

TITLE

TANZANIA BREWERIES

LTD

MINUTE SHEET

DOKEZO 01.

No.

Ag. 2m, F. 20


Please, advise.

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10/9/2019

2.

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After consultations to George & Revocatus the issue presented in folio 20, has already been attended by the Task Force of the Tax Reforms. It seems the submission to TIC is for information. However the contents are useful in understanding the issues of investment/Business environment.


A.B.R.M. 11/9/2019

MINUTE SHEET

DOKEZO
No.

16



Tanzania Breweries Ltd.

CAPITAL PROJECTS DEPARTMENT

PROGRESS REPORT

CERTIFICATE OF INCENTIVES NO. 041635 OF 20TH MARCH 2009

STRICTLY CONFIDENTIAL

4 August 2010

The Executive Director
Tanzania Investment Centre
P.O. Box 938
Dar Es Salaam.

Dear Sir,

RE: PROGRESS REPORT

We refer to the above subject for your immediate attention.

Enclosed herewith please find our progress report for our Certificate of Incentives No. 041635.

Kindly treat this document as strictly confidential.

Yours faithfully,


For and on behalf of
TANZANIA BREWERIES LIMITED.

Gesa Froehlich
Project Logistics Manager



Tanzania Breweries Ltd.

CAPITAL PROJECTS DEPARTMENT

PROGRESS REPORT

CERTIFICATE OF INCENTIVES NO. 041635 OF 20TH MARCH 2009

STRICTLY CONFIDENTIAL

TANZANIA INVESTMENT CENTRE DAR ES SALAAM

1. Planned Activities for the period:

The basic construction of the new Mbeya Brewery has been completed, enabling brewing and production. TBL is now focusing on the smaller scale of improving efficiencies and expanding in order to keep up with a more competitive market and market trends. Please see attached ANNEXURE I for a list of up-coming projects.

2. Achievements made on the project implementation to-date:

The construction of the basic Brewery Plant in Mbeya is 99% complete with few butt listed items remaining to be completed. All necessary construction has been completed and machinery installed for the brewing and production of beer.

TBL managed to achieve the following mile stone dates:

- First Brew – Plan - 1 October 2009
- First Brew Actual – 22 October 2009
- First Packaged Beer plan – 1 November 2009
- First Packaged Beer Actual – 2 November 2009

Please see attached ANNEXURE II for details on the progress throughout the project.



Tanzania Breweries Ltd.

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3. Project Financial Expenditure to date:

Amount in TSH millions

	Foreign	Local	Total
Land and Buildings (civils, structural, infrastructure & amenities)	15,067	7,534	22,601
Plant & Machinery	40,822	10,206	51,028
Vehicles / Aircrafts	25	77	102
Furniture	213	20	233
Office Equipment	207	38	245
Insurance Cover		235	235
Pre-operational expenses		401	401
Working sub-total capital			N/A (project expenditure, not operations)
GRAND TOTAL	56,334		74,845

4. Project Financing (TSH millions)

Equity	Loans	Total
	81,383	81,383

5. Problems and Solutions

Delays in Clearance of Goods at the Port

It is a known fact that it is not possible to ship the whole plant in one piece. Sometimes the parts come from different parts of the world and are assembled in one place, hence they arrive separately. Unfortunately, it has been very difficult for Customs and other local inspection companies to understand. As a result arbitrary assessment is being issued, resulting in objections, delays in clearing the consignment and duties being paid where exemptions should actually apply.



Tanzania Breweries Ltd.

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6. Future Plans

As mentioned in our previous progress report and as per details above, TBL is planning expansion projects for its plants and will continue to renew machinery, expand production and invest in new innovations.

Please see attached ANNEXURE II for details of projects to come.

7. Recommendations and any other comments

The decision that has been passed in the new Financial Budget of 2009/2010 which does not allow further exemption on deemed capital goods items after expiry of our TIC certificate of incentives, is a major damper on TBL's investment plans.

With up-coming projects and expansion plans within the country, such regulations are making TBL management re-assess investment plans for the future.



Tanzania Breweries Ltd.

CAPITAL PROJECTS DEPARTMENT
 PROGRESS REPORT
 CERTIFICATE OF INCENTIVES NO. 041635 OF 20TH MARCH 2009
 ANNEXURE I

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PROJECT NAME	Amount (000's)
Effluent plant	\$3,000
Brewhouse upgrade and cycle time reduction	\$2,200
Labeller upgrade	\$1,200
Secondary Refrigerant mains upgrade	\$350
Washer infeed upgrade	\$350
Bottle Coating Technology	\$300
Raw water filtration system	\$300
Steam supply network upgrade	\$250
Air Compressor upgrade	\$250
Liquid Chromatograph (HPLC)	\$250
Electrical Upgrade Power Distribution Boards	\$250
Pal and Depal conversion to S7	\$200
Relocate palletiser and depalletiser	\$120
Kieselguhr Handling System	\$120
Brewhouse Drainage	\$100
Roads, buildings and roofing.	\$100
Electrical engineer room cables.	\$100
Brewing Materials Store Area	\$100
Canteen and ablutions upgrade	\$100
Quality at Source QC Equipment	\$88
Site Security fencing	\$60
Starch Make-up system	\$50
Laboratory Expansion	\$50
New Equipment for QC Lab	\$45
Malt handling screw conveyor replacement.	\$45



Tanzania Breweries Ltd.

CAPITAL PROJECTS DEPARTMENT
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 ANNEXURE I

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Filter Room Upgrade	\$40
Cooling tower for Pastueriser	\$40
Paint and lubricants store.	\$40
In-Line Haze meter	\$35
Electrical Upgrade existing Power Factor Correction Units	\$30
New Forklifts	\$30
Special tools and workshop upgrade.	\$25
Electrical Earthing of the plant	\$25
Taste room upgrade	\$20
Ascometer	\$15
Grist Analyser	\$10
Air Conditioner for QC Manager	\$1
BBT up-grade	\$2,500
Mash Filter Installation	\$3,500
Install new ZT 250 Aircompressor	\$700
Bottle Coating Technology	\$300
Electrical Main DB Upgrade	\$300
In-Package Analyser	\$140
Dechlorinator Upgrade	\$120
Cullet System.	\$120
Gas Cromatograph	\$120
Surge Arrestor	\$100
Packaging Ventilation	\$100
Lab equipment upgrade.	\$75
Washer chain upgrade	\$50
LV panel replacement in the engine room.	\$50
Furniture	\$50
Electrical Power Factor Correction	\$50
Boiler cleaning equipment	\$40
Nibem foam analyser	\$40



Tanzania Breweries Ltd.

