

**PROJECT PLAN BY SERENGETI BREWERIES LIMITED (SBL) FOR ESTABLISHING A NEW
ALCOHOLIC SPIRITS PRODUCTION BUSINESS TO BE BASED IN MOSHI, TANZANIA**

**Plan submitted to Tanzania Investment Centre (TIC) in application for the project's
Certificate of Incentives**

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1. About Serengeti Breweries Limited (SBL)

Incorporated in 1988 as Associated Breweries, SBL is one of the major players in the alcoholic beverages sector in Tanzania, with its beer brands accounting for approximately 30% of the market by volume. SBL has three operating breweries located in Dar es Salaam, Mwanza and the state-of-the-art brewery in Moshi which was commissioned in January 2012.

The business changed its name to Serengeti Breweries Limited in 2002 and has since grown from strength to strength. In 2020 the world's leading spirits company Diageo, acquired 51% stake in SBL through its subsidiary company, East African Breweries Limited (EABL) before buying an additional 30% stake in 2020 (already approved by FCC) to maintain majority shareholding with 81% stake. In line with this, SBL is keen to start a new line of business by investing **GDB 4.98 million** into local alcoholic spirits production at its Moshi brewery premises.

The new local spirits production facility will directly create more than 50 new direct employment opportunities and hundreds other indirect jobs through the business' value chain. The project is also in line with the Government's agenda to promote local industrialization in the country.

SBL currently sells a number of international spirits brands in Tanzania all imported from Diageo spirits distilling companies from across the world. The brands include spirits such as Johnnie Walker whisky, Smirnoff Vodka, Gilbeys Gin, Richot Brandy, Bond 7 Whiskey and Baileys Irish Cream. Most of these brands will be produced locally by SBL upon completion of the project with a number of other local spirits brands also being launched.

SBL beer brands on the other hand are all manufactured locally. They include Serengeti Premium Lager, Serengeti Lite, Tusker Lager, Guinness Stout, Pilsner Lager, Pilsner King, The Kick Lager and Senator. More than half of SBL's beer brands are brewed using 100% local raw materials (including maize, barley and sorghum) sourced from a network of 400 farmers across the country, who enjoy full technical and financial

support from SBL in their farming activities. Together, these farmers in 2019 supplied SBL with around 17,000 tones of grains which was equivalent to 70% of the company's total raw materials requirement. The number of local suppliers is bound to grow significantly in line with SBL growth trajectory and with the establishment of the new spirits production line.

2. Project Summary

Tanzania Mainstream Spirits (MSS) represents a significant opportunity for SBL to participate in. The Spirits market is currently estimated at over 33 million litres of which MSS accounts for more than 80%. Due to SBL's current inability to produce MSS locally, the company has a low market share made worse the challenge of prohibitive market conditions for imported brands characterized by higher excise duty rates, import duties and port delays.

SBL seeks to start local spirits production in Tanzania through acquisition of a Cube – a mobile alcoholic spirits production unit. This would enable SBL to increase its share within Mainstream spirits segment, establish a stronger market presence and create capacity to build a more margin accretive portfolio and business.

The Cube is the preferred solution due to its movability. The Cube will be purchased from ABV in Liverpool, UK and installed at SBL Moshi brewery site in Tanzania.

The landed capital expenditure for the Cube is ~ **GBP 4.98 million** to be drawn from the company equity. The Cube will be installed at SBL's Moshi Brewery premises which meets both space and safety requirements for the project.

The following table provides a summary of the project details.

Table 1. project summary information

Company	Serengeti Breweries Limited	Project Purpose: The acquisition of a Cube for SBL to manufacture alcoholic mainstream spirits (MSS) and some of the international spirits brands currently imported by the company.		
Project Title	SBL Mainstream Spirits – Cube Solution			
Project Category	Business development / Innovation			
5yr Strategy Journey	Aligned to SBL's Mainstream Spirits (MSS) ambition.			
The Cube's capacity	4.5 million litres of liquid based spirits on a 42 weeks operating model			
Project Location	Plot No.256, Block JJJ, Karanga, Moshi Municipality			
Cost Summary (£m)		Capital	Revenue	Total
Project cost		£4.98 m		£4.98 m
Financial Impact £m				
Simple Cash Payback (years / months)		5.2 Yrs		
Discounted Cash Payback (years / months)		7.2 Yrs		
EP Breakeven (specific year)				
IRR (%)		26%		

3. Project Technical Scope and Production

CUBE Capacity

The CUBE will be able to produce approximately **4.5 million litres** of liquid based spirits on a 42 weeks operating model. This is based on running 24 hours per day and 6.5 days per week. 12 hours has been allowed for planned maintenance downtime.

Logistics and Duty

- Importation duty payments have been assumed at **30%** for equipment only.

- Withholding tax has been assumed at **15%**
- Customs clearance will be managed by an identified clearing company together with SBL's procurement team in accordance with project schedule requirements.

Civils works and Security

- The CUBE will be located outdoors in an approximate 25m x 25m compound.
- The tanker intake station and bulk alcohol tanks will be constructed in accordance with SBL/Diageo safe storage of alcohol guidelines.
- The CUBE's compound will be enclosed by a perimeter fence with controlled access to the hazardous area via a secured access gate.
- The areas for the above shall be segregated from other existing structures in accordance with DSEAR guidelines.
- The civil works contract and construction will be managed by SBL/Diageo as required.
- Modification of access road to unload the spirit is included.

Utilities

- Water supply will be a local connection to an existing brewery potable water supply
- A suitable buffer storage will be added.
- An External RO / demin water treatment plant within the scope.
- No standby Diesel generator considered, the exiting plant power with Generator backup considered.
- The CUBE's effluent will be routed to the brewery effluent stream for further disposal.
- Operational costs associated with effluent disposal are not included within the scope of the project
- Electrical connection to existing 400V LV board only, i.e. assumes no new electrical (ring main/ transformers/ intake upgrade/ generators) infrastructure required.

4. Health and Safety

SBL and the Engineering Excellence teams shall be responsible for all aspects of site construction safety management. A provision has been included in the project budget to provide all process contractor documentation necessary to enable safe working on-site plus consultant advice as required to support.

5. Environmental Approach and Impact (including compliance)

An Energy Efficient Design (EED) study will not be carried out as part of this project. The CUBE unit proposed is a standard design and has already been subjected to an EED study.

6. Overview of Budget

Summary of the Estimates:

Item	Description	GBP
1	Plant and Equipment	£2,888,844
2	Installation, Labour & Airfares	£200,000
3	Packing, Freight and Insurance	Inc
	<i>Sub-Total Equipment</i>	£3,088,844
4	Duty and Clearance @ 7.5%	£216,663
5	Management	£305,000
6	M & E	£340,500
7	Civil	£369,750
	<i>Sub-Total Local</i>	£1,231,913
8	Contingency, materials write off, start up, samples	£216,038
9	TAX stamp application	£20,000
10	RISK Charcoalation ATEX if >45%	£250,000
11	DEE BE Costs	£180,000
12	Total Cost	£4,986,795