



THE UNITED REPUBLIC OF TANZANIA
 PRIME MINISTER'S OFFICE
 TANZANIA INVESTMENT CENTRE

FILE BEGINS	ENDS	PART
FILE TITLE		FILE NUMBER
CONFIDENTIAL		TICC
		PP. 10
		041603-01

INDEX HEADINGS

Officer of Section	For Action F/M	Initials	Date	Action taken vide F/M	Officer or Section	For Action F/M	Initials	Date	Action taken vide F/M	Officer or Section	For Action F/M	Initials	Date	Action taken vide F/M
DIF	F-1	DD	12/9/13	[Signature]										
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FILE NUMBER
 PP. 10 / 041603-01
 PART
 PART

MINUTE SHEET

Senzia
No.

1.0

EXD

The approved project has fulfilled the investment requirements, which are: -


(a) Minimum finance investment threshold has been exceeded, the project expects to invest US\$ 4.485 M

(b) Legal entity has been incorporated under certificate

No. 9344-01 of 27/04/83

Based on the above, the letter of approval is hereby submitted for signature in order for the project to comply with the requirements of Section 17 of Tanzania Investment Act, 1997.

Submitted for signature.


N. Senzia
DIF



19th September, 2013

2.0

EXD

In response to the TIC letter of registration dated 13th September 2013

the project has submitted the required documents namely: -

(a) Company Board Resolution.

(b) Reference letter/Financing from AM Bank LTD

(c) Title deed as evidence of land.

With the above submission EXD is requested to sign Certificate of Incentives No. 041603-01 herein attached.

31/12/2013




DIF

MINUTE SHEET

Dokezo
No.

PROPOSAL SYNOPSIS

Sandali Wood Industries Limited has solely been exporters of hardwoods and hardwood products for 25 years.

The company has been in existence since 1983 and deals with high value end Blackwood, Teak and Finished Wood Products. **It was the first FSC certified Blackwood sawmill in the world.** It supplied to the Woodwind Musical Instrument market for some 15 years now. With the advent of FSC certification it has had an influx of diverse, non-traditional Blackwood manufacturers like Guitar makes. The latter constitute a 200 fold increase in market.

In December 2011, Sandali applied for and was granted a soft loan and a grant totalling USD 970,000 from AECF for a project that is targeted to increasing processing and finished product capacity, to cater for the Guitar maker orders and small items for departmental stores in Scandinavian countries. In line with its sole export business, it believes it is a strong candidate for TIC Project

Our socially responsible investment project has been one of nine only that has had a thumbs up for investment, from a total of some 400 applicants from all over the world, from the Africa Enterprise Challenge Fund 2012. To extract the most out of the support and affect not only our commercial profitability and augmentation of capacity, we stand to benefit directly and indirectly some 22,000 Rural Households and create some 295 jobs in Tanga.

Our financials have not been sound and profitable for the past three years as we were undergoing radical overhaul of our industrial premises to cater for FSC wood processing and hampered by the fact that our previous TIC approval did not meet with TRA's approval for logging vehicles, an activity that is central to our success.

But our market projections show a growth from 26 to 230 CBM of finished Blackwood over a 6 year period valued at US \$ 10,000/CBM which increases from \$ 260,000 to \$ 2,300,000. FSC Village hectarage has increased from 420 to 61,000 and the stocks are sustained over five years, year in year out, as per a comprehensive management plan. Another 13 nearby villages are to come on line in the next two years which will increase the stocks substantially.

We would be pleased to be informed by the TIC that this project, which is truly innovative and novel, meets with their investment criteria.

Sandali Wood Industries Limited
P O Box 5093
Tanga

FSC Certified Hardwood (Blackwood And Panga Panga) Harvest Programme That Will Directly Benefit The Village Government, Community, VLFR: Transfer Capacity And Skills: Provide Employment And Social Economic And Environmental Security

BUSINESS PLAN

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SECTION A: EXECUTIVE SUMMARY

Company Profile

Sandali Wood Industries Limited is a sawmilling industry based in Tanga, Tanzania and has been operational since 1983. With a change in management in 1992, the company embarked on producing Blackwood Billets for the Woodwind Musical Instrument (eg Clarinets) manufacture. In line with Cleaner Production methodology and, over the last three years, in response to ad-hoc government harvesting and export bans, it has undergone extensive restructuring in both how it acquires its raw material and diversifying its production facility to cater for the FSC Blackwood String Instrument (Guitars) market. In 2009 it achieved the world's first Forest Stewardship Council (FSC) certificate to process and trade in hardwood and in conjunction with its FSC certified village partners has secured a new market in FSC certified products.

What Is The Business Idea

Central to the project is the rise in the international market of legal and responsibly processed FSC certified Blackwood due to the Lacey Act of America and EU FLEGT requirement. To meet this increase,

1. Sandali, the sawmiller, will need and have to, increase its processing capacity and product diversity to accommodate for the Guitar Fingerboard market. In addition to strengthening existing lines, a new production line at Sandali will enable it to increase its present log processing capacity of 25 CBM per month and finished product capacity of 2 Cubic Metres (CBM) by 8-10 fold by the end of the project period.
2. In parallel, the FSC certified Participatory Forest Managed villages will need to enhance efficiency of harvest and also to bring more FSC certified villages on line to meet this increased demand. The village community will identify, manage and sustainably harvest FSC certified forest produce. Sandali will collaborate to semi-mechanise the process by providing the expertise and the hardware to do so.

As a result

- The markets will enjoy access to responsible FSC timber supply,
- Sandali will benefit from technology transfer to aid efficiency and product diversity in value added products. As a consequence, it will have raised its income from from \$ 300,000 to \$ 2,000,000 per annum with about 250 new jobs created.
- The villages will have increased its revenue collection (viz royalty payments) from next to nothing today to about \$ 1,800,000. By using this income to better manage their forest resource (reduction in forest fires) and land use (reduction in forest encroachment through slash and burn) and to provide clean water, education and health care, about 22,000 rural households stand to benefit by being better adapted to a changing climate.

How Will It Be Executed?

Sandali will increase the industrial capacity for processing through capacity building, training and engaging more workers in processing on the existing machinery, bringing new machinery on-line and out-sourcing semi-processing to urban or village entrepreneurs after an intensive training programme in sawmilling skills.

Additionally the range of products will be diversified to include products for the string instrument, as opposed to the conventional woodwind, market and finished products like household items and children's toys made from wood.

The project will begin in 2013 with identification and procurement of hardware (machinery) and tailoring it to the job at hand to be executed in the first two years and from the second year onwards machinery will be used for production culminating in the fourth year with training the rural poor to be able to semi-process.

In order to execute the project, Sandali has already secured a large package of assistance from AECF (\$ 970,000) over the next three years of which \$ 350,000 is a grant and \$ 620,000 is an interest free loan over 6 years inclusive of Sandali contributing \$ 400,000 from its own sources and some \$ 300,000 from Bank Loans. Since the writing of the business plan for AECF **there has been a game changing development at the Village of Nanjirinji recording**



stocks of 6,000 CBM of Blackwood and 12,000 CBM of Panga Panga. Sandali's timeframe for stock acquisition has therefore acquired an added dimension of urgency – as is shown in the body of the plan, what was to be acquired over three to four years needs to be acquired in one to two – therefore simply changing the cash flow timing rather than the actual figures themselves. The Grant will be used solely for the purpose of training, both Sandali and Village entrepreneurs, in harvesting, hauling, processing, value additive products and semi-processing; the Repayable Grant will be utilised in procurement of semi-mechanised equipment for harvesting, log forwarding, processing and value addition equipment in addition to part of the funds being used for training. Sandali and the Bank money will be used in procurement of equipment and stocks from harvest to counter the seasonal and logistical challenges inherent in the logging business in preparation of sound execution of the project. Finally our marketing partner, Klicksi's, cash will be used for Marketing drives that include visits to buyers and trade stalls in music fairs. Sandali's in-kind contribution will be its existing and added asset base in the form of logging and processing infrastructure and to training the human resource to manage the assets for productivity.

The Impact On Sandali's Business

Sandali expects to have increased sales from \$ 300,000 to \$ 2,000,000, processing capacity from 2 CBM to 24 CBM per month, profitability to \$ 1,700,000 and reduced costs, by a factor of 4, by increasing recovery through use of thin kerf sawblades and by having material semi-processed in the field. Cost reduction is reflected in the financials showing a proportionally greater income to expenditure through the years

The Impact On Rural Poor People

The villages will have increased their total revenue collection from next to nothing today to about \$ 1,800,000. By using this income to better manage their forest resource (reduction in forest fires) and land use (reduction in forest encroachment through slash and burn) and to provide clean water, education and health care, about 22,000 rural households stand to benefit by being better adapted to a changing climate.

With Village Land Forest Reserve (VLFR) based forestry, unlike central government, allowing complete utilisation of a tree as opposed to leaving most of it to rot, it can be shown that, on a 200,000 Hectare, an estimated revenue loss of \$ 441,000 and carbon loss of 11,025 tonnes can be averted. This gives the stark reality of the consequences of bad regulatory implementation and how a systemic change to Participatory Forest Management (PFM) will release the true adaptive value of the forest and a better eco-health.