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Quality at Source QC Equipment	\$35
Emergency Fire Pump	\$35
Brewhouse ground floor ventilation	\$30
PC terminals and server for taste room	\$30
Packaging Forklifts	\$30
Electrical Earthing of the plant	\$25
Cleaning Equipment	\$25
Waste Fuel boiler	\$500
Vehicles for Ext. Officer/agric. Manager	\$40
Plant upgrade for NOSA	\$20
Field soil analysis kits	\$20
Maltings Plant - Phase 1	\$5,000
Waste Fuel boiler	\$1,500
Storage for Malt and Sorghum	\$800
Quality Measure Equipment	\$50
CO2 plant replacement	\$1,600
Mashing Stream for New Brewhouse	\$1,500
Transformer	\$800
Mash Filter Installation	\$2,000
Install new Air Compressor	\$460
New Materials Store	\$450
DB Upgrade for the Packaging line and warehouse.	\$400
Roads and Drains	\$250
Gas Chromatograph	\$230
Ammonia Drum	\$200
Quality Measure Equipment	\$200
Blending plant upgrade	\$120
Packaging Offices upgrade and Raw Material Stores	\$100
D-Water Buffer Tank	\$80



Tanzania Breweries Ltd.

CAPITAL PROJECTS DEPARTMENT
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CERTIFICATE OF INCENTIVES NO. 041635 OF 20TH MARCH 2009
ANNEXURE I

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Lab Expansion	\$80
Taptone installation	\$80
Engineering Stores Upgrade	\$80
Quality Measure Equipment	\$75
Fire Equipment	\$60
Cooling tower upgrade	\$40
Yeast drying Tank	\$30
TOTAL (000's):	\$ 35,619



Tanzania Breweries Ltd.

Dar es Salaam Plant, Uhuru Street

P.O. Box 9013, Dar es Salaam - Tanzania

Phone +255 (22) 2182779 - 82 Telefax: +255 (22) 2181457 - 8

(17)

TBL/TIC/F10-006/2

June 4th, 2010

The Executive Director,
Tanzania Investment Center,
P.O. Box 938,
Dar Es Salaam.

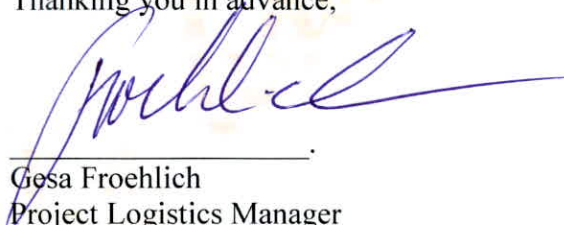
Dear Sir,

**APPLICATION FOR DUTY/VAT EXEMPTION FOR CAPITAL GOODS VIDE
T.I.C. CERTIFICATE OF INCENTIVES No. 041635 OF 20TH MARCH 2009**

Please refer to the captioned subject. In order to stay competitive on the market and keep up with latest technologies, TBL is looking to up-grade and improve production as well as diversify its brands. We will therefore be importing new plant machinery for various projects, the biggest one currently being a new Sorghum line.

In the view of above we hereby apply for the Duty/Vat exemption on the capital goods (as per attached 1-page list) for the project, vide T.I.C. Certificate of Incentives No.041635 dated 20th March 2009.

Thanking you in advance,


Gesa Froehlich
Project Logistics Manager

Attached:- Certificate of Incentives No. 041635 (copy)
TIN Certificate

TANZANIA BREWERIES LTD

TANZANIA BREWERIES LTD							
Exemption List F10 - 006		4th June 2010					
ITEM No	Description	Item Group	Unit Measurement	Quantity	TIN	Exemption Reference No	Exemption Date
1	Spent Grains Dryer	Plant machinery	Unit	2	100-159-864		
2	Yeast Drum Dryer	Plant machinery	Unit	2			
3	Spent Grains Belt Press in CKD form	Plant machinery	Unit	3			
4	Hammer Mill in CKD form	Plant machinery	Unit	1			
5	Sorghum Silo's in CKD form	Plant machinery	Unit	4			
6	Raw Material Intake & Milling Plant in CKD form	Plant machinery	Unit	2			
7	Water De-aeration Plant in CKD form	Plant machinery	Unit	2			
8	Effluent Treatment Plant in CKD form	Plant machinery	Unit	2			
9	Pneumatic Grain Conveying System in CKD form	Plant machinery	Unit	4			
10	Fuel Handling System for Boiler in CKD form	Plant machinery	Unit	2			
11	Ash Silo in CKD form	Plant machinery	Unit	1			



No: 00215446

THE UNITED REPUBLIC OF TANZANIA

Certificate of Incentives

(Section 17 of the Tanzania Investment Act, 1997)

No: 041635

This is to certify that

TANZANIA BREWERIES LTD

P.O. BOX 9013

of address

DAR ES SALAAM

has been granted a Certificate of Incentives to invest in a new, rehabilitation / expansion
of the enterprise known as

TANZANIA BREWERIES LTD

PLOT NO. 17, IYUNGA INDUSTRIAL AREA

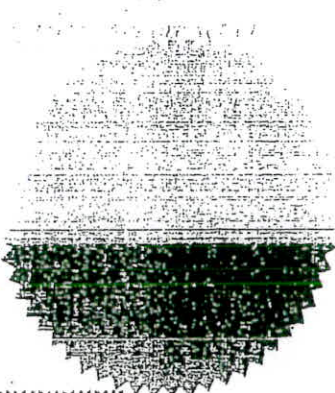
Which is located at

MBEYA

P.O. Box 938, Dar es Salaam

20TH MARCH 2009

Dated



This Certificate is issued in accordance with the provisions of Section 17 of the Tanzania Investment Act, 1997 and subject to the conditions prescribed under item 14 and 15 hereafter:—

