



MIRO FORESTRY COMPANY

# 2014 ANNUAL REPORT







Sierra Leone: 2 year old Eucalyptus

## Introduction

Miro Forestry is a green field, profit oriented forestry group operating in West Africa to supply sustainable value added timber products to local and regional markets. Miro Forestry is primarily growing fast rotation eucalyptus for the production of transmission poles and plywood for the local and regional market as well as wood chips for biomass.

*Our vision is to  
“be Africa’s leading  
forestry company based  
on shareholder value add,  
sustainability standards,  
environmental and social  
development benefits;  
with a passionate and  
determined team and  
supportive stakeholders”*

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Given the significant financing the Company secured in March 2015, and the corresponding implications of this on the Miro Forestry group this report details the structure of the Group as at the end of March 2015, including financial and operational information only up until financial year-end 31 December 2014.



## CHAIRMAN'S REVIEW



Plantation forestry is a capital intensive and long-term business. As a result, securing necessary and supportive financing is key to the Company's success. I am therefore delighted to report that over the last year we have secured US\$30 million of investment commitment and welcome CDC Group plc as a shareholder.

CDC, wholly owned by the United Kingdom government, is the oldest and one of the largest development finance institutions. It is an extremely well respected financial partner.

Securing CDC is a result of the trust placed in Miro Forestry by the Company's private investors who have provided approximately US\$8.5 million of capital since 2010, and of the Finnish Fund for Industrial Cooperation Ltd (Finnfund). It then laid the institutional investor foundations and facilitated this recent additional investment, itself providing 50% of the commitment. Importantly this financing enables the team to fully focus on developing operations and thereby avoiding negative operational impact caused by erratic financing. We now have one of the most solid financial foundations of any forestry and agricultural business in sub-Saharan Africa.

Clearly no financing would be secured without a robust strategy and rounded team. We have the necessary diverse skillsets required in a business such as ours, and dedicated individuals who continue to drive business value. I am immensely grateful to all of them for their commitment and hard work.

2014 was a difficult year in Sierra Leone due to the Ebola crisis which swept across Guinea, Sierra Leone and Liberia. As a result of this we were forced to revised down our planting targets for Sierra Leone in the year. We then exceeded the revised target thanks to the quality of our team in country.

Thankfully the Ebola crisis is now drawing to an end. However it has demonstrated the resilience of forestry business to operate, with limited hindrance, throughout external disruptions.

Whilst financial return is our primary focus, it goes hand in hand with delivering environmental benefit and social and economic development to the areas in which we operate. By providing sustainable timber, plantation forestry is critical to avoiding continued unsustainable logging and deforestation, whilst providing economic reason to protect environmentally sensitive and important landscapes.

In addition, rural employment and training resulting from business such as Miro Forestry is critical to development. Alongside this, the wealth entering the local rural economy, community support such as the significant campaigns we undertook during the Ebola outbreak, and our community projects make a tremendous and lasting social development impact. Sustainable forestry is uniquely a business where strong shareholder returns go hand in hand with significant positive environmental and social benefit.

We are a business that has grown carefully, step-by-step. Whilst this has meant we have expanded slowly, it has also meant we have grown efficiently, laying solid foundations before moving forward. Whilst we do now have significant financial backing and are scaling up significantly, we will nevertheless retain our history and culture of "learning small" before driving for scale.

2015 is another important and transformational year for the Group and one in which we will significantly mature as a business. I look forward to reporting positive results over the year.

Richard Laing

## CHIEF EXECUTIVE'S REVIEW



**In 2014 the Company achieved its ultimate expansion targets within total budgets, establishing 528 new hectares in Ghana and 148 hectares in Sierra Leone. This brings the total hectares established since inception to 1,713 hectares.**

Our management teams, shareholders, organisational systems and controls, and importantly the quality of our plantations and associated infrastructure are of market leading standards in sub-Saharan Africa. We have achieved this at satisfactory cost, at least as competitively as our peers. Though we are still comparatively small compared to a number of plantation forestry groups expanding in sub-Saharan Africa, we nevertheless now have a very robust and complete business platform from which to expand in accordance with our strategy.

Forestry is a large scale industry, with extremely high barriers to entry. We have now overcome some of the greatest hurdles, and are well positioned in a geography where populations, economic activity and wealth is increasing. As a result of these factors demand for industrial timber products continues to rise significantly in West Africa, against a backdrop of severely depleted and further dwindling local timber stocks, therefore leading to positive price trends.

Our 2015 target is to expand our plantations by establishing 1,500 new hectares in Ghana and 830 new hectares in Sierra Leone (with 1,500 hectares to be established in both countries thereafter). This will take our total planted area to over 4,000 hectares. Whilst this scale-up is a very significant challenge, we strengthened our team in 2014, and are therefore well positioned to achieve this target within a total budget of US\$8.7 million for the year.

As we look to 2015 and beyond our next task and challenge is to develop timber processing capability, such that we are positioned to process timber thinnings which will start being realised from

2016. In addition, we must ensure that our value-addition timber processing capability is well established, tried and tested prior to first commercial clearfell harvests from 2021. Having completed significant studies, our key target products are plywood and transmission poles. Both of these products offer significant margin, as a result of booming demand, dwindling supply and increasing reliance on imports. Both can also be processed with limited capital expenditure and at initial small scales. Timber processing developments is something that will increasingly feature in our reports going forward.

I have been a part of Miro Forestry since inception in 2010 and the longer I remain the more the macro-economic fundamentals to the business improve. We are still a very small forestry company by international standards, however we are increasingly being approached by large timber and fibre consumers. These groups are seeking a cost competitive and secure source of timber, in some cases seeking to co-develop plantations, aiming to leverage on our knowhow, to improve their fibre supply certainty and cost visibility. As we grow, our ownership of standing timber will increasingly be the bedrock of our value. Our head start and market leading position in West Africa, an increasingly recognised growth area for competitive timber and fibre production, will likewise provide joint venture and other opportunities with some major timber purchasers.

We still have a long way to travel but we have strong business foundations which we will now leverage to grow to scale, strengthen our position and generate maximum long-term value.

Andrew Collins



## THE GROUP AT A GLANCE

Miro Forestry Developments Limited  
(United Kingdom)

100%

Miro Forestry Company Limited  
(Cayman Islands)

88%

Miro Forestry (Ghana) Limited  
(Ghana)

90%

Miro Forestry (SL) Limited  
(Sierra Leone)

Following investment into the Group by CDC Group plc and further investment by the Finnish Fund for Industrial Cooperation Ltd, a United Kingdom incorporated Group parent company has been formed. This owns 100% of the share capital of the prior group parent incorporated in the Cayman Islands which in turn owns growing interests in the Group's West African operating subsidiaries.