A modest 1% reduction in Forest Fires from good VLFR management, in 200,000 hectares saves 630,000 tonnes of carbon with a potential timber income of US \$ 1,380,000

These can take place if major hurdles like corruption, bad forestry law implementation and elite capture are to be reduced by a systemic change to PFM based forestry leading to reduction in rural marginalisation.

Why Was There A Need To Apply For AECF Grant And Soft Loan Funding?

AECF support was needed for the riskier elements of skills and capacity transfer training support which the private sector, especially SMEs like Sandali, have difficulty in obtaining from conventional commercial banks – **having so obtained a guarantee of mitigating the riskier elements of the project, commercial banks should feel a lot more comfortable in supporting the conventional business part.**

If AECF funding was not at hand then Sandali capacity would not increase and the ability to buy from VLFRs would be severely curtailed due to lack of ability to fund the huge training programme envisaged. This would necessarily lead to stagnation of the promotion of trade with the marginalised poor which in turn would possibly jeopardise business through the Participatory Forest Management (PFM) mechanism and having to go back to the non PFM, central government, mechanism with all its inherent implications of having to do business non-ethically and irresponsibly.

Another reason was that AECF funding would leverage assistance from other sources for the simple reason that socially responsible investing has been undertaken by AECF leaving support from commercial partners imminently forthcoming.

SECTION B: COMPANY INFORMATION

Company Details		
B1	Company Details	Sandali Wood Industries Limited
B2	Company Short Name	Sandali
B3	P O Box	5093
B4	Address	Gofu Chini
B5		Industrial Area
B6	Town	Tanga
B7	Country	Tanzania
B8	Telephone Number	+255272643620
B9	Fax Number	+255272646318
B10	Website	sandaliwood.com
Contact Details		
B11	Salutation	Dr
B12	First Name	Azim
B13	Surname	Fazal
B14	Job Title	Director
B15	Email	sandalitz@yahoo.co.uk
B16	Website	+255787991152

SECTION C: PROJECT INFORMATION

Project Details		
C1	Project Title	Community Based FSC Timber Trade With Nanjirinji VLFR Inclusive Of Capacity Assistance And Transfer Of Skills Programme With Wide Economic Social and Environmental Impact To Both The Village Government And The Villagers
C2	Project Short Title	Community Based FSC Timber Trade With Nanjirinji VLFR With Wide Development Impact
C3	Start Date	01 November 2012
C4	End Date	31 October 2018
Economic Benefit Summary Over 6 Years		
C5	Direct Forest Harvest Purchase	US \$ 1,200,000
Social Benefit Summary		
C6	Villager Harvester Income	US \$ 40,760
C7	Villager Loader Income	US \$ 101,900

C8	Villager Driver Income	US \$ 19,200
C9	Direct Health Care	US \$ 28,450
C10	Indirect Health Care	US \$ 452,000

Environmental Benefit Summary		
C11	Patrolling Benefits	US \$ 23,000
C12	Branch Use Benefit	US \$ 360,000
C13	Illegal Logging Reduction Benefits	Not Quantifiable At Present

SECTION D: OWNERSHIP STRUCTURE, HISTORY AND OPERATIONS

Ownership Structure

Ownership Structure		
D1	Year Established	1983
D2	Core Business	Sawmilling Manufacture And Export
D3	Number Full Time Employees	17
D4	Number Part Time Employees	5
Company Registration And Licences Details		
D5	Company Registration Number	9344
D6	Country Of Registration	Tanzania
D7	Industrial Business Licence	00002128
D8	Sawmilling Licence	01145424
D9	Import Licence	01146908
D10	Manufacturing And Export Licence	01146909
D11	Essential Oil Licence	01145424
D12	TIC Certificate	041603
Company FSC Chain Of Custody		
D15	FSC - COC	SA-COC-002323
Company Forestry Permit And Approval Details		
D13	Logging Licence	Applied For When Logging Starts

D14	Sawmilling Licence	00047740
D15	Timber Licence	00047740
D16	Export Licence	00047739
D17	Export Approval For Forest Products	Approval In Hand

History Of Business

Sandali, a registered Limited company (1983), under the management of Dr Azim Fazal and Ms Harrieth Hangi, from a six acre piece of land, one warehouse and 2 pieces of machinery, **over 20 years have**

- Added 8 covered areas
- **Increased machinery inventory to 182 pieces conservatively valued at US \$ 1,400,000**
- Survived numerous ad hoc government moratoria on harvesting and export
- Used semi-mechanisation and semi-automation to enhance staff welfare but not as to deny employment
- Trained staff, who at times, cannot read or grasp straight or parallel lines to produce for the exacting standards of musical instrument export grade
- **Achieved FSC certification (2009) – first in the World in Blackwood**
- Used high levels of ingenuity and innovation in marketing, technical, and health and safety to remain competitive providing the market with legally and ethically sourced wood as against less sustainable and legally suspect competitors
- Achieved product and buyer diversity processing for the musical instrument market in one species to boat decking material in another and done business with companies ranging from Japan to America
- Worked with villages under the PFM mechanism to ensure guarantee of supply and also promote revenue generation by the rural poor
- Achieved initial success in using business to empower the rural poor, enabling them to invest in challenges relevant to their own environment rather than being dictated from top-down
- **It has installed a new line to produce Guitar fingerboard in Blackwood. And produced the first batch of Guitar fingerboards and bridges successfully**

Both directors, as stated, have 20 years of hands on experience with an unmatched depth of understanding of the difficulties encountered in working in an ethical fashion and in effect going against the grain of corrupt practices. Both have steered the company through trying times and have brought it to the stage it has reached – a world's first FSC Blackwood processing sawmill. The grasp of understanding of the core business can best be described under the headings of

- **Tenacity** – achieved by product diversity from soda crate manufacture to parquet flooring to biomass to all executed to circumvent challenges from export and harvest moratoria.
- **Resilience** – by remaining solvent and executing highly selective minimal intervention and maximal impact strategies to counter debilitating competition by underpayment of forest royalties by competitors using corrupt means to acquire forest raw material. Survival, let alone excellence, therefore, demands mischievous ingenuity, resourcefulness and innovations to overcome hurdles to eke out an edge over unfair competition.
- **Innovation and R&D** – to increase yields through innovative marketing, technical and investment strategies to be able to pay, legally and in full, for a small harvest but producing the same amount as competitors who rely on an underpaid larger harvest for the same finished product. In the process serving the village community with high income from forest produce which would economically empower them to be custodians of their environment and in so doing effectively address the challenges of adaptation to climate change.
- **Product and Buyer Diversity** to buffer against adversity.
- **Guarantee of sustainable raw material supply** in the face of ad hoc Government bans by working with FSC certified VLFRs which act according to a strict management and harvest plan
- **Cleaner Production** - The company engages in accurate eyeball cutting for blackwood musical instrument, billets allowing increased yields from 2% to 14%, a real competitive edge to the company. Curing off-cuts to violin pegs and knife handles also increased yield to 23% while sapwood for craft and hobby turnery increased yield to 37%.



- Market Development to allow for expanding the portfolio to one of finished products and
- **Human Resource Welfare and Training** - semiautomation as opposed to complete automation to enhance staff welfare and encourage female employment in a traditionally male dominated industry

Operations

At present Sandali capacity and efficiency of operations derives from

1. Solid production capacity
2. Good management systems

The company's production capacity relies on

- Better quality and quantity of raw material supply through education, appropriate logging tools and a modicum of mechanisation. **Good quality logs are the foundation of high profitability.** This has been achieved by painstaking training of villagers to "fell what they can sell", by assisting them with simple colour coded log calipers, and log lifting tools to negotiate hilly terrains and a transparent payment chart system that makes log payments obtained from volume computations.
- **Its 5-product-line production facility to enable it versatility to process**, long timber through and through like Teak for Garden Furniture, short eyeballed timber like Blackwood for Woodwind and String instruments, long quarter sawn timber like Teak for boat decking, essential oils from distillation, finished products from offcuts and briquettes from waste
- **Its sound machinery inventory, lasers, pneumatics to practice Cleaner Production methodology resulting in high production efficiency, little endpipe waste and protecting the welfare of the human resource.** The company, as part of its FSC certification drive, embarked upon a restructuring of the facilities to bring in semiautomated machinery that utilises pneumatics and hydraulics with chain infeeds and log and plank transporting systems to ease ergonomic pressures on the workers and increase productivity. Extracting high yields through radical overhauling of sawmilling practice to suit Miombo wood processing and, consequently, address Resource efficiency and Cleaner Production (RECP) which are cornerstones of Adapatation to Climate Change. One salient feature is the use of branches to produce Guitar fingerboards with thin slice technology.
- In-house entrepreneurship programme where workers are motivated to produce high quality product, high efficiency and productivity by incentivity scheme of payment on the amount of good quality material produced for export

Good management structure is inherent to

- Elaborate, but comprehensive and detailed, **FSC management systems that ensure the traceability of an end product to the source of the log**, in addition to normal recording and accounting systems. To enable such a complex system to be implemented in full, Sandali has made an intricate one stop Excel spreadsheet that covers the whole supply chain viz procurement of logs, production, storage and stock details which are in turn directly linked to Sales and Invoicing. In the very near future it is to shrink wrap all its products and have them labelled with inkjet coder with a barcode to allow true traceability
- **A novel entrepreneurship programme where** outsourcing is done in-house to promote entrepreneurship and skills expression by industrious poor to utilise machinery to produce their products using the assets of Sandali. As a result the tax is broadened as entrepreneurs will be more than encouraged to register themselves as business entities with the TRA and other government authorities.
- The strength of the present structure therefore relies on the fact that the **workers are fully responsible for the functioning of the production chain** – so in effect different teams, like logging, machine operations, grading, sorting, packaging, inventorising and so forth, though, all working semi-autonomously in their own sections, come together as a team/unit to fulfill market orders. The production efficiency is raised through a sense of ownership of the production process allowing for high motivation in producing quality goods as final payment for their labour is proportional to the amount of exportable goods produced. At present this is only applied to four circular sawing units but in the future this needs to be rolled out to other sections like Frame Sawing, Scragg Sawing, Bandmilling (for Fingerboards) and Value Added Products. The Directors provide, both, technical and operational training and guidance in line with FSC production requirements.