1. Shareholders

Shareholders	Nationality	Shareholding (%)
Government	Tanzanian	4
International Finance Corporation	International	4.01
Sab Miller Africa BV	South Africa	52.83
East African Breweries Ltd	Kenyan	20
General Public	Tanzanian	6.26
Others	Tanzanian	12.90
2. Proposed Activities: To establish a new brewery in Mbeya
3. Sector: Manufacturing Subsector: Brewery
4. Investment cost:

Investment cost:	Foreign USD 49.011m.	Local -	Total USD 49.011m.
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5. Project Financing:

Project Financing:	Equity -	Loans USD 49.011m.	Total USD 49.011m.
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6. Source, terms and conditions of loan:
7. Assets to be invested:

Capital items:	Foreign USD 49.011m.	Local -	Total USD 49.011m.
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8. Technology Agreement: None
9. Date of TIC Registration: 6th February 2009
10. Implementation period: February 2009 - January 2012
11. Operative date: February 2012
12. Investment Incentive Grade: As defined in part III Section 19 (1), (2) and Section 20 of the Tanzania Investment Act, 1997 And VAT as per Customs: Tariff Act, 1976 & VAT Act, 1997
 - (i) Applicable Import Duty
 - (ii) Applicable with-holding Tax: As per Income Tax Act, 2004 (as amended)
 - (iii) Eligibility of Capital Allowances: As per Income Tax Act, 2004 (as amended)
13. Protection of Investment, Arbitration and Transfer of Foreign Currency: as defined in part III Section 21, 22 and 23 of the Act.
14. Conditions attached to this Certificate of Incentives
 - (i) Date of Commencement of Investment has to be notified to the Centre.
 - (ii) Certificate not to be transferred, assigned or amended
 - (iii) Failure to commence implementation within two years invalidates Certificate
 - (iv) Failure to operate investment must be notified to the Centre

EXECUTIVE DIRECTOR

CTIN: 0076802



TANZANIA REVENUE AUTHORITY

CERTIFICATE OF REGISTRATION

FOR

TAXPAYER IDENTIFICATION NUMBER (TIN)

(ISSUED UNDER SECTION 3A(4) OF THE INCOME TAX ACT NO. 33 OF 1973)
AS AMENDED BY THE FINANCIAL LAWS (MISCELLANEOUS AMENDMENTS) 2000

THIS IS TO CERTIFY THAT

TANZANIA BREWERIES LIMITED

has been registered with the Tanzania Revenue Authority and assigned the Taxpayer Identification Number

100-159-864

with effect from 01/07/1998

SEAL 
H. M. Kibuka

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TICC/PP.10/041635/18

10/06/2010

Commissioner for Customs & Excise,
Tanzania Revenue Authority,
P.O. Box 9053,
DAR ES SALAAM

Dear Sir,

**RE: DUTY/VAT EXEMPTION ON THE CAPITAL/DEEMED CAPITAL
GOODS OF CERTIFICATE OF INCENTIVES NO. 041635**

M/S Tanzania Breweries Limited is a TIC registered company with
certificate of incentives **No. 041635** which is valid up to **January 2012**

The company has been registered with objectives of establishing a new
brewery in Mbeya.

Attached herewith please find a list of Capital/ Deemed Capital Goods for
Duty and VAT exemption approval.

Yours sincerely

TANZANIA INVESTMENT CENTRE

Revocatus Arbogast

Revocatus Arbogast

FOR: EXECUTIVE DIRECTOR

barley, \$21 million from the sourcing of local materials, job creation and utilities for operating the plant as well as \$14 million from the storage and transportation of barley from the farmers to the plant, the remainder will be a direct result of the capital investment.

TBL is currently procuring 3,500 MT of barley from 248 (21 female, 227 male) farmers in Tanzania compared to a high of 12,000 MT in 2016. With the construction of a new maltings plant in Dodoma, TBL will have the capacity to purchase 32,000 MT of barley per annum via approximately 475 farmers, the large majority being smallholder farmers. TBL estimates that it will take up to 4 yrs to fully develop the local farming capability through the Agro Development Programme to meet this demand and start to benefit from export opportunities.

PROPOSED AGRO DEVELOPMENT PROGRAM THAT IS LINKED TO THE NEW PLANT

Farmers currently in the TBL program receive the following support:

- Guaranteed offtake with TBL at a fixed price agreed before planting
- Interest free production loans, coupled with financial literacy training, for the procurement of quality inputs and services
- Access to improved barley varieties developed by the TBL R&D program
- Access to quality seed produced by TBL
- Access to TBL's agronomy extension officers throughout the barley season to support farmers on sustainable and profitable agronomic practices
- Access to research based crop agronomic support and management protocols, tailored to the Tanzanian context, to enhance crop productivity and yields
- Access to a bulk SMS and USSD platform which provides farmers with access to agronomic, weather, market and information on farmer training events
- Access to digital tools such as SmartBarley, which provides insights to improve production quality and yield

These support services would be continued for existing farmers and extended to new farmers participating in the program for the new maltings. Additionally, we will expand our agricultural development program, based on our operations in other markets, to include:

- Mechanization investments in the form of planters, threshers and other equipment for smallholder farmers. Our experience in Uganda on a similar program indicates a material increase in yields and reduction in post-harvest losses
- Introduction of BanQu Blockchain technology which adds transparency and traceability into the supply chain, enabling farmers to have an immutable digital record of their financial transactions in order to improve their bankability and access to finance
- Incorporation of mobile money platforms to enable farmers to make and receive mobile financial transactions

THE BUSINESS CASE AND NEED FOR INVESTMENT SUPPORT

Prior to 2017, the malt used in production of malted beers at the Mwanza and Arusha breweries was sourced from our maltings plant in Moshi. However the maltings plant in Moshi was old and inefficient, which resulted in imported malt being much cheaper than malt produced in Moshi. The plant has now been converted into a barley reception, handling and storage facility that supports smallholder farmers in



the north. It is important to note that Balimi Lager is the main consumer of this locally sourced unmalted barley.

TBL would like to facilitate an investment of approximately \$30 million USD for the construction of a new malting facility located in central Tanzania. However, the business case for this investment doesn't meet the necessary financial return hurdles – specifically the payback period and the return on investment.

In order to incentivize this investment for TBL and for the broader benefit of Tanzania, the project requires an excise remission of 20% of the current excise rate on beers produced from locally malted barley. In neighbouring Uganda and Mozambique there is a local content % inclusion requirement in order for a company to benefit from an excise remission. Whereas Uganda has pegged this requirement at 75% for both barley and sorghum, Mozambique (for maize) has a 50% local content requirement.