### Land Holding<sup>(1)</sup> — 32,462 hectares

of which – Ghana: 11,482 hectares  
– Sierra Leone: 20,980 hectares

### Plantation Forest Area Established — 1,713 hectares

of which – Eucalyptus: 788 ha  
– Teak: 858 ha  
– Pine, Acacia, Other: 67 ha

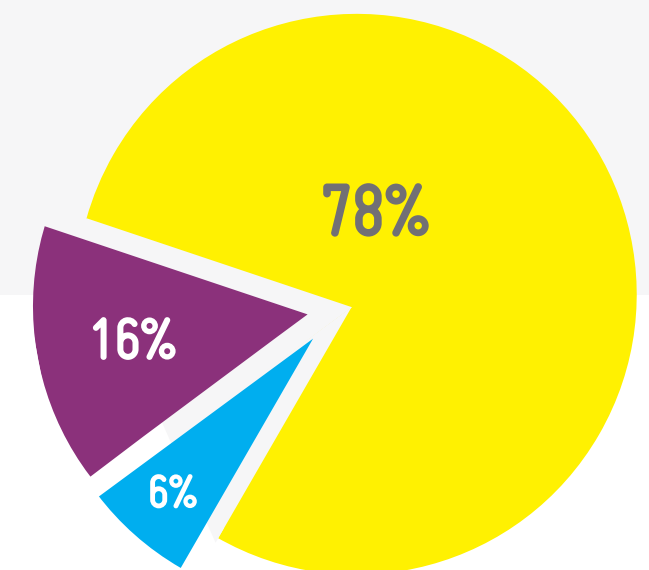
### Financing

- Total Group investment to year-end 2014: US\$ 11.04 million (of which 9.54m equity)
- Investment commitments remaining from CDC Group plc and the Finnish Fund for Industrial Cooperation Ltd<sup>(2)</sup>: US\$ 27.30 million



### Investment and Commitments

- ▶ Private Investors: US\$ 2.3 million
- ▶ Family Offices: US\$ 6.1 million
- ▶ Institutional Investors: US\$ 30 million



### Estimate of Key Data<sup>(3)</sup>

Year-End (US\$M)	2015	2016	2018	2020	2025
Hectares of Planted Standing Timber	4,030	7,030	14,030	20,000	28,000
Hectares Harvested	–	–	100	100	3,000
Cumulative Investment	19.7	28.5	46.0	64.0	64.0
Revenue	–	0.1	2.0	3.0	92.0
Valuation	28	42	70	110	250

1) Includes 1,482ha under final legal process.

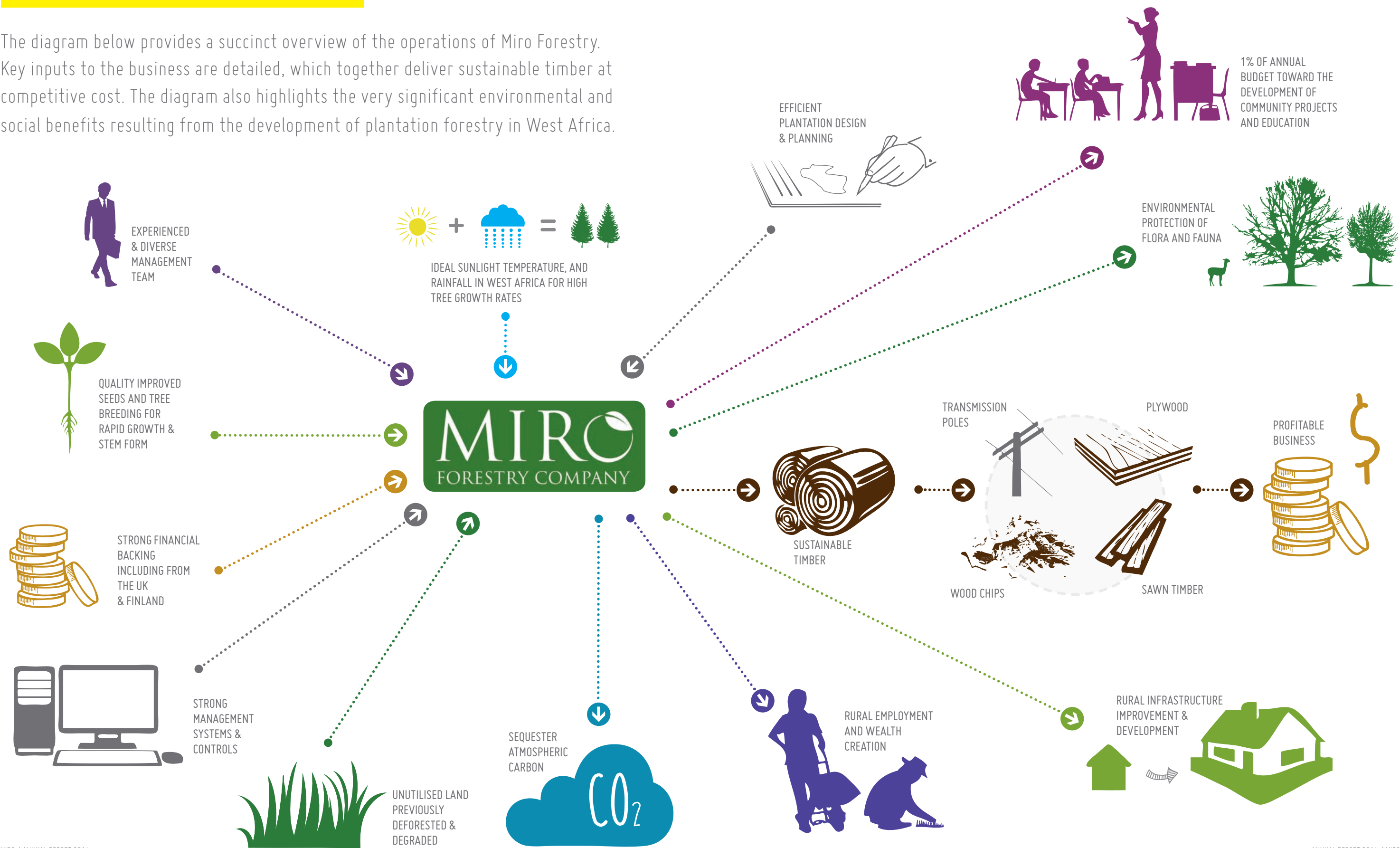
2) Investment commitments of US\$ 15 million each consisting of 70% equity and 30% mezzanine debt.

3) Current estimate figures.



# THE BUSINESS MODEL

The diagram below provides a succinct overview of the operations of Miro Forestry. Key inputs to the business are detailed, which together deliver sustainable timber at competitive cost. The diagram also highlights the very significant environmental and social benefits resulting from the development of plantation forestry in West Africa.





# 2014 HIGHLIGHTS AND TARGETS FOR 2015

## 2014 HIGHLIGHTS:

- The Company planted a total of 676 hectares in Ghana and Sierra Leone achieving final planting targets within budget. Such expansion was achieved cost competitively and to satisfactory quality.
- Secured first institutional investor commitment of US\$10 million from the Finnish Fund for Industrial Cooperation Ltd. This positioned the Company well to then complete due diligence with certain other prospective investors particularly including CDC Group plc who subsequently committed US\$15 million in March 2015, with Finnfund also increasing their investment intent to US\$15 million.
- Significantly improved the team through recruitment into specialist silvicultural, financial and environmental and social compliance positions. As the business increases in scale and profile, particularly within West Africa, so the business administrative burden has increased requiring greater management focus and hence specialist individuals.
- Improved and expanded infrastructure, plant and equipment, and human resource with a view to significant scale-up in 2015.