For this project, Sandali has already accomplished the following:

- Villages and Land identification – Kilwa and Liwale for Miombo FSC harvesting
- It is has with Mpingo Conservation and Development Initiative (MCDI) by training villages on how to harvest commercially viable trees and buying raw material from the VLFRs. In the next six months or so it is expected that the Lindi and Mtwara Agribusiness Support (LIMAS) project will bring additional VLFRs on board the supply chain and to this effect Sandali has already been to Liwale to scope the nature of the collaboration.

With improved capacity brought about by the execution of the present project will follow improvements to the existing operational and management systems. The envisaged improvements will be

- Barcoding to provide for sound management controls be it purchase production or sales
- Innovation to mechanise Miombo forest harvesting, thereby, reducing ergonomic strain and injury ton harvestors, promoting increase in harvest capability and reduction in low quality raw material being brought for processing. Innovation will also be used to transform the operations to producing for the high demand but difficult string instrument market.
- Increase in product diversity in the form of sales of finished products such as Towel Holders or Violin Pegs
- Improvements in entrepreneurship by using B2B opportunities for skills and capacity transfer through the Vocational Education and Training Authority (VETA) programme of industrial apprenticeship as part of the students training.

SECTION E: MANAGEMENT AND PERSONNEL

Management and Personnel

BRIEF CVs OF KEY MANAGEMENT

Ms Harrieth Hangi

Although she left school after finishing her secondary education in Dar es salaam, Harrieth has been an instrumental factor in the different stages of development of Sandali Wood Industries Limited and has risen from a messenger in another company to a Director and a shareholder in Sandali after having climbed all the steps of the ladder. She started as a messenger before joining Hindu Mandal when she was trained as a lab technician on automated blood counters. She worked in close collaboration with Dr Fazal in the setting up of Sandali in 1991, helped in the erection of the Fazal Memorial Hospital in 1998. In charge of the production in Sandali, she has supervised upto 48 people. When restructuring the sawmill towards certification and also during the first harvest of certified products her assistance was valuable in training the villagers. She has been instrumental in translating Dr Fazal's technical innovations into productive reality in cleaner production technology.

Dr Azim Fazal

Qualified as a medical practitioner in the UK in 1985, he decided to go back to Tanzania where he was born, in an attempt to try to improve the healthcare for the people.

1987-1991 Worked in Hindu Mandal Charitable Dispensary where he built a modern laboratory (raised money by climbing mount Kilimandjaro and played 24h squash).

1991: Takes over the management of the family business, Sandali Wood Industries Ltd by moving its sawmilling operations in Tanga. Converts an empty plot into a fully operational sawmill with laser guided wood processing and several production lines. (blackwood, Teak, briquettes and added-value products). His unique approach to innovation (he is the holder of five patents namely, biopsy needle, improved biopsy needle, surgical speculum, improved surgical speculum, automated malaria parasite counting method) coupled with an acute sense of corporate responsibility and health and safety concern has led to a continuous search for improvement acknowledged by numerous business awards and accolades:

2005 OSHA Award

2007 Most Innovative SMME in Africa Award

2007 President Manufacturer of the Year Award

2008 President Manufacturer of the Year Award

2009 Granting of FSC Certification in Blackwood (First in the world)

2010 Corporate and Social Responsibility Award

In 2006, the International Business Leaders Forum (IBLF) published a case study on their website emphasizing Sandali constant efforts to increase its efficiency as well as protect and improve the health of employees and at the same time reducing the impact on the environment.

In 2008, Africagrowth published a case study on Sandali Wood Industries Limited

1994: Through the setting up of a trust and by setting aside a substantial amount of money through Sandali, Dr Fazal achieved in 1998 the conversion of a two storey building into a modern hospital which served the community for seven years.

2008-2011: Restructured the sawmill towards the FSC certification and the training in the chain of custody procedures.

2010-2012: Training of villagers for FSC certified produce from Village Land Forest Reserves in Kilwa for two months. First harvest performed in early 2011.

Dr Azim Fazal will manage the technical innovations and research and development. This would be with sourcing out cost effective ways of addressing challenges be it in timber production or seeking to improve upon existing efficiency by addressing the key challenges viz – semi-mechanisation of logging, pushing for greater resource efficiency by converting offcuts into value added products.

Ms Harrieth Hangi will address all production efficiency methods to ensure that most is recovered from the raw material – this is nothing new to her and her main input will be to ensure that the technical innovations done by Dr Fazal will be translated to the high production and efficiency required to bring success to the project.

Due to the added level of sophistication required with the project, both will be assisted by additional department supervisors and by engagement of personnel at the managerial level.

COMPANY TRAINING RECORD

The training is mainly focused on production chain guidelines and systems to ensure safe Chain Of Custody (COC) in the FSC production process. The training ranges from log receipt paperwork, log selection for processing, machine operations, accurate stock keeping (ie ensuring amount of logs processed and wood obtained is tallied and recorded and ledgered), labelling and storing that leads to minimal deterioration of quality. Yearly fire fighting training for workers is undertaken by the Fire Department. Constant and continuous training is extended to workers on Health and Safety at the workplace.

MARKETING AND SUPPLY PARTNERS AND BUSINESS HISTORY

Suppliers will be the villagers through the MCDI and LIMAS initiatives

MCDI have been pioneers in getting FSC certification for 6 villages in the southern part of Tanzania. They have been instrumental in increasing the capacity of the villages to embrace the concept and be able to practice. With increasing numbers of villages coming on board the scheme, a testimony to the success of the PFM FSC mechanism, the more the initial teething problems, brought about by the nature of the uncharted territory, will have been ironed out. To this end the learning curve has produced the desired result of ensuring that VLFRs have good commercial forest produce inventory to make the programme sustainable. **The latest addition, Nanjirinji, therefore has the best commercial stocks and the best variety to date compared with the previous six VLFRs and is the largest (61,000 hectares) giving security of raw material supply to Sandali and the markets.**

LIMAS will, in turn, bring a relatively untouched, due to its remoteness, source of raw material supply in the form of 24 villages, **140,000 hectares** and 30,000 people to draw labour source from. It is their belief (see letter) that "We believe that linking PFM to viable business and private sector partnerships through sustainable forest management will increase the value of the forest. There is evidence to suggest that this strategy.....will reduce the probability of land conversion to agriculture ensuring that forests continue to provide critical environmental services and improve resilience of the communities in a changing climate". The above sentence gets to the core of what this project is about and it is the same shared values that will serve to be the critical driver in ensuring a good supply chain.

VETA (Vocational Education and Training Authority) will provide a source of human resource for training and skills transfer in FSC certified production.

With the PFM processed material the markets, as is evidenced by the letter from our marketing partner, Klicksi Limited, show strong signs of utilisation of FSC certified products and for that reason have elected to invest/support Sandali through its restructuring programme. In addition to WWF and FSC Denmark there is high partnership support in promoting FSC certified Tanzanian products.

SECTION F: PROPOSED BUSINESS IDEA

Project Purpose and Objectives

SUMMARY OF BUSINESS IDEA

This has four aims

1. Increase in FSC certified forest produce supply
2. Increase in processing of FSC certified material
3. Diversifying the market
4. The manufacture and sales of FSC certified finished products for the European Market

As spin offs, the above will generate

1. Legal and Ethical FSC certified forest trade with the rural community through the Participatory Forestry Mechanism
2. Security and continuity of raw material supply
3. Increased skills and capacity
4. Diversity of Market
5. Value Addition initiatives at Sandali to promote Tanzania directly to Europe which will act to foster and boost skills and capacity transfer
6. Imparting semi-processing of timber capacity to the industrious rural poor
7. FSC certified forest produce trade will act as a trigger to reduction in elite capture and corruption in the process

HOW WILL IT BE EXECUTED?

To execute this, Sandali will trade with rural communities, simultaneously fostering skills and capacity transfer by, mechanized tailored-to-miombo-forest logging, enhancement of its industrial capacity for processing through capacity building, training and engaging more workers in processing on the existing machinery, bringing new machinery on-line and out-sourcing semi-processing to urban or village entrepreneurs after an intensive training programme in sawmilling skills.