TBL's proposal is to maintain the current 450 /liter excise on locally produced unmalted beer and introduce a new rate of 620/- per liter on beers produced from locally produced malt while imposing/maintaining the higher rate of excise on beers produced with imported malt of i.e. 765/- per liter. In the interim and in the absence of a maltings facility in the country, an HS CODE that allows for a new rate for local malt will suffice.

We would appreciate the opportunity for an appointment to discuss how we can continue to support the Government of Tanzania's industrialization drive by growing our business in Tanzania, which begins with investment in agriculture and a new maltings facility for the benefit of farmers and the country.

Yours Sincerely,

A handwritten signature in red ink, appearing to read 'Philip Redman', followed by a circled letter '(A)'.

Philip Redman
MANAGING DIRECTOR
TANZANIA BREWERIES LIMITED

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DRLS
AgDCA

Review and
advise. IM

←
EXD
03/09/2019



From: Irene Mutiganzi Irene.Mutiganzi@tz.ab-inbev.com
Subject: TBL's Submissions to The Task Force on Tax Reform
Date: September 2, 2019 at 2:13 PM
To: georgemukono@yahoo.com

Dear George,

I hope this e-mail finds you well.

Please find Tanzania Breweries Limited's submission to The Task Force on Tax Reform as well as information on our raw materials usage (both imported and locally sourced) that we were asked to share with the task force after we presented our proposals for the 2019/20 Financial Year.

Insofar as the harmonization of water tariffs is concerned, we chose to adopt the position that all the other industries had taken i.e. the proposal to harmonise municipal water rates with bore hole charges.

Do let me know if you require any further information from us.

Have a good day.

Regards,

Irene Mutiganzi
Sustainability Manager
Tanzania Breweries Ltd.

D +255 764 703 904
P.O Box 9013, Dar es Salaam, Tanzania



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Our shared Dream energizes everyone to work in the same direction: Bringing people together for a better world.

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TBL'S
PROPO...3).pdf



Imported
Materi...BL.xlsx

TANZANIA BREWERIES LIMITED UPDATE

1. Imported raw materials, excluding malt (please see attached excel sheet). All these materials are required for manufacturing our products, without these our plants will stand and cannot be sourced locally.

Locally Sourced Raw Materials

2. In terms of our local raw material sourcing strategies, we follow the below process:
 - a. Review business demand for next 12 months
 - b. Review current active contracts (active because some suppliers tender for business then

- cannot supply, they over commit and don't deliver)
- c. Review potential suppliers with the Agri team, Local and Zone procurement team
- d. Understand potential supply and operational risks with suppliers, both incumbents and potential suppliers
- e. Development of tender documents, through online sourcing platform. Barley is managed slightly different, where we rely heavily on in-market Agri teams on proving potential farmers.
- f. Farmers / suppliers participate in the tender
- g. The tender bids are reviewed and evaluated by several people to ensure compliance with our sourcing principles and that the recommendations are aligned.
- h. Where we can localize sourcing, we focus on this. I'm localizing corrugated cartons from imported to a local supplier. There may also be an opportunity to localized some imported labels, we testing supplier capability.
- i. We are looking to focus more on female farmers

Support for Farmers

- 3. The work we do with farmers includes:
 - a. They have access to our Agri team and their knowledge / expertise
 - b. Provision of barley seeds to farmers
 - c. Provision of guidance on farming standards / opportunities to improve their current practices
 - d. Provision of insights on correct pesticides and corrective actions on poor crop quality
 - e. The Barley Farmers' Day and (Nane nane – general), where we share best practices, recognize farmers and provide additional information about opportunities
 - f. Having an oenologist stationed at Hombolo who trains farmers on best grape farming practices e.g planting, harvesting etcetera

Stock Description	Sum of Usage	UoM
Imported Malt bagged	25,119,329	kg
Imported Malt bulk	14,835,262	kg
Dextrose Monohydrate	1,194,324	kg
Calcium Sulphate/Gypsum	228,815	kg
BRITESORB PC5	216,347	kg
Caramel 35000	191,291	kg
Calcium Chloride	189,489	kg
Hop Pellets PIH Hallertaw	173,906	kg
Alphaferm	154,853	kg
Lactic Acid	116,059	kg
Black Malt	105,214	kg
Hyflo Supercel (Radiolite 700 Mby,600 Dar)	92,538	kg
Celite 577 (radiolite 200)	80,304	kg
Standard Supercell (Radiolite 300)	78,271	kg
Diazyme TGA	59,476	kg
Celite 545 (Radiolite 900)	53,052	kg
Aroma Pellets SABHF T90-George hop	40,173	kg
REDDS - Premixed Flavouring	37,683	kg
Amylex 4T	30,840	kg
Malic Acid Bags	23,634	kg
Laminex super 3G	19,323	kg
Alphalase NP	13,667	kg
Betaferm	11,837	kg
Brewers Compass	11,402	kg
Polyclar 10 - Stabilizer	10,892	kg
FABOOST 660	7,332	kg
Lactose	7,059	kg
Whifloc	5,312	kg
Crystal Malt	4,800	kg
Vitamin B Complex	4,250	kg
Filter Sheets (KGO)	4,072	Ea
Brewers Clarex	3,251	kg
Dry Yeast Spevside Gold-Dy10	3,120	kg
Mats L Classic	3,083	kg
Maturex	2,745	kg
Caramel 19000	1,655	kg
Aroma Hops Saaz/Perle	700	kg
Aroma Hops Saaz T45	600	kg
Polyclar Brewbright	400	kg