Sierra Leone: 1 year old Acacia



Sierra Leone: Village








## 2015 OUTLOOK AND TARGETS:

- Establishing 1,500 and 830 new hectares in Ghana and Sierra Leone respectively, taking the total planted area to in excess of 4,000 hectares.
- Focus significantly on research and development, including tree breeding, to make positive improvements to the quality of our tree stands and reduce risk of pest and disease. This will be achieved by improving the genetic suitability of our planting materials to soil and environmental conditions to maximise tree survivability and growth rates. Incremental additions to growth rates are readily achievable for a young company such as ours and are a key driver of financial returns, shortening the time to harvest and maximising the harvestable volume.
- Complete the scoping and detailed business planning for the establishment of value-add timber processing infrastructure from 2016. Such value-add processing operations will initially be small, capable of processing our first thinnings and third party timber, before our larger scale commercial harvesting starts to come on stream. Our aim is to learn small before later scaling to process our significant clearfell volumes coming on stream from 2018-20.
- Complete the expansion of nursery, office, workshop and associated buildings in Ghana and Sierra Leone.
- Focus on insuring all operations conform to international best practice for environmental, social and occupational health and safety standards.

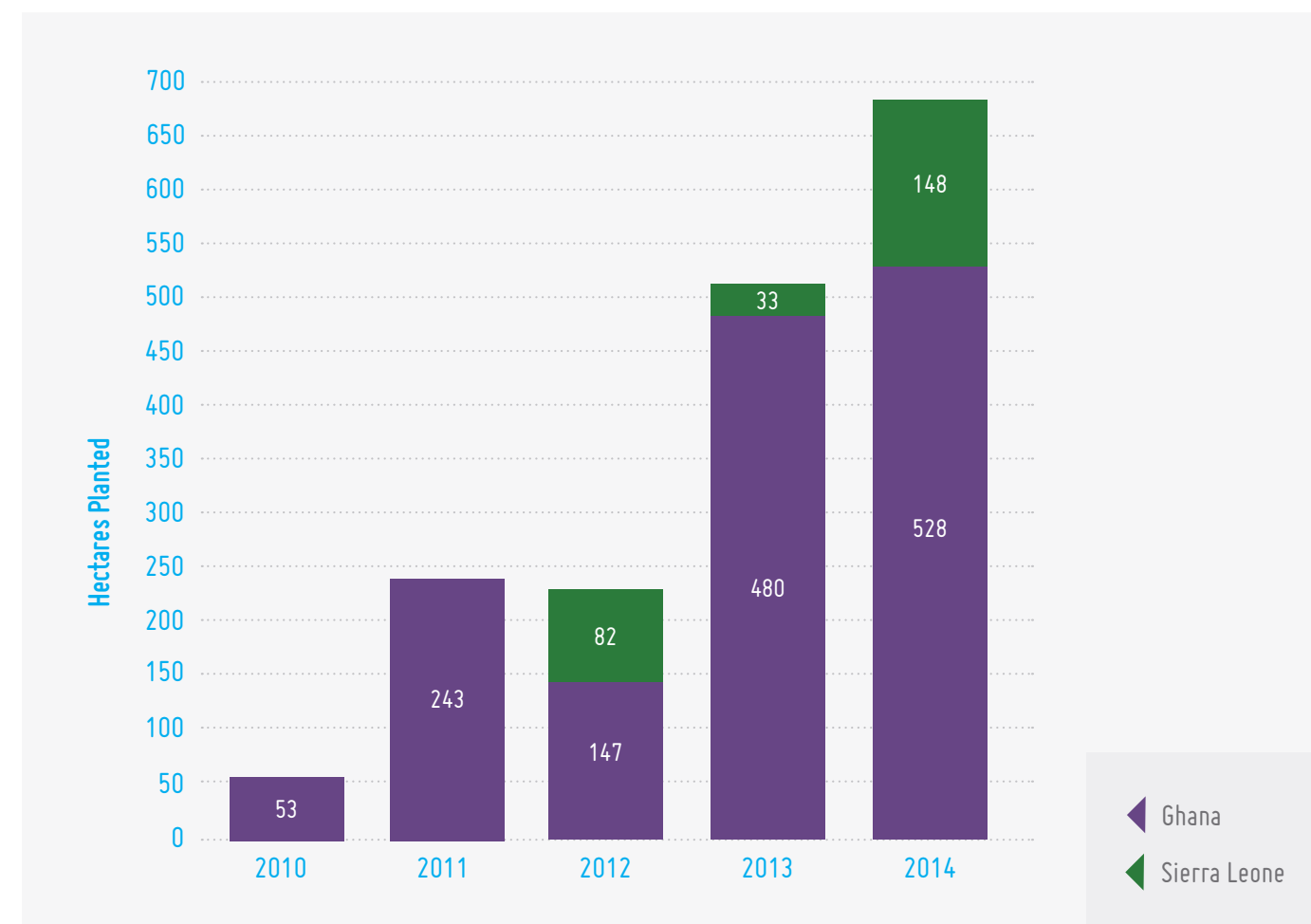


# PLANTATIONS OVERVIEW

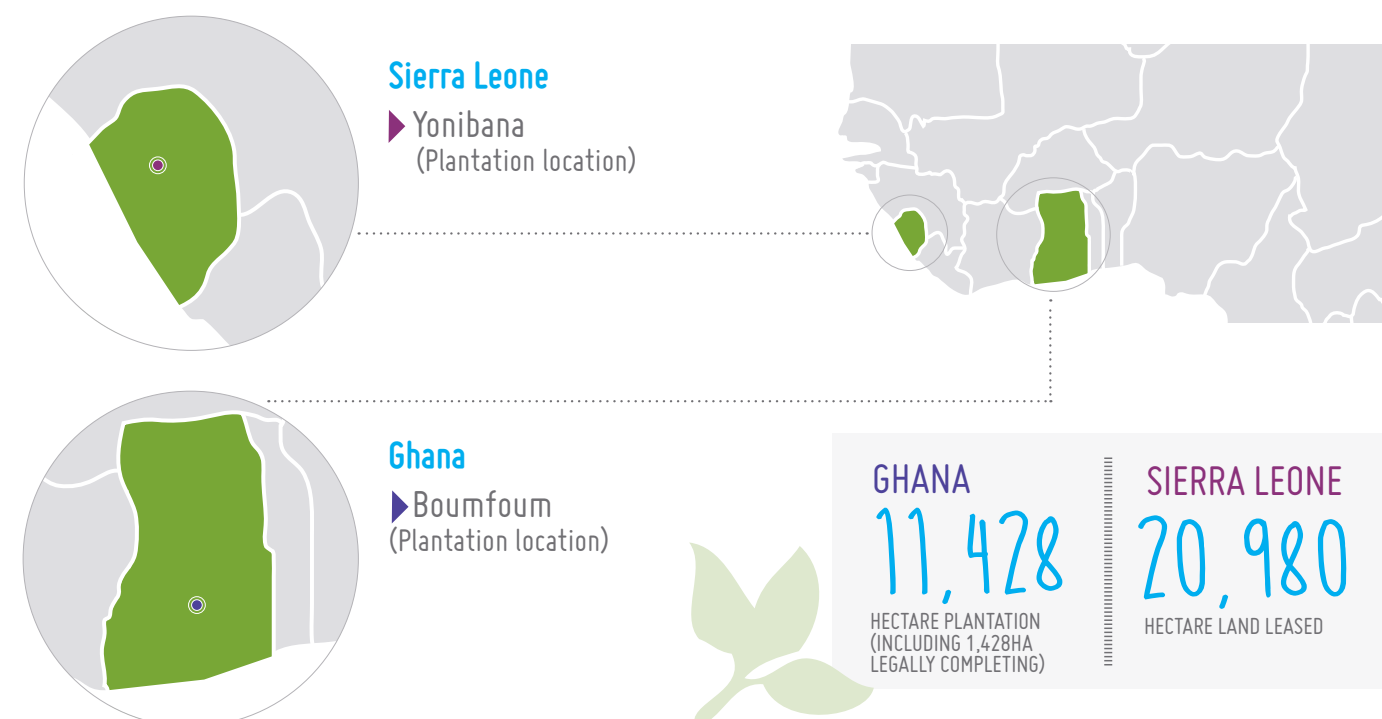
Miro Forestry operates two plantations in West Africa, in Ghana (“Boumfoum” plantation) and Sierra Leone (“Yoni” plantation) totalling over 30,000 hectares of forestry land.