Additionally the range of products will be diversified to include products for the string instrument, as opposed to the conventional woodwind, market and finished products like household items children toys made from wood.

The project will begin in 2013 with identification and procurement of hardware (machinery) and tailoring it to the job at hand to be executed in first two years and from the second year onwards machinery will be used for production culminating in the fourth year with training the rural poor to be able to semi-process.

AND SUCCESS WILL LOOK LIKE

The project will be deemed successful if at the end of six years, Sandali will have have increased sales from \$ 300,000 to \$ 2,000,000, processing capacity from 2 CBM to 24 CBM per month, profitability to \$ 1,700,000 and reduced costs, by a factor of 4, by increasing recovery through use of thin kerf sawblades and by having material semi-processed in the field and fully processed Wooden toys and games, Violin pegs, Knife Handles, Towel Holders, Biomass Briquettes and Furniture and Furniture components

THE BUSINESS IDEA

OBJECTIVES

The first objective is to the increase in FSC certified forest produce supply from 200 CBM to 3,000 CBM and in the process promoting regular, legal, continuous and sustainable forest produce supply from FSC Certified VLFRs allowing retention of all the earnings for the villages development.

The second challenge is to ensure the strengthening and augmentation of processing capacity from 2 to 25 CBM per month to meet projected market demands – this will need logistical, infrastructural and capacity (both hardware and human resource) changes to cater for log processing capacity increase from 24 to 300 CBM per month.

The third objective is to diversify the market in order to allow buffer against market fluctuations. The main thrusts is String Instrument supply and finished products.

A summary below gives an idea, over the project period, in the changes in the proportion of trade expected.

Market Diversity (CBM)	2013	2018
Blackwood String	Beginning	End Project
String Guitar Classical Fingerboard	200	800
String Guitar Classical Bridges Sides and Backs	5	20
String Violin Cello Classical Fingerboard	5	21
String Violin Cello Classical Pegs Chinrests Bow Frogs	10	40
Total CBM Requirements Per Year	220	881

Market Diversity (CBM)	2013	2018
Blackwood Woodwind	Baseline	End Project
Woodwind Clarinets	55	219
Woodwind Bagpipes	15	58
Woodwind Others	10	40
Turnery	5	20
Total CBM Requirements Per Year	84	337

The final objective is to manufacture and sell FSC certified finished products for the European Market. This will kick start sale of value added FSC certified products from Tanzania directly to Europe instead of having to pass through the middle man of the Far East for processing and refinement for final sale to the West thereby creating skills, capacity and income generation and prosperity in Tanzania

OUTCOMES

It is expected that when an FSC certified VLFR forest is managed according to plan there comes the ability to predict and project with consistency and reliability the amount of processed material to be offered to the markets. Sustainability is crucially dependant on profitability throughout the life cycle of the product. Once villages see the benefits then this will advertise itself to nearby villages. **This can only be brought about by Sandali being able to increase, in quantity and variety, its markets and indirectly having to buy more of the FSC certified material from the villages.** This in turn will encourage other villages to come on board leading to the systemic change of moving towards decentralised, rurally beneficial, PFM based trade in forest products. (Please refer to N1 for further details)

The increase in the number of villages providing FSC certified forest produce will have the profound knock on effect of the Village Government registering an increase income from \$ 15,000 to \$ 500,000, with household beneficiaries of upto 22,000. The total amount of revenues that the villages will have earned from Sandali, over the six year project period, will be \$ 1,800,000 with all the concomitant benefits, like investment in health, clean water and education, derived thereof.

The increased processing capacity both in the quantity and in the type (transition from woodwind to string instruments) will have obvious benefits of increasing income (\$ 2,000,000 by end of project) and in the process also creating jobs (300 by the end of the project).

It will have created two new markets viz String Instruments and finished products.

Raw Material Processing Capacity In CBM	2013 Baseline	2018 End Project
Blackwood	260	2,303
LKS (Lesser Known Species)	757	757

Diversifying the market has the added advantage of buffering the health of the company against variations in demand of a niche product. Whilst niche markets are highly valuable, too strict a reliance on them can lead to disastrous consequences if for whatever reason they were to collapse – it is a case of not putting all the eggs in one basket.

As blackwood is mainly used for musical instruments, the only way to sustain the production costs is to try to use all the timber produced especially the rejects, the offcuts and the small pieces (the musical instruments market generates a lot of waste because of its strict requirements). There is a need to aggressively promote and sell to

1. The hobby market
2. Small pieces to the knife industry and
3. Musical Instrument parts such as pegs and bow frogs
4. Briquettes

As a result **value addition needs to take place at Sandali to manufacture and sell FSC certified finished products to Europe**

As this is in its infancy figures on actual sales are not available but any value addition by definition is increased value beyond normal activity like wood processing. What is indisputable is that it will bring new technology and skills to Tanzania giving it a chance to link with Europe directly without the need to pass its resource to the Far East for further processing.

PROGRESS MADE SO FAR IN CORE HARDWOOD PROCESSING

A pilot business model has already been initiated by Sandali with MCDI in Kilwa where trade is being effected to encourage rural prosperity and environmental custodianship. All villages in the scheme are FSC certified and two major VLFRs are coming on line – Kilwa 61,000 hectares and Liwale 140,000 hectares. It is necessary to realise that even with the best managed forests, without access to the market, sustainability is not guaranteed. By trading with FSC certified VLFRs, Sandali has brought to the table the access to market for the village forest harvest – Sandali being the linch pin for the rural poor to connect to Europe.

To address increase in processing capacity, new machinery has been added and tested that will process the thin pieces needed for the string instrument market. New avenues of collaboration with VETA will give access to human resource that can be further trained to industrial standards, both in processing and value addition. Numerous templates for mass production of finished items like Trivets, Violin Fingerboards and Pegs have been designed and fabricated for use on the existing woodworking machinery

Sandali already has in place a Danish briquetting machine and as part of the Biomass project this would need to be restructured into a modern briquette processing establishment with chipping, drying and briquetting layout in an orderly systematic fashion to increase production efficiency.

FSC Denmark and WWF have been in the forefront of pursuing for Sandali to succeed in producing finished household items for Danish companies like Trip Trap and COOP.

STEPS TO BE TAKEN TO IMPLEMENT THE BUSINESS IDEA IN CORE HARDWOOD PROCESSING

As with any initiative in its infancy (if not embryonic) there are numerous challenges which at present are borne by a handful of participants with only limited resources. For this reason AECF funding will play a critical role in carrying the risk in the social component of training and capacity building for increased and better quality forest harvest. Capacity

will be strengthened by training individuals to be able to utilise the different hardware from semi-mechanised logging to processing to value addition. With logging, in addition to the replication of the training in the new Villages, there needs to be new training on the semi-mechanisation of logging that will be undertaken. At the level of the sawmill, the utilisation of the diverse lines and the new machinery will require orienteering to the new entrepreneurs coming on board. Equipment needs to be tailored to local entrepreneurial capacity requirements – the R & D and innovative modifications to be affected by Sandali is to be supported by AECF. There will also be another programme with value addition where VETA based students will do apprenticeship programmes with Sandali to train them on industrial machines with a line to them joining Sandali once they finished their education with VETA.

Resource efficiency and productivity is a dynamic process and needs constant reevaluation. With the existing machinery the only real deficiency lies in the utilisation of this equipment to full effect and to this end Finland and Sweden are very strong in sawmilling and forestry with many many retired individuals who have a wealth of experience who could be used to assist in transfer of skills. With the VETA based programme of in-house apprentice teaching programme with Sandali used as a basis from which apprentices can acquire skills in the art of sawmilling, sawdoctoring and forestry.

Drying, crushing and briquetting facility for biomass briquette production in place but need to be recommissioned due to being uprooted due structural changes resulting from FSC certification.

In house training with transfer of skills in finished goods through VETA and B2B projects in collaboration with FSC and WWF Denmark need to be implemented to utilise the templates already designed and fabricated for mass production of wood products.

WHY SHOULD THE PROJECT BE INITIATED?

Apart from the important and strictly **commercial need to have increased profitability and capacity of the company to meet the projected increase in FSC certified processed timber and finished products for the western market** there are other offshoot dividends along the way.