TBL's PROPOSALS TO THE 2019/2020 TASK FORCE ON TAX REFORM

ISSUE/CHALLENGE ON:	RECOMMENDATIONS	EFFECTS/ IMPACT OF THE RECOMMENDATION (QUANTITATIVE DATA) TO:
<ul style="list-style-type: none"> Excise Duty <ul style="list-style-type: none"> Referencing: <p><i>The EXCISE (MANAGEMENT AND TARIFFS) ACT, (Cap 147)</i></p> <p><i>The FINANCE ACT, 2018:</i></p> <ul style="list-style-type: none"> Amendment of the Excise (Management and Tariffs) Act, (Cap. 147) Amendment of the Fourth Schedule – on Excise Duties: <p>HS 2203.00.10 (Beer from stout and porter) HS 2203.00.90 (Beer from other malts) HS 2204.10.00 (Wine with domestic grapes...) HS 2206.00.10 (Fermented beverage – Cider) HS 2206.00.00 (Other fermented beverages) HS 2206.00.20 (Beer from 100% local cereals) HS 2208.20.00 (Spirits by distilled grapes) HS 2208.90.10 (Distilled spirits – Konyagi)</p> <p>Referenced rates:</p> <ul style="list-style-type: none"> Tshs 450/- per litre of beer made from 100% local unmalted cereals Tshs 765/- per litre of beer from malt Tshs 2,466.45/- per litre of cider and other fermented beverages Tshs 3,315/- per litre of spirits <p>The current situation:</p> <ol style="list-style-type: none"> TBL is one of the largest tax payers in Tanzania – having paid over Tshs 3.7 Trillion in the past 10 years. It has been proven through the years that an aggressive excise policy negatively impacts the beer market growth in Tanzania. Reference is made to the years 2013 to 2016: excise increases (CAGR: 12%) above CPI (CAGR 7%) resulted in TBL's negative volume growth (CAGR: -2.2%). 	<p>For 2019/2020:</p> <ol style="list-style-type: none"> Zero excise increase for our beer and spirits business due to the increased costs caused by the introduction of Electronic Tax Stamps (ETS) of 18 Tsh/bottle of beer or approximately 18bn Tsh/year. This is equal to a 13% increase vs the excise paid in 2018. For spirits and wines, the Tshs 54 per bottle is approx. 5bn Tsh/year. This is equal to a 3% and 54% increase for spirits and wines respectively vs the excise paid in 2018. Zero alcohol beer to pay soft drink excise (instead of beer excise) rates. Low alcohol beer (2% or below) also to pay soft drink excise rates. Spirits with 7% or less alcohol (ciders, coolers, etc.) to pay beer excise (instead of hard liquor) rates. In order to further reduce the production of illicit spirits, we propose the charging of excise at source. Given that the 35% spirit alcohol is the main category in the market, the proposal is to charge Tshs 9,130 per litre of 96.4% of spirit at source instead of taxing Tshs 3,315 per litre of 35% spirit. Permit to allow for the 	<p>The estimated impact of our proposal is:</p> <ol style="list-style-type: none"> Price moderation and beer affordability continues to be key to tapping the estimated 3 mil informal (and untaxed) alcohol market in Tanzania – 50% of total alcohol market. The zero alcohol and low alcohol beers are non-existent. Promoting low alcohol consumption is good for the country's well-being. Affordability is therefore key to tapping into this category and to compete in non-alcohol occasions. Huge market opportunity for affordable Cider products – estimated at 150K hl, 5% of the beer market, in line with other similar countries. Likewise promoting a shift towards low alcohol spirits is good for the wellbeing of the whole country. Levying spirit excise at the alcohol source, based on our proposal, will significantly (over 90%) address the issue of counterfeit in the market through ensuring that all producers in the market pay excise. The removal of quotas and annual permits for the importation of key raw materials such as: special sugars and malted cereals will enable us to meet our

<p>3. In 2017 calendar year, the company made a business decision to absorb a 5% increase in excise by holding 2016 prices, substantially expand the affordable segment of the mix, and accelerate smaller packs share of the mix – technically reducing the weighted average price of beer by 10%.</p> <p>In return, the formal alcohol market grew by 25% over 2016, primarily from the informal segment consumers.</p> <p>Consequently, Excise and VAT payments grew by 24% vs 2016. A validation to the fact that volume is the significant and reliable factor in the Government Revenue collections from the beer industry.</p> <p>4. Our 2018 sales volume was affected by strong rains during the months of April and May as well as limited disposable consumer income resulting in zero volume growth vs 2017 with profitability impacted by the 5% excise increase and the increased costs of raw materials.</p> <p>5. Tanzanian beer, compared to neighboring countries, is very expensive – requiring 5.4 hours of work to pay for a 500cc beer (vs 3.5 hours in Kenya or 0.46 hours in South Africa).</p> <p>6. Total beer tax in Tanzania accounts for almost 40% of its Retail Price. Aggressive further beer tax increases will negatively impact the already shaky and expensive beer market in Tanzania.</p> <p>7. Zero and Low (< 2% Alc.) alcohol beers in Tanzania are currently paying same rates as higher alcohol beers, limiting category development.</p> <p>8. Similarly, not all spirits are alike. Ciders have significantly less alcohol content (5% Alc.) and appeal to similar occasions as beer. However, they are paying excise in line with other high alcohol spirits (not a practice in other countries), thus limiting category development.</p> <p>9. Currently, there are quotas that restrict the importation of special sugars such as: dextrose monohydrate; caramel; corn starch</p>	<p>importation of special sugars and malted cereals per our annual requirements. Audit on these imports to be conducted at the end of the year.</p> <p>6. Proposing Local Government Authorities to recognize loading orders/delivery notes as permits to enter urban areas.</p> <p>7. Proposing an increase in the GVM from 50,000 kgs to 63,000 kgs to facilitate the use of interlink trucks.</p> <p>8. The rates for water sourced from boreholes to align with municipal rates.</p> <p>9. The rates for water sourced from Lake Victoria to be below municipal rates in order to accommodate treatment charges.</p> <p>10. Annual increments in municipal water charges to align with the rate of inflation.</p>	<p>annual volumes and cater for increasing demand without disrupting the production process.</p> <p>6. The recognition of loading orders and/or delivery notes as permits to enter urban areas will reduce the amount of time it takes to deliver goods used for production and operations.</p> <p>7. Increasing the GVM to facilitate the use of interlink trucks will result in fewer trips that will decrease our carbon dioxide emissions by approximately 5,000 tons per year, reduce wear and tear on roads and increase safety for our drivers and overall community.</p> <p>8. The introduction of charges on water obtained from boreholes, the increase in cost of water sourced from Lake Victoria and annual increments in municipal water fees will increase our cost of production which has a domino effect on price for consumers and ultimately government revenue.</p>
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and others to 5 metric tons per month (60 metric tons per year). Our annual requirements for such sugars are over 25 metric tons per month (300 metric tons per year). Additionally, malted cereal can only be imported on a per batch basis which disrupts the production process.

