insurance covers goods-in-transit and in the warehouse, including strong internal control system*
- **Market risk** ➤ *buyer concentration – improved quality through processing centres, and traceability system, and farmers training attracts diverse international buyers.*
- **Price volatility** ➤ *Cocoa price has currently dropped, but prices are expected to increase again in the near future.*
- **Financial risk** ➤ *ability of Balmed to meet up with its financial obligations. This is mitigated by the profitability of the business as reflected in the projected cash flow, and good business track record of the company.*
- **Foreign exchange risks** ➤ *Revenues of the company is in US\$. Company spends in local currency and earns in foreign currency.*

Rewards

- **Market** – Ability to capture margin increase of 20% through Certification premiums: Fair Trade, Organic, Rainforest Alliance and Utz
- **Supply** – Ability to increase and secure supply as well as minimise overheads by leveraging direct donor support to farmers
- **Financials** - High margin growth business with limited downside
- **Scale** – Potential to reach scale in cocoa, coffee and cashew
- **Development impact** - Youth employment and poverty alleviation – Business opportunities for rural youth, with high percent of women employment
- **Economic impact** – foreign exchange earner for the country and increased contribution to GDP
- **High profile development story** – excellent track record of business and managing director and key staff

CONFIDENTIAL-



RISK ANALYSIS: ESG, ACML

For each investment it is important we assess the Environmental, Social and Governmental (ESG) risks

Balmed classifies as ESG risk category B. ESG risks associated with Balmed are projected to be medium.

- Environmental risks are minimal. Fertilizers and pesticides are not permitted for organic farming and are very rarely used in Sierra Leone. Some farmers already engage in intercropping and this number is expected to increase as NGOs train farmers on intercropping and its benefits.
- Social risks to be monitored in agriculture related investments, particularly cocoa farming, are labour conditions and child labour. Based on field visits and discussions with Balmed this risk in Sierra Leone is not considered to be high. There are no migrant farm workers in Sierra Leone.
- The Corporate Governance risk is not high and proper measures will be put in place.

Investing in Balmed has a large development impact:

- Support direct employment of now 10,000 and future 30-50,000 farmers in rural areas of Sierra Leone
- Support organic, Fair trade, Utz, and Rainforest Alliance certification thus increasing revenues for farmers
- Support implementation of formal Corporate Governance structures to ensure transparency and accountability in Balmed.

All Balmed investments comply with Anti-Corruption and Anti-Money Laundering (ACML) Policy

- Balmed is believed to be in compliance with all applicable Anti-Corruption and Anti-Money Laundering Legislation.
- Balmed has its Articles of Association, Articles of Incorporation and audited financial statements for the past five years.
- Balmed Holdings is a limited liability company.
- The chief promoter as well as his management and advisory team have a good reputation with the business people in Sierra Leone and outside of Sierra Leone with whom they engage to do business.
- If and when the Balmed funding request is approved, the Know-Your-Customer concept and Corporate Social responsibility policy will be sustained.

BENEFITS AND IMPACTS

Foreign Exchange Generation/ Savings

Quality improvements of 5-10% for 18.000 MT of exported cocoa amounted in 2010 to an estimated 5 million USD added foreign exchange. Increased quantity of cocoa and coffee of annually about 5-10 % attracts another 3-5 million USD additional foreign exchange for Sierra Leone.

Balmeds' contribution to these added foreign exchange earnings are in the range of about 4% regarding the trade volume alone, however its business model of farmers support stimulated the whole cocoa sector, leading to the above mentioned improvements.

Contribution to fiscal revenues

The Government of Sierra Leone has a 2.5% levy on cocoa exports, amounting to about 1 million USD annually. Other taxes for business registrations, etc. are not considered here. An increase of quality and quantity of cocoa/ coffee leads to a minimum of 100.000 USD added fiscal revenues through the current levy system.

Employment generation

The company has started operations in 9 community owned processing centres for cocoa/coffee. These provide direct employment for 300 most young people, of which about 40% women. Besides, the different services attached (e.g. transport) employ another 300 people. Additionally, 2.000 youth find short term employment/ income through food for work programmes in cocoa/coffee rehabilitation (in collaboration with GIZ/IFAD/ WFP).

Enterprise Development

10 village owned processing and 19 collection and storage centers are managed by company staff. Additional 2 centers are managed under cooperatives, and other 4 are under construction. Balmed provides business training for all its staff, agents and management units.

Environmental Sustainability

Balmeds business model is based on sustainable production base. All 10.000 farmers who are in trading relations with Balmed certify their produce under organic, Fair trade and/ or other sustainability standard, and thus attract additional premiums of 200 USD/ MT. Balmed and cooperating NGOs provide training for farmers for appropriate farm management practices – e.g. Intercropping, shade management etc.

Local Content promotion

The current trade system does not encourage farmers to produce quality cocoa/coffee. Hence the players are locked in a low-quality, low-price spiral. However with new incentives by the innovative trading business, 10.000 farmers are able to increase their income by about 30% through improved quality and increased quantity, resulting in an av. of 130 USD/ farmer. This amount increases further after 3-4 years, with new plantations to be harvested.

Integration (regional/global)

The improved quality of cocoa/coffee has attracted new players, enhancing competition, and providing better market opportunities for Sierra Leonean cocoa/coffee. Also the improved quality has lead to an improved image and price for Salone products.

Value Addition through Processing

Balmed is the first cocoa/coffee trading company having built 9 local processing centres, improving post-harvest treatment, and thus quality of cocoa and coffee.

Other Social Benefits

Balmed has linked up recently with NGO Sankofa to run functional literacy courses for cocoa farmers and their family members in some processing center. Furthermore, Balmed supports 40 football teams in supplying communities. Premium payments to community funds help local ownership of development priorities.

PROJECT PARTNERS

The Balmed Blockfarming System is an international multi-stakeholder project aiming to improve livelihoods of small scale farmers in rural areas.

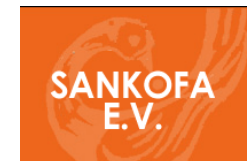


NL Agency
Ministry of Foreign Affairs



United Nations
World Food
Programme

Triodos Sustainable Trade Fund



A4D

Agriculture for
Development (EU)



CONTACT

Contact us for more information! We are looking forward to hear from you!



BALMED HOLDINGS LTD. 2b Africanus Road, Kissy Dockyard, Freetown - SIERRA LEONE

mail@balmed.org

www.balmed.org

+232 76 649660

+232 33 649660