In summary, Linking Rural Africa Directly To Europe Through Sustainable Trade In FSC Certified Forest Produce can only happen if

- Tanzania's rural heartland is to be given a chance not only to be productive but to become wealth creators. This can only happen if, as starters, the rural poor are given the chance to trade.
- Trade with the rural communities is guaranteed to be free from the baggage of corruption and secured in law to protect tenureship of land, forests and the rights of the communities
- The rights of the communities allow them to trade, keep all the proceeds from forest produce, be able to act semi-autonomously from central government regarding their designated forests, have managed harvesting plans and to have their own bylaws to protect their resource. These set of conditions are met under the auspices of the VLFR.
- The VLFR is matchmade to private sector trade and/or partnership to promote utilisation of the forest and if possible to add value to their product
- Value addition is to occur near to the source of the natural resource be it in Tanzania industries or at the village level but not in other countries. As it would be unrealistic to bombard the rural poor with all changes within a short period, a more gradated approach is one of provision of raw material by the village and initial processing and value addition at the Tanzanian industrial level (Sandali) which over time is transferred gradually to the rural areas starting initially with semi-processing and possibly to value addition. Industrial activity adds revenue to the countries coffers, adds jobs, increases tax collection and so reduces donor dependancy for budgetary support.
- The markets are ready for, both, processed and value added products. With the advent of FSC certification, EU- FLEGT and the Lacey Act in America and an intact chain of custody (COC) from the village through Sandali to Klicksi in UK all necessary links are in place for the market to accept processed and added value products.
- Both the supply and the industrial processing capacity is to be increased to meet the demand of the FSC market. An increase in supply and processing capacity from 260 CBM to 2,303 should see a employment increase of 300 people with revenue generation raise from \$300,000 to \$ 2,000,000 in six years with profitability in 3 years.
- The market is also diverse and not restricted to one or two species. The Business Idea is so structured that it relies on Blackwood, Lesser Known Species, Teak and Bitter Orange with all its diverse products to reduce over reliance on one market and to buffer against shocks given by the global economic weakness in trade at present.
- Value addition is linked also to skills, capacity and technology transfer. With in-built training programmes and a good machinery inventory to build a B2B transfer of skills will allow for the manufacture of finished items such as

Trivets, Wooden Toys or Games, Towel Holders, Waste Paper Basket and Phone Casings from Community Based Natural Forest and Industrial Parquet, Garden Furniture and Yacht accessories from Teak FSC CW.

- As has been stated, semi-processing will occur at the rural level. With value addition of this nature will come effective gainful economic activity leading to economic enfranchisement allowing ownership of dignity, health and education all acting to increasing adaptation to a changing climate. This is at the heart of the Business Plan. It is estimated that simple rural semi-processing can provide jobs for 20, a total average income \$250/person and village royalty of \$80,000 over a three year period.
- This business plan is implemented to allow debunking of the mindset that Africa cannot produce quality, legal and responsibly managed products, the Far East is the only global factory floor and that capacity and skills cannot be transferred to the rural poor.

The Market and Africa will have benefitted from

- A regular source of FSC certified products whether it be Biomass or Lumber which has a direct bearing on Fair Trade and Lacey and FLEGT compliance
- In the very near future, if not already, FLEGT and Lacey Act enforcement will make irresponsibly harvested/managed and/or processed timber, more and more difficult to market in the developed world – this is the opportune time to invest and be prepared for what would lead to Africa being further marginalised due to it lagging behind in being Ethical trade compliant.
- Africa therefore will be adding value itself without having to have middle-men in the East or Far East – this will go a long way to redress a wrong that is, at present, in full flow.
- The skills and technology transfer will, through sustainability brought about by regular trade, take root and lead to home grown improvements in industry and welfare both directly linked to an enabling environment to extricate African societies out of the shackles of endless poverty
- As a rule profitability is the cornerstone of sustainability – sustainability inevitably leads to prosperity and this in turn to better health, food and education security

Workplan – Activities And Outcome

The annexed work plan has two parts. The first is to do with the activity related to capital expenditure of project. The second part is to do with the cost of running the activities of the project on a day to day basis over the period of the project.

In both cases the time planning is shaded in colours and for convenience sakes the actual amount of expenditure (both in capital and cost of sales is given in figures).

AECF's training component support is to act as a critical springboard for the commercial activity to launch itself into a profitable venture. The training component can only come once the infrastructural hardware (assets) are on the ground. The assets to be brought and tailored have a time frame over two to three years and the training can therefore only happen after this period.

Sandali will trade with rural communities, simultaneously fostering skills and capacity transfer (Sandali to rural poor in Tanga) by, mechanized tailored-to-miombo-forest logging, sawmilling, establishing of FSC plantations, inculcating know how in biomass in the following step wise manner. Angai/Kilwa (AK) villagers will participate in training in Tanga whilst this is going on

Year 1

1. Mechanized GPS controlled logging equipment is brought and customized in Tanga where selected villagers will undergo training.
2. Anticipating increased Blackwood availability in Year 2, Sandali scales up existing Blackwood production line and conversion of off-cuts into value-added violin pegs and bow frogs.

Year 2-3

3. After training on logging equipment, transfer of equipment to the VLFR (Village Land Forest Reserve) in AK increasing harvest of Blackwood which Sandali will be in position to process.

Year 4-5

4. Sawmilling equipment acquired for Sandali processing and training of AK villagers.

5. Transfer part of equipment to AK. The villagers will semi-process and sell locally or to Sandali for further export processing.

Year 6- final outcome

6. AK harvest/semi-process VLFR timber.

SECTION G: INNOVATION

What Is Innovative About Our Project

Aside from the strong innovative history at Sandali whether it is in the forest, “fell what you can sell”, GPS tracking of trucks to reduce fuel consumption and be in direct touch with the harvest for safety reasons, or pneumatics use or laser guidance giving original ways to reduce workplace accidents, increase efficiency, and ameliorate pay, Sandali believes that the present project provides a greater degree of innovation if not the same as before

SPECIFICALLY – INNOVATION AS A NEW PRODUCT ON A NEW TARGET GROUP NOT TRIED BEFORE

Traditionally, all processors of Blackwood produce only for the musical instrument market which leaves a lot of end-pipe waste. **This project will utilise innovative marketing to enable offcuts from Blackwood to be used in making Violin Pegs or Knife Handles. Where the grain of the wood is of a wavy nature or has streaks of uneven colour the wood will be processed for Guitar Backs or for the Turnery and the Hobby market – this will result in high recovery rates.** In addition Sandali is now in a position to process branches into quarter-sawn pieces to cater for the high demand and higher priced string instrument products such as Guitar Fingerboards, Bridges and Headplates with thin kerf, newly commissioned, machinery – **this is a first in Tanzania.**

THE PROJECT IS SUBSTANTIALLY NEW FOR SANDALI

Spaced apart Miombo Blackwood tree, due to heart rot and crooked nature, make harvest wasteful (as once felled and found to be defective or with intertwined branches, not conducive to two man crosscutting, is left in the forest), labour intensive, slow and unable to meet market demand . With lack of motorised transport, harvesting is conducted near to the village giving rise to overharvesting in that area leading to land and forest degradation and poor quality logs.

The innovative harvest, an inversion of tradition, is, conducted by a chain sawyer using a self-propelled 4x4, GPS tracked and video-linked, access platform, to cut branches first, checking all the time for heart rot as he/she goes down to the trunk. If quality deteriorates, cutting is stopped and the tree left to coppice. Diameter, length and weight are measured automatically as logs are loaded onto a log forwarder and relayed to base station for real time CBM computations increasing productivity and traceability.

It is only in 2009 that Sandali became FSC certified. This in conjunction with the establishment of an FSC certified supply chain has taken the best part of three to four years. Sandali also has an FSC certificate for CW in Teak (acquired in Jan 2012). **The production and promotion of FSC certified material is an entirely new venture for Sandali and the country.**

High level of innovation has been applied to achieve modification of new machinery (meant for softwood logs) to be suitable to process the densest wood in the world viz Blackwood. In addition string instrument wood is to be produced from branches which are normally subject to rot in the forest. With the use of branches, naturally comes a more effective use of the tree and the natural resource and given the PFM mechanism which allows the use of branches, unlike the central government, this will in itself bring substantial dividends both in income and environment protection both leading to adaptive strategies in a changing climate.

THE PROJECT REPRESENTS NEW INNOVATION

As has been expressed elsewhere, the project does represent new innovation in the following

String Instrument blanks from Blackwood has not been processed at a mass production level especially by converting of softwood machinery to hardwood processing to process branches.

FSC Chain of Custody – ours is the first sawmill in the world to have offered FSC certified Blackwood.



The innovations have also opened up a male dominated wood processing industry to women through semi-mechanisation and semi-automation giving care in machinery use and so reducing costs in breakdowns.

THE PROJECT ALSO IS HIGHLY NOVEL FOR THE COUNTRY

Sandali is the only company FSC certified company in the country.

It is also unique that it will be selling FSC certified added value finished products (through an in-house youth skills transfer programme with VETA) thereby bridging Europe with Africa and so bypassing the Far East allowing for more job and wealth creation in the country of origin of the natural resource.

The project, in addition, to manufacture of value added products is, by default, set to engage in high levels of technical, technology and skills transfer that will effectively change the dynamics of offering for export, products that, at present, are the monopoly of the Far East and will directly link Africa to Europe through trade resulting in prosperity with dignity.

Sandali is the only company in the country doing string instrument components in any wood let alone Blackwood.

THE PROJECT HAS A STRONG ENGAGEMENT WITH THE RURAL POOR

It is clear from what has been said and from the rest of the business plan that the raison d'être of the project is the fact that trade is being promoted to link Europe with the rural poor in the Tanzanian Villages.

- PFM is rural
- Entrepreneurship is partly rural – paradigm shift in job creation

It uses trade, for demand driven, gradual systematic (step and time wise) small scale, sustainable, modular technology transfer (B2B and B4D) to bring FSC forest utilisation, effective land use and industrial value addition thereby engaging the rural poor and the private sector.