10. Transporters and suppliers are regularly restricted from entering urban areas by Local Government Authorities due to lack of entry permits. In several occasions, trucks are ceased for several days which can destroy perishable goods that they carry.
11. The Vehicle Load Control Act currently in effect states that the Gross Vehicle Mass (GVM) should not exceed 50,000kgs.

TBL would like to use interlink trucks in Tanzania. These trucks are shown to reduce road wear and tear on roads. Furthermore, interlinks will enable fewer trucks on the road thus reducing road congestion, contribute towards road safety and reduce our carbon footprint. However, interlink trucks have a greater GVM than that permissible by law.

12. In December 2018, the Lake Victoria Basin Water Board notified stakeholders of an increase in rates on water sourced from Lake Victoria from Tshs 13 per cubic meter to Tshs 10,000 per cubic meter. Our Mwanza plant sources 100% of its water from Lake Victoria. Once sourced, this water undergoes treatment prior to usage. This would therefore increase our water costs by over 700x per cubic meter – excluding treatment charges.

25% and 100% of the water used in production at our Ilala and Chang'ombe plants respectively, is sourced from boreholes - the rest is sourced from DAWASCO. With the recently imposed fee of Tshs. 10,000 per cubic meter on water sourced from boreholes, our water charges are expected to increase by over 1,000x per cubic meter.

Given these changes and increases in water prices, our water costs will increase by approximately Tshs. 6 billion which may result in a price increase for our consumers.

TANZANIA BREWERIES LIMITED UPDATE

1. Imported raw materials, excluding malt (please see attached excel sheet). All these materials are required for manufacturing our products, without these our plants will stand and cannot be sourced locally.

Locally Sourced Raw Materials

2. In terms of our local raw material sourcing strategies, we follow the below process:
 - a. Review business demand for next 12 months
 - b. Review current active contracts (active because some suppliers tender for business then cannot supply, they over commit and don't deliver)
 - c. Review potential suppliers with the Agri team, Local and Zone procurement team
 - d. Understand potential supply and operational risks with suppliers, both incumbents and potential suppliers
 - e. Development of tender documents, through online sourcing platform. Barley is managed slightly different, where we rely heavily on in-market Agri teams on proving potential farmers.
 - f. Farmers / suppliers participate in the tender
 - g. The tender bids are reviewed and evaluated by several people to ensure compliance with our sourcing principles and that the recommendations are aligned.
 - h. Where we can localize sourcing, we focus on this. I'm localizing corrugated cartons from imported to a local supplier. There may also be an opportunity to localized some imported labels, we testing supplier capability.
 - i. We are looking to focus more on female farmers

Support for Farmers

3. The work we do with farmers includes:
 - a. They have access to our Agri team and their knowledge / expertise
 - b. Provision of barley seeds to farmers
 - c. Provision of guidance on farming standards / opportunities to improve their current practices
 - d. Provision of insights on correct pesticides and corrective actions on poor crop quality
 - e. The Barley Farmers' Day and (Nane nane – general), where we share best practices, recognize farmers and provide additional information about opportunities
 - f. Having an oenologist stationed at Hombolo who trains farmers on best grape farming practices e.g planting, harvesting etcetera

MBEYA BREWERY PROJECT
PROGRESS REPORT
ANNEXURE II



December 2008

	PROPOSED NEW BREWERY MBEYA TANZANIA
	PLANNING CONSENT AND BUILDING PERMIT NUMBER
CLIENT	TANZANIA BREWERIES LIMITED. IYUNGA INDUSTRIAL AREA P.O. BOX 6314, DAR ES SALAAM, TANZANIA.
ARCHITECT	SPECTRUM DESIGN ARCHITECTS P.O. BOX 105484, DAR ES SALAAM, TANZANIA.
STRUCTURAL ENGINEER	LOGISTICS ENGINEERING LIMITED. P.O. BOX 77283, DAR ES SALAAM, TANZANIA.
QUANTITY SURVEYOR	WEBB URONU & PARTNERS P.O. BOX 3494, DAR ES SALAAM, TANZANIA.
ELECTRICAL ENGINEER	
MAIN CONTRACTOR	NOREMCO AB P.O. BOX 23287, DAR ES SALAAM, TANZANIA. 
MECHANICAL CONTRACTOR	