Country	Eucalyptus	Teak	Pine/Acacia/Other	Total Planted Area
	539ha 	858ha 	53ha 	1450ha
	249ha 	–	14ha 	263ha
<b>TOTAL</b>	<b>788ha</b>	<b>858ha</b>	<b>67ha</b>	<b>1,713ha</b>

## Hectares of trees planted by year



## Boumfoum and Yonibana plantations



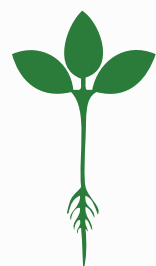


# BUSINESS STRATEGY

The diagram below aims to outline the strategy of Miro Forestry, from developing and managing plantations, and therefore owning the timber resource which is in increasingly short supply, to generating additional margin from the production of basic industrial timber products.



Ghana: Newly planted Teak



**CONTINUAL IMPROVEMENT** OF PLANTATION THROUGH RESEARCH & DEVELOPMENT, IMPROVED SEED SUPPLY & TREE BREEDING



**SEEDING SUPPLY AND FORESTRY ENVIRONMENTAL SERVICES** TO MINING GROUPS (\$100,000 SUPPLY OF SEEDLINGS TO SIERRA RUTILE IN 2015)



**TOTAL INVESTMENT COST** OF LESS THAN **\$5000** PER HECTARE

**QUALITY AND COST COMPETITIVE** PLANTATIONS OF EUCALYPTUS AND TEAK AS WELL AS PINE AND ACACIA

**WITH DECREASING AND DWINDLING FOREST AREA** AND TIMBER STOCK IN WEST AFRICA, PRIMARY VALUE IS THROUGH OWNERSHIP OF THE FOREST PLANTATIONS



**SIMPLE, LOW COST** SMALL SCALE WOOD PROCESSING OPERATIONS TO BE IMPLEMENTED IN 2016 FOCUSING INITIALLY ON PLYWOOD



**POLE MARKET** GROWING AT **>30%** IN SUB-SAHARAN AFRICA

**PLYWOOD** AND VENEER LOG PRICE RISING OVER **100%** SINCE 2013

GHANA AND SIERRA LEONE **IMPORTING MORE** THAN **80,000** POLES PER ANNUM FROM HIGHER COST COUNTRIES WITH SHIPPING AND DUTY COSTS

**NIGERIA** CURRENTLY CONSUMES OVER **200,000M<sup>2</sup>** OF PLYWOOD ANNUALLY OF WHICH OVER **70%** IS IMPORTED

**WEST AFRICA** DEMAND ESTIMATED AT **>400,000** POLES PER ANNUM

**WOODCHIPS** PRIMARIALY FROM TREE THINNINGS AND BRANCHES

MIRO FORESTRY IN **ACTIVE** DISCUSSION WITH CERTAIN MAJOR EUROPEAN BIOMASS POWER PRODUCERS REGARDING CO-INVESTMENT IN SIERRA LEONE OPERATIONS







## CORPORATE GOVERNANCE

The Company aims for high standards of corporate governance at all levels of the group. The Company has a strong board of experienced directors with significant investment, operational and emerging markets experience.

### Richard Laing, Chairman (Chairman of the Audit and Remuneration Committees)

Richard was previously CEO of CDC Group plc, formerly the Commonwealth Development Corporation, from 2004 to 2011, having joined the organisation in 2000 as Finance Director. Prior to CDC, Richard spent 15 years at De La Rue plc where he held a number of positions both in the UK and overseas, latterly as Group Finance Director. Before De La Rue he worked in international agribusiness. Richard is currently a non-executive Director at JP Morgan Emerging Markets Investment Trust plc, Perpetual Income and Growth Trust PLC and a Trustee and board member of the Overseas Development Institute, Plan UK and the Leeds Castle Foundation. He is a graduate of Cambridge University where he obtained an MA in Engineering

### Andrew Collins, Chief Executive Officer (Member of the Environmental, Social & Governance Committee)

Andrew Collins has extensive experience in structuring and completing emerging market investments and has been responsible for driving the expansion of Miro Forestry since inception. Prior to Miro Forestry, Andrew spent three years developing and financing biomass energy projects in Europe, prior to which he was a corporate finance investment banker. Andrew holds a Masters in Engineering from the University of Bristol and a Masters in Finance from the Cranfield School of Management.

### Charlie Bosworth Strategy & Business Development Director

Charlie Bosworth has a background in emerging market business development and management and is a forestry business specialist. Charlie has been responsible for managing the development of Miro Forestry since inception. Charlie previously worked for Sunshine Technology as part of the venture set-up team developing the company's forestry and biofuel operations and systems capacities in Yunnan, China. Charlie holds an MA in Politics from Cambridge University.

### Andrew Tillery, Director (Member of the Remuneration Committee)

Andrew has over 23 years operational management and private equity experience in Africa and other emerging markets. Andrew is currently a non-executive director on three African agribusiness boards and adviser to several sub-Saharan Africa agribusiness investment funds. Andrew has 15 years' experience running emerging market tree plantation businesses and holds two Masters degrees from Oxford University, including one in forestry, and an MBA from the University of Chicago.

### Keith Alexander, Director (Chairman of the Environmental, Social & Governance Committee and Member of the Audit Committee)

Keith has been involved with businesses operating in Africa for over 25 years and most recently he was a director at Actis LLP where he was a member of the management team of the Actis Africa Agribusiness Fund. Prior to Actis, Mr. Alexander was employed by CDC Group plc where he focused on agribusiness investments in emerging markets.

### Hanna Skelly, Director (Member of the Environmental, Social & Governance Committee)

Hanna is a Director at the Finnish Fund for Economic Cooperation Ltd. Hanna leads an investment team specialised in forestry, renewable energy, energy efficiency and clean technologies with business development responsibilities including origination and structuring. She has over 10 years of experience in emerging markets and the forestry and forest industry sectors.