THE PROJECT WILL BOAST HIGH PRODUCTIVITY

The innovative harvest will extract the best raw material and so will provide the highest recoveries in processing and the use of branches with thin kerf slicing technology, pneumatics and laser cutting will cater for the high quantity string instrument market making this project have as part of its business case the need for high productivity.

SECTION H: MARKET AND COMPETITION

Market Analysis

DEFINING THE MARKET

The market is best defined specie-wise viz Hardwoods - Blackwood, Teak, LKS (Lesser Known Species - Panga Panga, Mninga, Mtondoro, Msaraka, Msenjele etc).

In cubic metres the table below shows the market for different FSC certified hardwoods year on year for Sandali Wood Industries Limited.

Defining The Market Year On Year For PFM Produce

Summary	2013	2014	2015	2016	2017	2018
Total PFM FSC Wood Processed From Communities (CBM)	311	399	511	91	439	515
Individual Species Breakdown						
Blackwood	26	39	68	102	154	230
Panga Panga	15	30	45	90	90	90
Mninga	60	60	60	60	60	60
Afzelia	15	15	15	15	15	15
Msenjele	15	30	30	30	30	30
Mtondoro	90	90	90	90	90	90
TeakFSC CW	90	135	203	304	0	0

Sandali is predominantly an exporter of its processed products.

Blackwood billets are produced for sale to the Woodwind Musical Instruments (Clarinets, Recorders, Flutes, Piccolos, Oboes English Horns and Bagpipes). Offcuts and lesser grades are exported for use in knife handles and hobby and craft turnery market respectively. It has in 2011 successfully negotiated FSC orders for Guitar Fingerboards, Bridges and Headplates.

It sells Teak for Garden Furniture, Flooring and the Boat Making Industry.

LKS species have been promoted for use in Stringed instruments but have not been found to be suitable but due to concerted efforts to promote Tanzanian FSC certified products, WWF and FSC Denmark have received encouraging signs from departmental stores for items that would be used for household items like trivets, knife handles, towel holders, sand boxes etc. Julbernadia is being looked at for use in the wood flooring market.

Briquettes from endpipe waste are to be sold in the local market as a substitute for charcoal and firewood.

The potential market can best be summarised under the following categories:

Semi-processed whose examples are

- Billets in Blackwood for manufacture of Clarinets, Oboes Flutes and Bagpipes
- Fingerboards and Guitar Bridge blanks
- Violin Pegs blanks
- Teak Industrial Parquet blanks
- Teak sawn timber for Flooring, Garden Furniture and Boat Decking

- Hobby turnery billets

Fully-processed whose examples are

- Wooden toys and games
- Mobile phone casings
- Violin pegs
- Knife Handles
- Biomass Briquettes
- Furniture

NATURE AND DISTRIBUTION OF THE CUSTOMERS

In Blackwood, across the globe, the company has a wide range of the following clients

Buffet Crampon (France), Selmer, Howarths of London, Mc Callum Bagpipes (Scotland), Dunfion Bagpipes, Henry Murdoch Bagpipes, Yamaha (Japan) Mollenhauer (Germany), Fossatti, Marigaux Craft Supplies (UK and USA), Trade Winds (USA) amongst numerous other small ones spread across the globe.

Stringed instrument makers such as Guitars, Banjos and Ukelele have attracted Gibson, Fender and Martin Guitars (America) for FSC certified Blackwood amongst other FSC species from Tanzania as substitutes to traditional guitar timbers in a bid to be Lacey compliant and also ensure sustainability as the traditional ones have been overharvested in their respective countries of origin – FSC Certified Blackwood is being evaluated as a possibility to replace non FSC illegal Rosewood and Ebony

Knife handle blanks are bought by Trade Winds in the USA

Finally craft and turnery material is sold on an individual basis from a warehouse based in the UK

For LKS and Teak the main use so far has been flooring for parquet and these have been marketed mainly to Italy and Germany – DiBernadi and Plessmann Parkett.

COMPETITION – COMPETING PRODUCTS

There is no competitor in Tanzania both for FSC certified Blackwood and FSC LKS – for this reason the project will enable trailblazing monopolistic niche practice in business – a highly desired situation in business.

Another pioneering and monopolistic first in the world is the targeting of String instrument manufacturers like Guitars, Banjos, Ukelele, Violins and Cello to promote FSC certified Blackwood and other species. Traditionally and at present four other sawmills supply to the Woodwind market. For this reason, for the following five years, at least, Sandali will see a virtual monopoly of supply in the string instrument market for two reasons – FSC certification and also the skill and expertise in using modern thin kerf technology to process logs to produce string instrument sizes even from branches.

There is no replacement for Blackwood in the woodwind instruments – various synthetic substitutes have been tried but do not have the tonal quality of the Mpingo (the wood that sings). **Ebony has been overharvested and is available in lesser and lesser quantities for the string market and the ability to convert Blackwood branches to replace Ebony into such products is where Sandali will excel.**

WHO ARE SANDALI'S COMPETITORS

Tanzania has not more than 5 processors in blackwood. All the sawmills dealing with Blackwood are in the south and not FSC certified. Sandali is the only one in the north. Mahmoud International, Sameja, African Blackwood and Mtuha sawmills are the only processors of Blackwood for woodwind instruments. **No one produces string instruments pieces in Blackwood or any other species.**

WHAT ADVANTAGE IS THERE TO BUY FROM SANDALI – PRICE AND/OR DISTRIBUTION?

As stated elsewhere Sandali is the first company in the world to offer 100% FSC certified Blackwood. The brand and stamp of the FSC logo means the company offers the following to its clients

1. **Sustainability** of harvesting due to inbuilt management and harvesting plans
2. **Responsible and ethical trade**
3. **Industrial ethics** in the form of health and safety
4. **Yearly due diligence audits by FSC** auditors to ensure compliance and adherence to FSC guidelines and standards
5. **Legal wood with all Government, District and Village dues paid**

Due to the skill and innovation of Sandali, it can offer legally and ethically FSC certified processed material for the same price as legally manipulated processed material. It also offers the comfort of the FSC logo of responsibility in a traditionally irresponsible sector.

WHY SHOULD PEOPLE BUY FROM SANDALI?

It is envisaged that what has been stated above will give a marketing edge as to why customers will prefer Sandali's product – legality, sustainability, responsibility of FSC certified products. **The rigorous application of the Lacey Act in America has made it extremely difficult to use with impunity highly suspect sources of timber from the world.** It is almost mandatory to ensure high levels of due diligence of the processor and the supplier. **The EU will, by 2013, bring into practice a legislative measure in the form of EU-FLEGT. Both these pieces of legislation will make it more and more difficult for European and American companies to import wood that is in the least bit suspect.** Sandali believes that the days of impunity in illegal harvesting are coming to an end, albeit slow. It is therefore hoped that the rule of law and responsibility will be the order of day both for suppliers and buyers thereby making it an even playing field where innovation and efficiency will be what determines success in the market – **Sandali is confident that in these circumstances, it will, more than, excel to meet the market requirements in the form of price, legality, responsibility and sustainability.**

In other words, to put it crudely, western buyers will be mandated to buy ethically and for this reason they will be attracted to explore the possibilities of seeking out this avenue as is witnessed of late where there are signs through enquiries and in some cases orders of our products from buyers who had normally been doing business with the other sawmillers. The less ethical businesses will have to change or fold in due to the market requirement of responsibility.

In summary customers will buy from Sandali as they are guaranteed

1. **Legally and responsibly processed FSC certified wood**
2. **At the same price as less legally processed wood**
3. **To promote their Corporate image in acting green**

SECTION I: MARKETING AND SALES

Marketing Plan

WHERE DOES SANDALI POSITION ITS PRODUCT IN THE MARKET PLACE?

As mentioned above there are five types of innovative departure for Sandali from other competitors in the market naturally giving it a niche prominence as a result.

1. Offer of FSC certified products by Sandali against what are traditionally exported by competitors as non-certified.
2. Complete trailblazing departure to the larger string instrument market for FSC certified products
3. Value addition in Tanzania in the form of finished products for sale to retailers in Europe as opposed to selling semi-processed material for further refinement and rebranding in the Far East.
4. Teak from Tanzania has not been able to be offered to Europe and is being sent predominantly to India for substantial sub-prime prices. FSC CW Teak offer by Sandali will enable it to enter the European market where better prices are fetched than in the Indian subcontinent.

WHAT IS SANDALI'S PRICING POLICY

Sandali puts prime material, difficult to process or obtain, **at prime prices**. For instance longer lengths in Blackwood are very difficult to obtain due to the nature of the wood – for this reason Sandali pitches and fetches without difficulty 2-3 times the price of shorter pieces. On the other hand, **what is destined for endpipe waste but is converted/cured to produce marketable pieces** (like Violin Peg and Knife Blanks) will **sell for a third to a quarter of the normal price**. **The optimum price is based on detailed scientific calculations based on availability of raw material, recovery rates and cost of sales with an average mark up of about 50-100%** in difficult to obtain and process material – this policy buffers Sandali from lesser yields due to tree quality for instance.

HOW WILL SANDALI PROMOTE ITS PRODUCTS?