Site establishment

■ NOREMCO site establishment



January 2009



15/01/2009

Foundation works begin



2009/02/25

April 2009



2009/04/01

Pouring concrete



Sand blasting and painting of steel beams



Column erection starts



May 2009





June 2009



2009/06/01

Packaging hall steel erection



CIP vessel installation



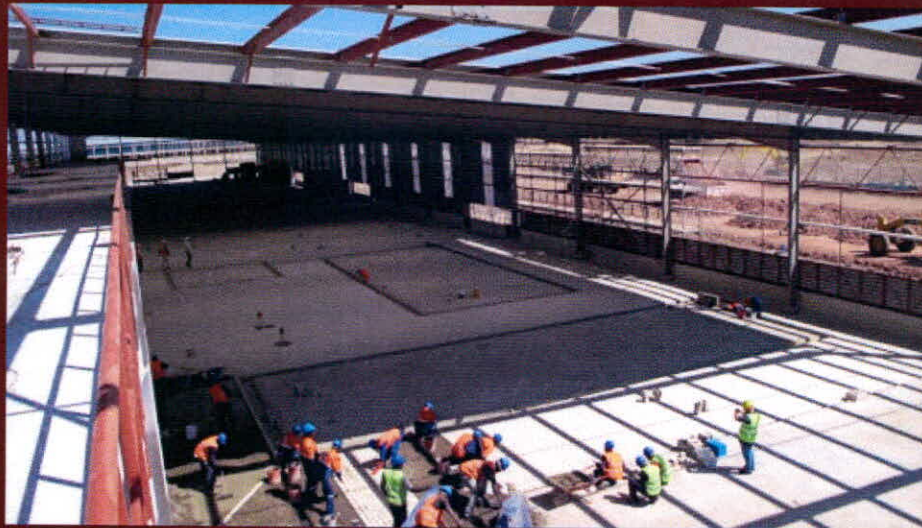


02/07/2009

Mash filter installation



Complete mezzanine



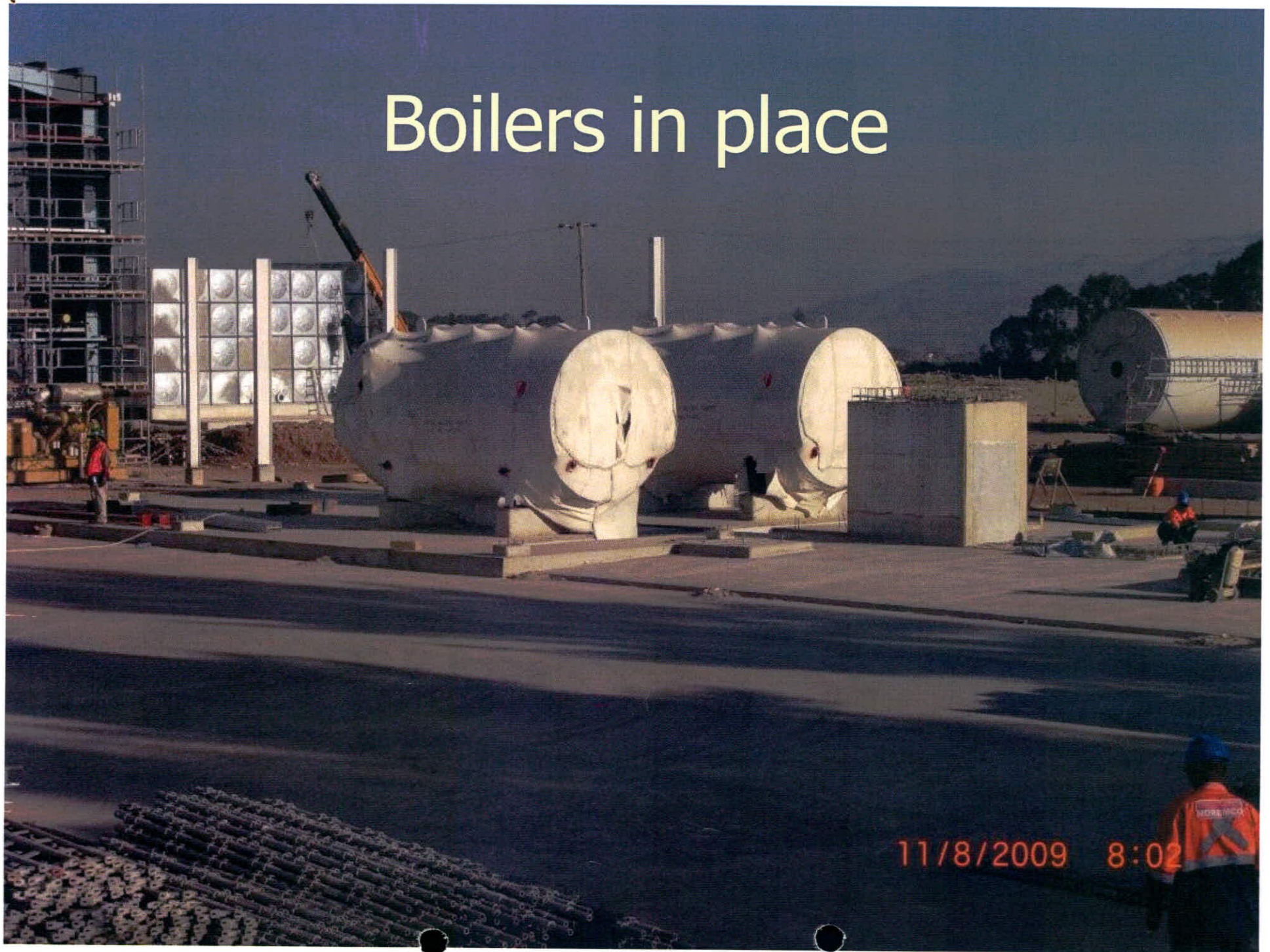
August 2009