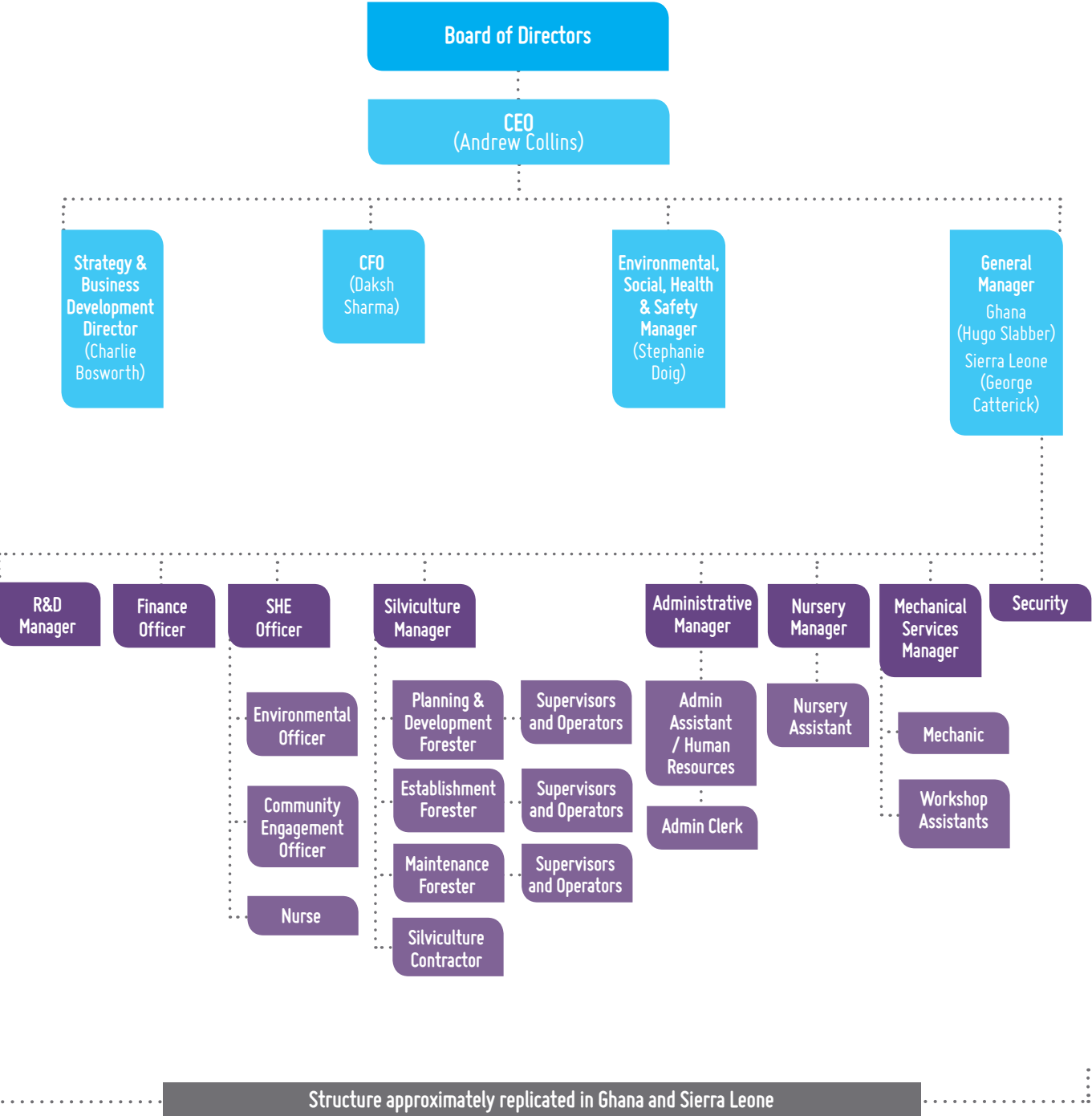
### Jacob Logothetis, Director

Jacob is Managing Director of Aqua Ventures International FZE, a family office specializing in alternative investments. Jacob oversees a pipeline of private equity, venture capital and structured fund investments in sectors including natural resources, real estate and technology.



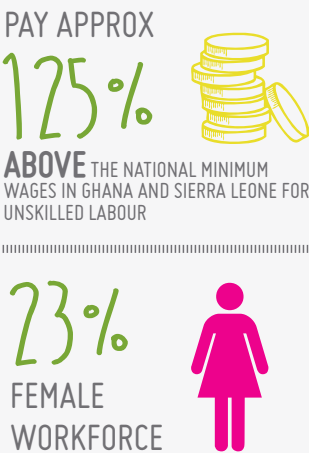
# OUR PEOPLE

The Company at year-end 2014 employed a total of 399 people. The organisational structure of the group is as follows:



Year-End 2014	United Kingdom	Ghana	Sierra Leone	Total
Permanent Employees	2	222	19	243
Male	2	149	16	167 (69%)
Female	–	73	3	76
Casual / Part-Time Employees	1	–	105	106
Male	1	–	91	92 (87%)
Female	–	–	14	14
Contractors	–	45	5	50
Male	–	45	5	50 (100%)
Female	–	–	–	–
TOTAL	3	267	129	399 (77% male)

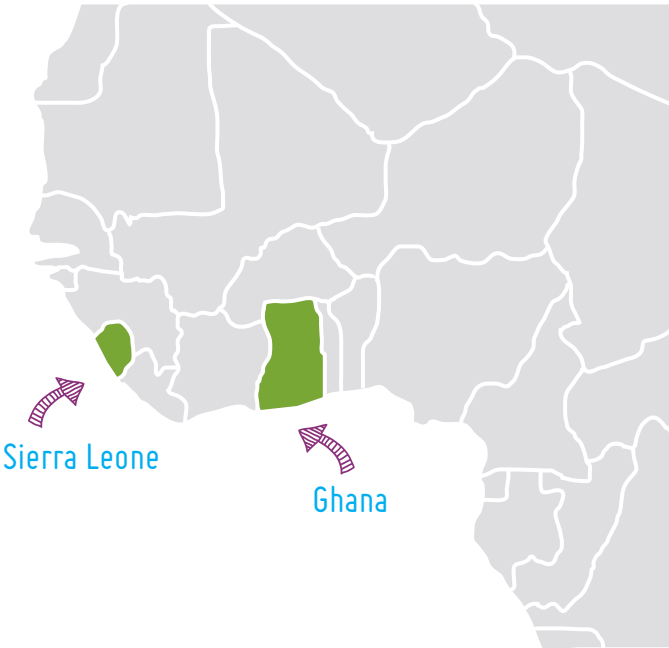
The Group is an equal opportunities employer with **23%** of the total workforce being female. The age range of current employees is between **18 and 65 years** with an average age under 30 across the Group. The Company pays an average of approximately 125% above the national minimum wages in Ghana and Sierra Leone for unskilled labour, of whom **20–25%** are literate. Unskilled labour makes up approximately **75%** of the Group workforce. The Company provides a food allowance to all labourers and also provides medical coverage.





# COUNTRY FACTS

West Africa remains the fastest growing region on the continent. The African Development Bank predicts economic growth of 7% is expected in 2014 and 2015, which “underscores again West Africa’s resilience to global and regional headwinds”. Average inflation fell from 9.9% in 2012 to 7.5% in 2013, and is expected to fall below 7% during 2015. The Ebola epidemic has dented investor confidence but a concerted response from the international community is bringing the crisis to an end.