In the past **quality** has been the key to Sandali's promotion in the market place with a commitment to delivery on schedule. Over time and through buyer's word of mouth, Sandali/Klicksi have managed to eke out a niche in producing good quality difficult to obtain (long lengths for Bass Clarinets or Guitar parts) pieces.

Having become **FSC certified**, the latter's database acts as a marketing tool. There are numerous initiatives, like Ekobai, that work to promote, advertise and give exposure to FSC certified companies over and above what can be promoted through the FSC database.

It has been mentioned that Sandali, due to it being FSC certified, is on the **Finnpartnership** database for promotion of boat decking material in Teak. NGO entities such as **WWF and FSC Denmark** have only recently visited Sandali with an award winning design student who has used Sandali's FSC certified LKS to produce an award winning design for manufacture and **promotion into the Danish retail market**. To this end WWF have supported the making of template to produce the manufacture of the items concerned. This is at present WIP.

Partners such as Klicksi will continue to play the role of strong marketing agents especially now that they hold their own Chain of Custody certificate in FSC.

Finally, once the supply chain has become robust, the Internet will be used to address the small scale user of our products – Sandali already has a **website and Klicksi is in the process of making one where it can offer, online, material that it holds in stock**.

HOW WILL THE END USER BE REACHED?

In addition to individual communications, Sandali/Klicksi, as has already been done, will be involved in personalised visits to buyers and use Trade Fairs like Musik Messe, NAAM and Boat Decking shows to promote sales of Woodwind, String Blackwood Instrument parts and Teak respectively

HOW IS MARKETING AND SALES TO BE UNDERTAKEN?

Marketing will be a combination of all the strategies listed above but sales will be mainly through Agents/Partners (Klicksi) or Brokers (PM Hardwoods, C Leary, NHG Timber) for the simple reason that this strategy cushions Sandali from any market changes - from drop in prices to outright bankruptcy of end buyer.

SECTION J: ADDITIONALITY

What Is Additional That Should, On The Back Of AECF Support, Make Commercial Banks More Supportive As A Result?

AECF support was going to be needed for the riskier elements of skills and capacity transfer training support which the private sector, especially SMEs like Sandali, have difficulty financing.

Workings have been done where the AECF component had been taken off - in so doing the skills transfer and increase in supply and production is substantially reduced. What comes through clearly, in these "what-if" scenarios, is that with AECF support the figures were as per the projected Key Performance Indicators (KPIs) such as Sales, Profitability, Social and Environmental - a good balance sheet, profitability and very sound developmental benefits. Without AECF support the whole project yielded loss making results for the whole of the six year period.

The deduction was therefore inescapable. **The project needed the capacity training and skills transfer component to become commercially viable.** As mentioned above such skills transfer training is not readily supported by commercial enterprises nor banks due to the high risk factor especially in emerging market economies and for this reason the project was destined not to succeed without the AECF training support. **AECF approval means two vital things**

1. **Commercial success in a Socially Responsible Investment**
2. **Acknowledgement and recognition that Sandali's Business Plan is sound for other investors to feel comfortable in supporting – in effect pre-vetting has been undertaken by AECF for the latter**

Without the additional AECF support, at best, the business case could only have proceeded if Sandali had set aside the developmental goals and continued with the commercial element of doing business with the VLFR. However, Sandali capacity would not have increased as it would have with AECF support and with the inability to increase processing power then the ability to buy from VLFRs would have been severely curtailed. This would necessarily have led to stagnation of the promotion of trade with the marginalised poor which in turn would possibly jeopardise business through the PFM mechanism and possibly result in going back to the non PFM, central government, mechanism with all its inherent implications of having to do business non-ethically and irresponsibly.



SECTION K: PROJECTED FINANCIAL STATEMENTS – (Annex A B C)

Explanatory Notes

IT IS IMPORTANT TO NOTE THAT WHILST ALL THE FIGURES HAVE BEEN PAINSTAKINGLY AND DILIGENTLY DERIVED GIVING THE PROJECT A SENSE OF HONESTY, IT HAS NECESSARILY MADE THE WORKINGS VERY CUMBERSOME. FOR THIS REASON EVERY SECTION HAS ITS OWN RELEVANT ANNEXTURES TO KEEP THE PICTURE AS SIMPLE AND CLEAR WHAT OTHERWISE IS A LABYRINTHE OF FIGURES!

In short and in essence the number of jobs (and income thereof) has been derived from the amount of task in hand for each year for each activity listed above.

Description Of How The Project Was Structured

Below is what was envisaged from AECF. Having achieved their support and the fact that there is now a massive availability of stocks, a concerted and focussed effort on logging is, under all circumstances, the most resource and cost effective way of performing a harvest than ones that are separated in time and space.

The table below shows the way AECF funding will be used as per the workplan.

AECF GRANT

Type Of Activity Purpose	Amount
Harvesting Training	27,600
Transport Training	8,425
Processing Training	30,400
Added Value Training	52,900
Briquetting Training	1,750
Harvesting Training	134,500
Transport Training	28,942
LKS Supplies Training	29,057
Marketing Training	38,800
Totals	352,375

AECF REPAYABLE GRANT

Type Of Activity Purpose	Amount
Harvesting Procurement	55,200
Transport Procurement	42,125
Processing Procurement	91,200
Added Value Procurement	158,700
Briquetting Procurement	27,659
Harvesting Training	57,643
Transport Training	12,404
Processing Training	27,355
Added Value Training	20,250
Briquetting Training	23,040
Expatriate Training	102,240
Totals	617,816

Description Of What Has Changed And How The Finance Will Be Used

The general gist of financing rests upon the premises that PFM based business on conservative projections is sound with an early payback between 3-4 years.

We hope to use the money over the six year period for consolidation of processing facilities, value addition and high volume FSC forest produce (logs) harvesting – every year there are stocks of 3,000 CBM in Blackwood and Panga Panga in 1:2 proportions. The monetary value of these stocks comes to around \$ 500,000 per year. Our experience over the years has shown that concerted, on off massive, harvesting efforts are cost beneficial than to have multiple small harvests over time – the process, in getting necessary paperwork and human and freight logistics is almost the same with a small harvest then it is with a large one – that is a small harvest forces a disproportionately expensive and time consuming effort in prepwork than a larger harvest. For this reason, and on the backdrop of AECF human and capacity increase support, there is a strong case for doing a large harvest to funnel into the system that will have the capacity to process. What is being done is that the projected harvests for four years are to be condensed in one or two which, then, are to be channeled into the already upscaled technological capacity of production. We would envisage needing funds for the first two years to initiate purchase of wood working assets and stocks.

Sandali's has an asset base (valued in 2009 by Bank M Valuers) will serve to be a collateral – further valuation is more than welcome.

CONTRIBUTIONS BY VARIOUS PARTIES

The various contributions by the parties involved in the project is shown below

Sandali Cash	399,216
Sandali In Kind	2,853,432
Partner Bank	1,500,000
Partner Klicksi Cash	59,750
Partner Klicksi In Kind	9,700
AECF Grant	352,375
AECF Repayable Grant	617,816

SECTION L: DIRECT AND INDIRECT DEVELOPMENT IMPACT

Justification Of New Jobs In Our Company And Why It Is Important To The Village

1. FSC Wood Processor At Sandali (women and urban bias) - these are skilled and trained entrepreneurs who would be involved in processing the log to final product ready from export
2. Urban Dryer and Crushing Entrepreneurs (male and female and urban) - involved in drying of wood with solar driers and crushing in chippers
8. Urban Added Value Entrepreneurs (equal gender bias and urban) - trained and/or inhouse trained entrepreneurs for value addition in finished goods lilke violin pegs and trivets

In short and in essence the number of jobs (and income thereof) has been derived from the amount of task in hand for each year for each activity listed above and a summary is presented below.

Seasonal	0
Fulltime	295
Skilled	185
Unskilled	110
Male	70
Female	225
<35	269
>35	
Total	295
Total wage bill for whole project period	\$ 276,943

Justification Of Village Beneficiaries

For argument and clarity sake we have elected to define a household as a group of people who have secured a need (eg water, firewood, farming, processing) from a common source and from one or more common carriers

Household beneficiaries have been identified in the following categories.

1. Household beneficiaries from the PFM mechanism

The type of jobs that are to be created are listed below

- 1a. Village FSC Tree Fellers (male dominated and rural activity) - these are the people who would be involved in felling and cross-cutting trees ready for loading
- 1b. Village FSC Blackwood Log Loader/Offloaders (male dominated and rural bias) - these would load onto transporters in the forest and offload it at the village landing site
2. Household beneficiaries from clean water supply
3. Household beneficiaries from health improvement due to wealth and clean water supply
4. Household beneficiaries from semi-processing
5. Household beneficiaries from firewood sales from rural semi-processing activity

The first two have direct benefits from being involved in logging, loading and transport. The benefit estimates for these categories have come from the type of calculations explained in Annex M4 and M4 narrative above.

For the next two, ie clean water and health, not having any access to straight forward proxy indicators we have tried to calculate the benefits to individual households who would benefit from having a clean water supply provided by the village authorities. This is described in detail in section M8 of the BP.