BBT erection



Boilers in place



September 2009



FV erection



Packaging line installation



October 2009

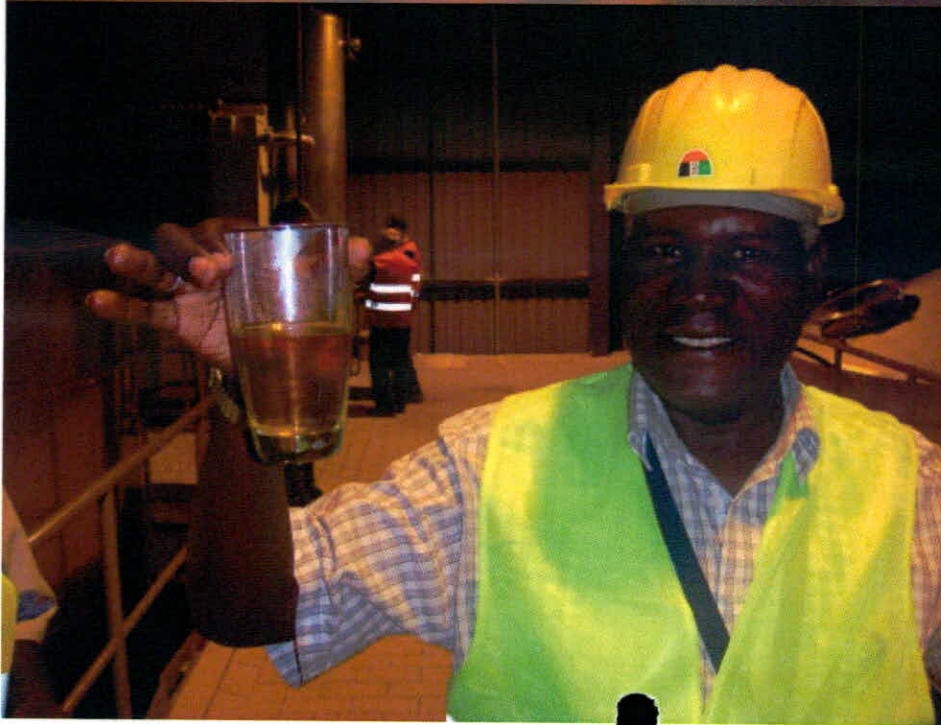


01/10/2009

Generator installation



FIRST BREW



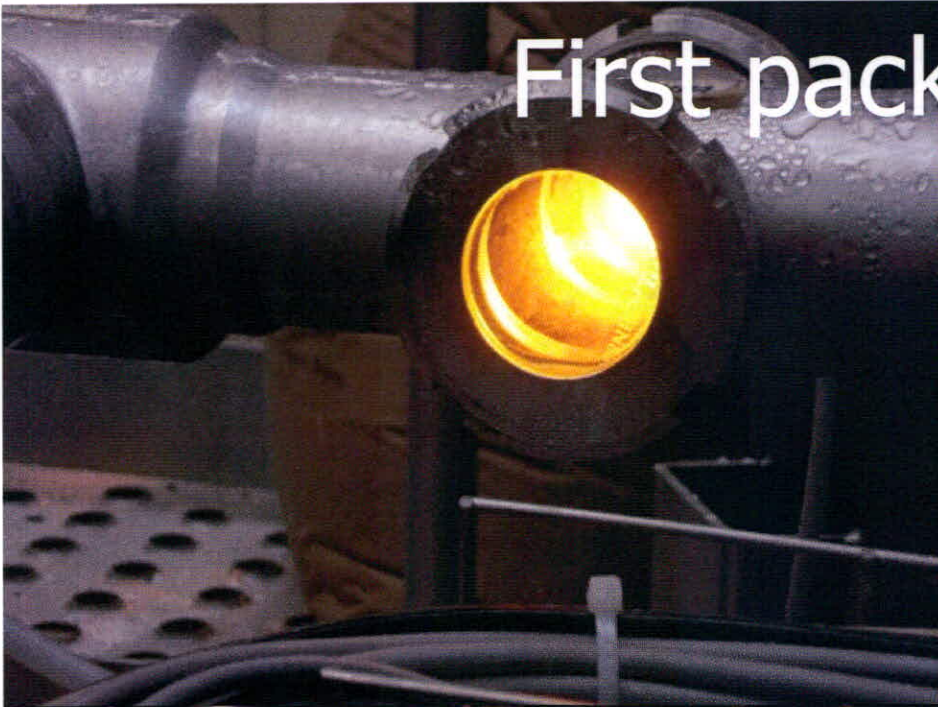
Packaging installation



Main Laboratory complete



First packaging run



Stone laying ceremony





30/11/2009

December 2009

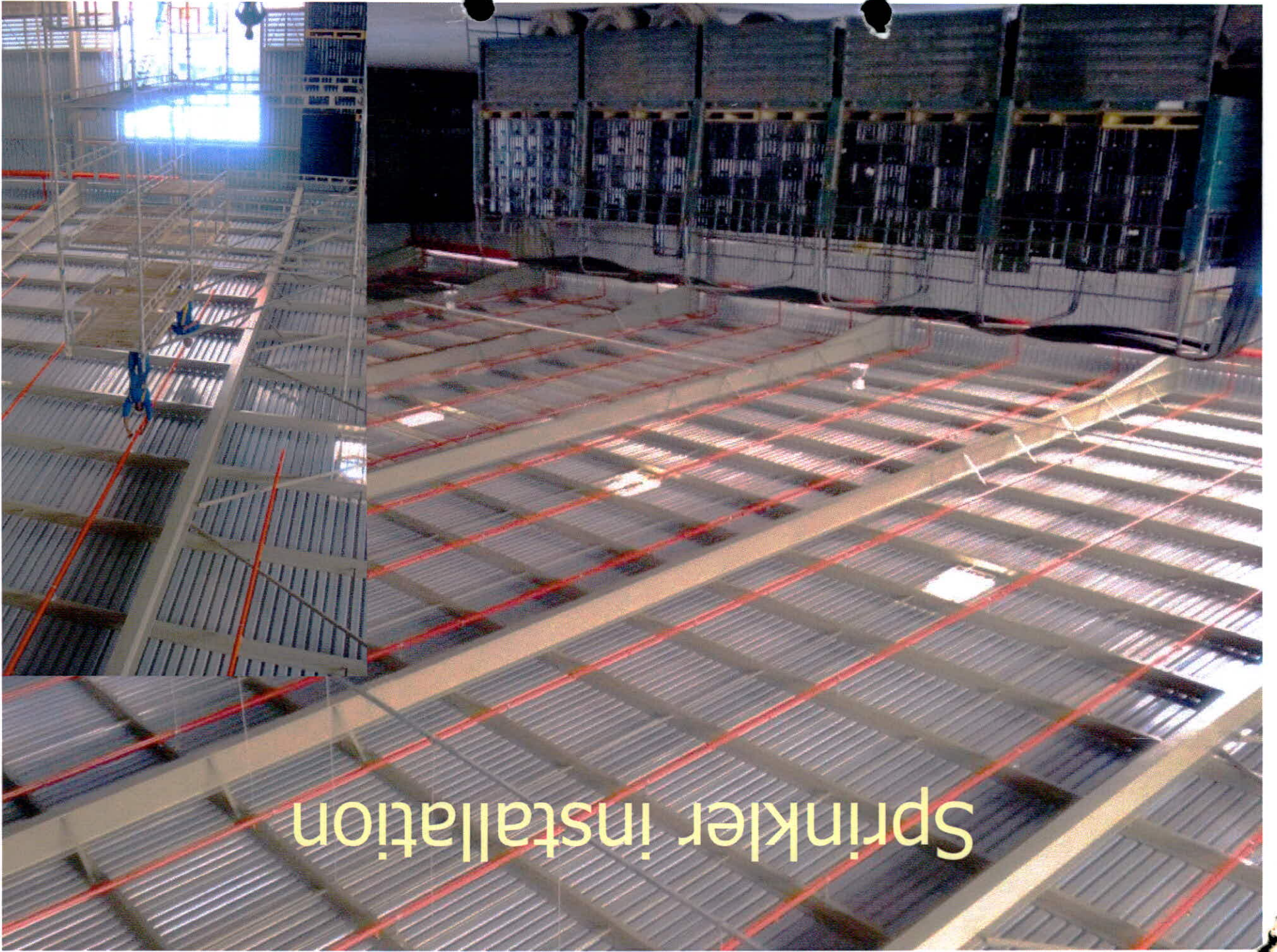


08/12/2009

■ Arrival of last FV's



18/12/2009



Sprinkler installation