## Ghana

Ghana’s economy continues to experience robust growth, driven by gas and oil production, increased private and public sector investment and sustained political stability

▶ GDP (2013):	US\$48.14b
▶ GDP growth:	
2012:	8.8%
2013:	7.1%
2014:	4.7%
2015 (forecast):	4.5%
▶ Population (2013):	25.90m
▶ Pop. growth rate:	2.5%

## Sierra Leone

The Ebola epidemic has had a significant impact on the economy of Sierra Leone, halting a period of very rapid growth. Investor confidence is expected to be lessened, resulting in forecast negative growth during 2015.

▶ GDP (2013):	US\$4.14bn
▶ GDP growth:	
2012:	15.2%
2013:	20.1%
2014:	4.0%*
2015 (forecast):	-2.0%*
▶ Population (2013):	6.1m
▶ Pop. growth rate:	3.0%

\* Pre-ebola estimates: 2014 — 11.3%, 2015 — 8.9%



Top and above – Ghana: Nursery





# SOCIAL & ECONOMIC DEVELOPMENT

Responsible and sustainable plantation forestry is a business in which the delivery of sound economic returns goes hand-in-hand with significant social development benefit to the local area as well as positive environmental protection and enhancement. By operating responsibly and sustainably to high environmental and social standards, the Company not only enhances its value but also mitigates risk.

Direct monetary benefit to the immediate local economy around the Company plantations in Ghana and Sierra Leone

Total Approx. US\$ Equivalent	Ghana	Sierra Leone
Rural Employment	US\$ 400,000	US\$ 130,000
Purchase of Goods and Services	US\$ 440,000	US\$ 400,000
Land Lease Fees	US\$ 20,000	US\$ 50,000
Corporate Social Responsibility	US\$ 0 <sup>(1)</sup>	US\$ 20,000
<b>TOTAL</b>	<b>US\$ 860,000</b>	<b>US\$ 600,000</b>



The Company delivers social and economic development in the following ways:

## Rural Employment:

The Company employs approximately 400 people of which approximately 300 are unskilled labour. The Company paid wages and labour contractor fees in 2014 of approximately USD 400,000 and USD 130,000 to employees and contractors living on and around the Company's plantations in Ghana and Sierra Leone respectively (excluding expatriates).

- When employing manual labour contractors, the Company works with the contractors to assist them build their contracting business, guiding them to purchase and install suitable business infrastructure and build positive cashflow, and to install basic management systems and controls, and business checks and balances.
- In employing individuals the Company provides training and educational development. This primarily includes on the job training from management, with machinery operators and certain management also receiving periodic external training (ranging from tractor operator training by equipment providers to supporting individuals through accounting qualifications). For many of the labour employed they can often be the first generation ever to be formally employed. This can provide them with significant local status but more importantly gives them first exposure to living in an environment where there are formal work structures, objectives and hierarchies.

## Purchase of Goods and Services:

The Company purchased goods and services from the immediate local areas around the plantations in Ghana and Sierra Leone of approximately US\$ 440,000 and US\$ 400,000 in 2014. With typical household income being less than US\$ 5 per day this contributes significantly to local wealth creation through the establishment of local business.

## Land Lease Fees:

Land Lease Fees: The Company's land-lease costs in Ghana and Sierra Leone in 2014 were approximately US\$ 20,000 and US\$ 50,000. These fees, of which the

majority is proportionally distributed among the local community landholders, with a portion going to the government, is an important addition to local income.

## Benefit Sharing Arrangements:

As part of the Company's land-lease arrangements the Company pays a proportion of income derived from the plantations after harvest of round logs to the community which is transparently distributed according to landholdings. In future this will be the most significant contribution to local income exceeding US\$ 1,000,000 in both Ghana and Sierra Leone from 2025.

## Tax Contribution

Whilst the Company is still pre-profit the Company is paying value added tax and equivalent on the purchase of goods and services. Being a long-term agricultural business, the Company has secured tax breaks and holidays which it has secured from the respective governments. However upon profitability and after expiry of tax holidays and reliefs the Company will also be paying corporation taxes at nationally significant scales.

## Corporate Social Responsibility:

Approximately 1% of the Company's annual budget for Ghana and Sierra Leone is deployed into the support of community projects. In Ghana the Company has created a vocational training center for the education of in excess of 100 youths, in cooperation with local and national bodies. In Sierra Leone the Company has also focused on education primarily providing scholarships to over 150 children in 2014.

In all operations the Company is operating to the International Finance Corporate Performance Standards (IFC-PS), International Labor Organization standards (ILO), and towards the attainment of Forestry Stewardship Council certification (FSC) in 2017. In addition the Company complies with national labour, environmental protection and other relevant laws and guidelines.

1) 2014 CSR allocation to be deployed during 2015.



# ENVIRONMENTAL PROTECTION & ENHANCEMENT

West Africa has lost over 80% of its forest cover over the last 50–100 years. At the current rate of deforestation Ghana will have entirely lost its forest cover within the next 20 years. With growing economies and significant construction and infrastructure expansion, pressure on forests for timber supply continues.

Compared to the gross size of the West African economy, the region has one of the smallest plantation forestry industries compared to other regions where the weather allows for such an industry. This dents the balance of trade for the region as it relies on importing increasing quantities of timber from generally higher cost regions of the world. As such, it will only be the expansion of domestic plantation forestry in the region, growing timber on a globally cost competitive basis, that will stem the pressure on the remaining dwindling natural forests.

Miro Forestry is operating towards the attainment of Forestry Stewardship Council certification (FSC) in 2017 and as such is now consistently improving

operations to fill remaining deficits against these standards. A key element of FSC's environmental principals relates to the design of the plantations such that environmentally sensitive and important areas are protected and preserved.

The Company is operating on land in both Ghana and Sierra Leone which is severely degraded from historic logging, firewood collection and slash-and-burn agriculture. Nevertheless the Company, under FSC standards, delineates and protects wetlands, indigenous tree stands and culturally important areas. This preserves and protects remaining indigenous flora and fauna, enabling it to regenerate, whilst also preserving local subsistence farming areas and cultural lands.



Ghana: 4 year old Teak

## Carbon Sequestration:

Trees are one of the planets most important carbon absorption mechanisms. The Company does not currently intend to certify its operations in order to sell carbon credits, as there is little to no margin available between the cost of formal certification and potential carbon credit sales. The Company has nevertheless commissioned an independent group to assess and calculate the carbon sequestered by the Company (in accordance with the Gold Standard of carbon certification):

At year end 2014 Miro Forestry's net carbon benefit, applying the Clean Development Mechanism methodology is 4,202 tCO<sub>2</sub>e. This is expected to rise 588,507 and 4,366,233 tCO<sub>2</sub>e by year end 2018 and 2025 respectively.

## Cookstoves:

Over 85% of the timber volume consumed in sub-Saharan Africa is for fuelwood for cooking. In sub-Saharan Africa the average per capita fuelwood use is 2.5kg per person per day, with food typically cooked in a cauldron resting on stones above an open fire.

As a result, the majority of the heat is lost into the atmosphere rather than heating the food. Cook stoves can reduce the heat lost by up to 30%, typically having efficiencies themselves of 27–38%. The Company is currently in the process of facilitating the trialing of cook stoves in partnership with a third party organization, which may then lead to the dissemination of significant quantities of stoves, initially in Sierra Leone, each expected to reduce annual fuelwood consumption by 43% and carbon emissions by more than 55% over traditional cooking methods.



Sierra Leone: Operating base and nursery

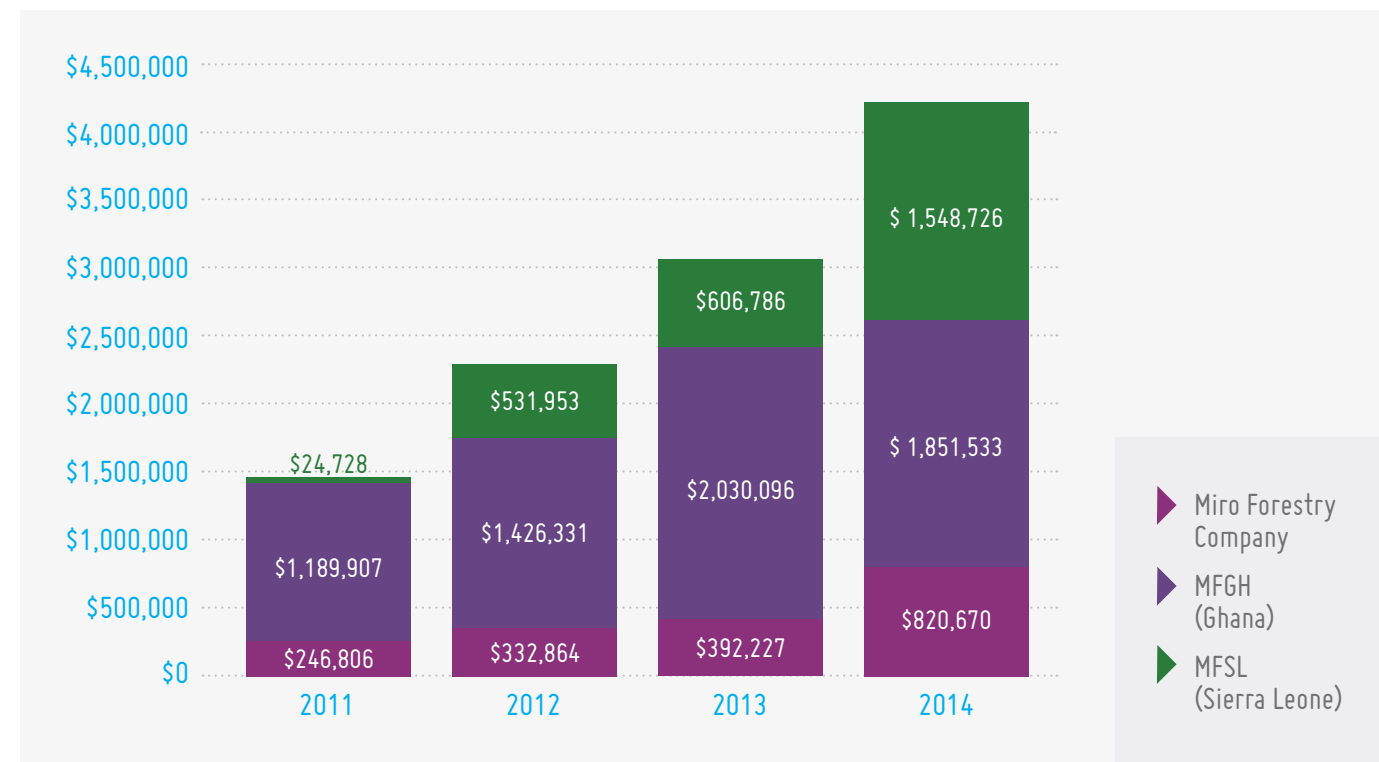


# INVESTMENT AND PLANTATION ECONOMICS

Since the start of 2011 (to year-end 2014), Miro Forestry has invested a total of US\$ 11.0 million into its operating activities across the Group. Of this US\$ 6.5 million has been invested into Ghana and US\$ 2.5 million into Sierra Leone. The Company is therefore one of the most significant investors into plantation forestry in either country.

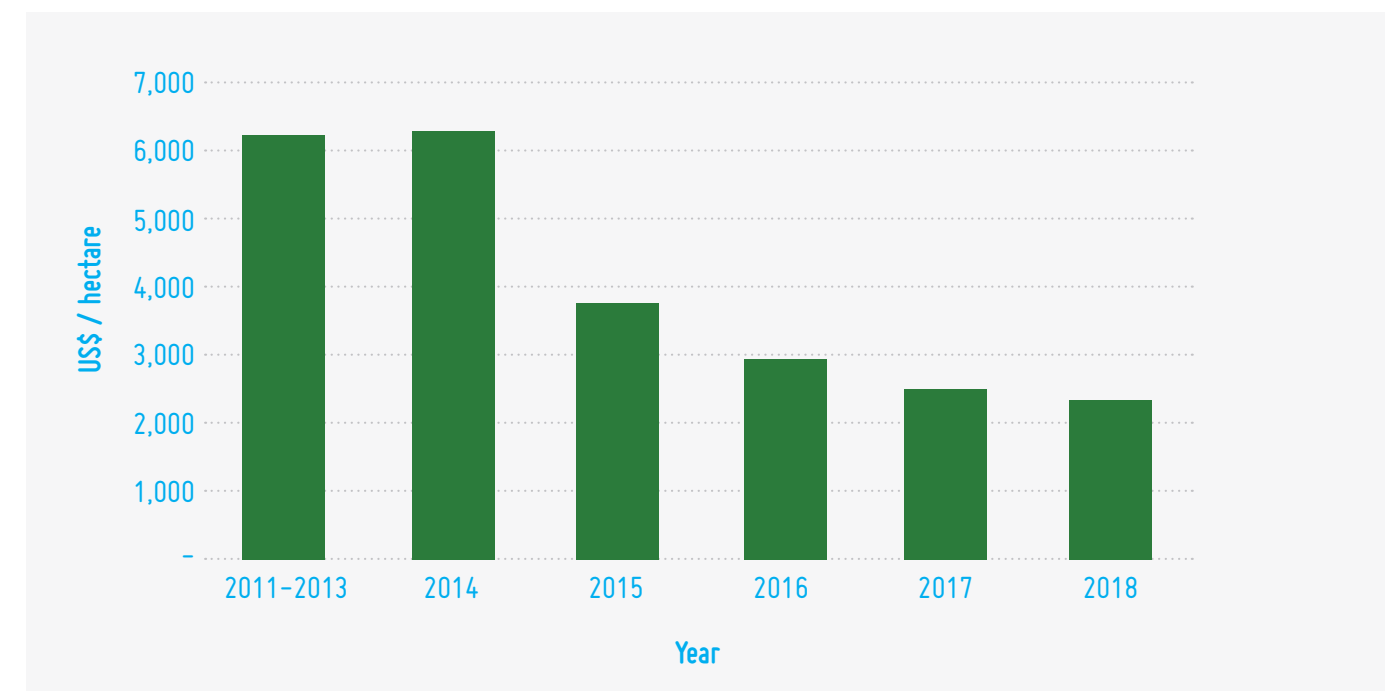
The use of funds by Miro Forestry, the group holding company, and by operational subsidiaries in Ghana and Sierra Leone respectively, over the period from 2011 (the year of first investment into the Company’s Ghana operations) to year-end 2013 is detailed in the table below:

Annual Expenditure by Company (US\$)



The chart below shows Miro Forestry’s actual total cost per new hectare established since 2011 and the forecast total costs per new hectares established from 2015 to 2018.

Total Cost per Hectare Established





## USE OF FUNDS BY COUNTRY

Miro Forestry has a policy always to acquire materials and services locally, in Ghana and Sierra Leone, when such materials and services exist at equivalent or lesser price, and to not less than equivalent standards elsewhere internationally. Not only is this best value for money, but it also maximises the Company's development impact and serves to add local support to operations.










Ghana: Nursery operations



Sierra Leone: Development impact from employment

## Beneficiary Countries of Miro Forestry's investment over 2014

The table following shows the ultimate beneficiary countries of Miro Forestry's investment over 2014. This has been calculated based on the jurisdiction from which goods and services have been purchased and hence the country which ultimately benefits.

Miro Forestry (Ghana) Limited (Ghana)	US\$1,515k (82%) Ghana 	US\$270k (15%) South Africa 	US\$67k (3%) Other Countries (predominantly the UK)
Miro Forestry (SL) Limited (Sierra Leone)	US\$1,035k (67%) Sierra Leone 	US\$263k (17%) South Africa 	US\$251k (16%) Other Countries (predominantly the Netherlands and UK)
Miro Forestry Company Limited (UK)	US\$585k (71%) United Kingdom 	US\$214k (26%) South Africa 	US\$22k (3%) Ghana 



# FINANCIALS

## Miro Forestry Company Limited Company Statement of Profit and Loss

For the year ended 31 December 2014

	Year ended 31 December 2014		Year ended 31 December 2013	
	US\$	US\$	US\$	US\$
<b>Income</b>				
Management re-charge		180,000		180,000
<b>Administrative Expenses</b>				
Salaries and other employee costs	496,991		459,000	
Employee insurance	7,315		8,105	
Printing, postage and stationery	-		78	
Travelling and sundry expenses	87,063		50,876	
Fund raising commission	155,980		26,562	
Telephone	2,837		895	
Office rent	31,158		26,196	
Office insurance	-		536	
Consultancy fees	120,489		49,190	
Legal expenses	15,250		22,644	
Corporate administration fees	4,845		2,254	
D & O insurance	9,926		14,650	
Audit fee	50,000		10,000	
Results from operating activities		(981,854)		(670,986)
<b>Finance Charges</b>				
Interest on loan	74,049		-	
Bank Charges	5,748		4,827	
		(79,797)		(4,827)
<b>Net Operating Cost</b>		<b>(881,650)</b>		<b>(495,813)</b>



## Miro Forestry Company Limited

### Company Statement of Financial Position

As at 31 December 2014

	Notes	As at 31 December 2014		As at 31 December 2013	
		US\$	US\$	US\$	US\$
<b>Fixed Assets</b>					
Investment into Miro Forestry (Ghana) Limited	1		2,074,578		1,627,047
Investment into Miro Forestry (SL) Limited	2		2,250,000		250,000
			4,324,578		1,877,047
<b>Current Assets</b>					
Amount owed by Miro Forestry (Ghana) Limited	1	4,361,261		2,957,260	
Amount owed by Miro Forestry (SL) Limited	2	857,370		1,158,644	
Cash at bank and in hand		93,601		343,707	
Sundry debtors		13,274		11,824	
Prepayments		17,621		6,380	
		5,343,128		4,477,815	
<b>Creditors: Amounts falling due within one year</b>					
Accruals		(225,249)		(71,970)	
Other creditors		(6,732)		(15,517)	
			5,111,146		4,390,328
<b>Net Current Assets</b>			9,435,725		6,267,375
<b>Creditors: Amounts falling due after more than one year</b>					
Loan principal from Finnish Fund for Industrial Cooperation Ltd			(1,500,000)		
<b>Total Assets Less Liabilities</b>			<b>7,935,725</b>		<b>6,267,375</b>
<b>Capital and Reserves</b>					
Called-up share capital	3		22,403		19,253
Share premium	3		9,557,056		7,010,206
Retained earnings			(1,643,734)		(762,084)
<b>Shareholder's Funds</b>			<b>7,935,725</b>		<b>6,267,375</b>

## Miro Forestry Company Limited

### Company Statement of Cash Flows

For the year ended 31 December 2014

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
		US\$	US\$
<b>Cash Flow from Operating Activities</b>			
Net operating cost		(881,651)	(495,813)
<b>Adjustment for:</b>			
Changes in net working capital		131,803	49,098
<b>Net Cash Flows from Operations</b>		<b>(749,847)</b>	<b>(446,715)</b>
<b>Cash flows from Investing Activities</b>			
Shares purchased in Miro Forestry (Ghana) Limited	1	(447,531)	-
Shares purchased in Miro Forestry (SL) Limited	2	(2,000,000)	-
Loan to Miro Forestry (Ghana) Limited		(1,404,001)	(1,855,863)
Loan to Miro Forestry (SL) Limited		301,274	(689,854)
<b>Net cash outflow from investing activities</b>		<b>(3,550,258)</b>	<b>(2,545,717)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares	3	2,550,000	2,110,000
Loan Principal from Finnish Fund for Industrial Cooperation Ltd		1,500,000	-
Amount unpaid at the previous year end		-	1,150,000
<b>Net cash inflow from financing activities</b>		<b>4,050,000</b>	<b>3,260,000</b>
Net increase in cash and cash equivalents		(250,105)	267,568
Cash and cash equivalent at 1 January 2014		343,707	76,139
<b>Cash and cash equivalents at December 2014</b>		<b>93,602</b>	<b>343,707</b>



## Miro Forestry Company Limited

### Notes to the Financial Statement

For the year ended 31 December 2014

#### 1 Investment in Miro Forestry (Ghana) Limited

- Nicol Miro Forestry Company Limited changed its name to Miro Forestry (Ghana) Limited during the 2014 accounting period.
- During 2014 US\$1,404,001 (2013: US\$1,855,963) was invested in Miro Forestry (Ghana) Limited.
- Miro Forestry Company Limited continues to hold 2,000,000 Ghana Cedi 0.03 Shares at the year end 2014.
- The remaining amount US\$4,361,261 shown as a debtor at the year end is to be converted into Ordinary Shares in Miro Forestry (Ghana) Limited.

#### 2 Investment in Miro Forestry (SL) Limited

- During 2014 US\$1,698,726 (2013: US\$689,854) was invested in Miro Forestry (SL) Limited and US\$2,000,000 inter-company loan was converted into 1,000,000 shares in Miro Forestry (SL) Limited.
- Miro Forestry Company Limited continues to hold 1,127,000 Shares at the year end 2014
- The remaining amount US\$857,370 shown as a debtor at the year end 2014 is to be converted into Ordinary Shares in Miro Forestry (SL) Limited.

#### 3 Financing Activities

- During 2014 315,000 Ordinary Shares of US\$ 0.01 were issued. The number of shares issued at the balance sheet date was 2,240,354 the sum invested being USD 2,550,000







**Miro Forestry Company**

117 George Street London W1H 7HF, United Kingdom  
T: +44 (0) 203 675 0997  
E: [info@miroforestry.com](mailto:info@miroforestry.com)  
[www.miroforestry.com](http://www.miroforestry.com)