A paper on "Household Water Resources and Rural Productivity in Sub-Saharan Africa: A Review of the Evidence" by the Harvard Institute for International Development was used to provide a framework on which to base the household benefits that can be derived from a community based activity such as clean water supply provision

Finally the firewood household estimates have been derived from the amount of local firewood available from offcuts of the rural semi-processing industry.

How Do We Get The Net Benefit Figure?

Full workings of how developmental benefits to rural households obtained from provision of clean water and primary health care (diarrhoea and worm load reduction) have been performed. The village government revenue is invested in social projects such as clean water, health care or education.

A paper on "Household Water Resources and Rural Productivity in Sub-Saharan Africa: A Review of the Evidence" by the Harvard Institute for International Development was used to arrive at the figures on household benefit calculations that are described below

These are complicated to attribute so in effect the more direct effects have been given in the KPIs regarding development impact. However, the clean water household benefit calculations serve to give a semi-quantitative handle on the type of numbers that are involved. The indirect proxy indicators are used to provide an idea on the possible benefits and how these can be made quantitative but will not be able to stand the strict scrutiny of direct benefit indicators. For this reason direct indicators will be used to for monitoring purposes and the indirect proxy indicators, whilst, initially for demonstrative purposes can be subject to refinement for a more quantitative analytical monitoring tool.

Suffice it to say that for fetching 20 litres of water a human spends 2 hours and expends some 240 calories.

In simple terms the calculations are derived from using the calories expended by an individual having to fetch water from a source two hours away. As mentioned some 240 calories are expended per trip to collect water per day. Knowing the amount of calories in a kilo of maize meal (3,500) and computing given the price of a kilo of maize, some quasi-quantitative figures have been worked out. The same was done for prevention of diarrhoeal disease through clean water use. Finally workings were done from engagement in reduction of firewood collection if a centralised village semi-processing facility was producing firewood as offcuts.

The household beneficiaries for semi-processing have been worked out directly and the details are given on the amount of CBM processed, the number of people engaged and the price per CBM the material would fetch sold by the village semi-processing unit to Sandali.

SECTION M: CHANGES TO MARKET SYSTEM – WIDER DEVELOPMENT IMPACT AND ECONOMIC BENEFITS

Benefits To Other Businesses

Being predominantly export oriented the envisaged local linkages to SMEs will not be extensive.

However, with the manufacture of Industrial parquet, parquet floor laying, sanding and varnishing will require tools and consumables like glue sandpaper and varnish.

Biomass and BO are volume intensive raw material - the transport sector should be able to derive business for transport of raw material to the factory.

Plantation workers will need feeding - this should realise entrepreneurial village women to be outsourced for canteen work.

Collection and sales of seeds. As an offshoot of the plantation seed sale can be effected to third parties. A higher level of sophistication is establishment of micropropagation facilities to cater for high sapling requirements - a new industry in itself.

Supply chain involved in infrastructure of distillation and consumables and spares for equipment in mechanised farming and factory

Outsourced subcontractual IT skills for teleforestry - work in maintenance and troubleshooting

Biomass briquette sales would encourage use of energy efficient stoves and involve small businesses driven by women to flourish

How Will We Achieve Replication To Village Level

Sandali will trade with rural communities, simultaneously fostering skills and capacity transfer (Sandali to rural poor in Tanga) by, mechanized tailored-to-miombo-forest logging, sawmilling, establishing of FSC plantations, inculcating know how in biomass in the following step wise manner. AK villagers will participate in training in Tanga whilst this is going on

Year 1

1. Mechanized GPS controlled logging equipment (ultimately Angai village's property) is brought and customized in Tanga where selected villagers will undergo training.
2. Anticipating increased Blackwood availability in Year 2, Sandali scales up existing Blackwood production line and conversion of off-cuts into value-added violin pegs and bow frogs.

Year 2-3

3. After training on logging equipment, transfer of equipment to the VLFR (Village Land Forest Reserve) in AK increasing harvest of Blackwood which Sandali will be in position to process.

Year 4-5

4. Sawmilling equipment acquired for Sandali processing and training of AK villagers.
5. Transfer part of equipment to AK. The villagers will semi-process and sell locally or to Sandali for further export processing.

Year 6- final outcome

6. AK harvest/semi-process VLFR timber.

It can be seen clearly that in order to have semi-processing transferred to the rural setting there has to be replicability factored into the Business Idea. What is envisaged is that the replication will not be done by another business but the rural poor.

As an indication the direct benefits to the village

1. Blackwood \$ 37,000 and
2. LKS \$ 54,000 over a three year period

The total number of rural poor engaged in semi processing would be 20 with a per three year average \$ 575

M11 and M12 have failed to calculate in the document provided but calculations of total benefits divided by the amount of AECF funding is, at the end of the project, 2.1 but as has been mentioned in KPI 6 this can be multiplied by 3-4 times if the wider development impact of investment by the village government in health and education is to be taken into account.

What Will The Benefit To Laws And Regulation?

The last year has seen the birth of the Tanzania Forestry Services. The idea is to ensure a professional body to act in a business-like way to cater for stakeholders in the forest utilisation industry. As yet it is old wine in new bottles.

In most part The Forest Act is sound in its policy but punitive and has given undue powers to forest officers with little facility to seek redress. These powers have led to bad and unilateral implementation of the law. Stakeholders were seldom if ever included in the decision or regulatory process. For this reason, some regulations regarding the execution of the harvest has led to massive forest degradation and corrupt practices.

One regulation regarding the use of DBH (Diameter at Breast Height) to compute log volume has led to the system where one pays for the whole tree but is only allowed to take the trunk/log. A fair portion of the canopy is left to rot in the forest - this is difficult to understand with a species like high value Blackwood.

Another regulation is one where the recovery rate from tree to log is given at 70% and for tree to sawn sleepers as 60% when in fact it should be around 30%. This has encouraged a lot of chain-sawmilling in the forest (with all its incumbent wastages in the form of wide chain saw kerf) as it becomes far more profitable to buy sleepers than it is logs - mass balance computations so a wastage of almost 80% of the tree and the government being denied much required revenue due to ill-defined regulations without much aforethought as to the consequences.

PFM allows the complete above-ground extraction of the tree - branches as well. FSC certification of the forest prevents chain-sawmilling or pit sawing in the forest. There are no regulations regarding 70% or 60% recoveries. These in themselves have acted to reduce the destructive tendencies of the complementary aspects of the Central Government regulations.

With sustainable and continuous business with the VLFRs will come the snowball effect of other neighbouring villages seeing the benefit of the mechanism - the more that come on board the more it means that there will come a tipping point where the Central Government, with its inertia to provide what is manifested in law to the villagers, will have to bow to provide the necessary tools (permit paperwork and individual villager hammers) for the villagers to own their destiny regarding forest resource management and utilisation. This will result in the seismic systemic change in the implementation of the laws that so far have not been forthcoming and lead to PFM forest use being the norm rather than what is at present ie pockets of exceptions.

With this, will come an informal or formal recognition of sustainability and responsibility in forest management through the PFM mechanism.

The most important source is that of a robust supply inventory. This has not been available at all when dealing with Central Government public land harvests - one of the many reasons for ad hoc moratoria on harvesting.

With properly executed management plans and a sound inventory of forest produce (both the products of the PFM and FSC mechanism) allows Sandali to project its ability to offer supply and secure orders or realistic and accurate data.

According to FSC guidelines these management and harvest plans are open to all stakeholders and it is on the basis of this that Sandali has of late been able to offer FSC certified material in the quantity that it has to the export market. In the past Sandali found itself falling short of meeting orders due to the highly business unfriendly moratoria were it had to renege on the supply and lose face to its clients having taken years to build a sound business working relationship.

Corruption.

The common perception of corruption is one of monetary exchange. We define any activity that denies fair, equitable and meritorious access to services and fair interactive transaction between any two parties as corrupt practice.

It often escapes people's notice and is a form of tunnel vision regarding lack of infrastructure, roads or electricity as due to lack of resources - in the majority of cases it comes down to corrupt practices having put paid to development of such important parameters in the delivery of development (rural or otherwise). Most of the common infrastructural challenges can be circumvented in executing the core business of Sandali. Constraints such as road can be overcome by use of appropriate vehicles (4x4 for instance) - what is outside the scope of the stakeholders such as Sandali and the village is the lobbying power to effect change at levels of governance where the order of the day is that road funds have been embezzled or used to provide shoddy workmanship that does not last the test of time.

As is with roads, the same can be said about any other constraint - corrupt practice hinders development infinite fold compared the actual physical constraints. Lack of electricity in the village setting for semi-processing can easily be solved by the use of diesel powered machinery. It is common knowledge that the quality and quantity of electricity in the urban setting is woefully inadequate but once again it is driven by corrupt practices be it lack of planning, maintenance or downright redistribution for monetary or nepotistic gains.

If this present Business Idea is to come to fruition and can even partially address the fight against corrupt practices through trade with the VLFRs to the point of a critical threshold then it is passionately hoped that this will tip the modus operandi to one of empowering the village to be economically empowered to be able to circumvent some of the hurdles placed, inadvertently or intentionally, by an unjust system.

Adverse Factors

One of the core reasons for this Business Idea of skills and capacity transfer is, by logical inference, the recognition that both are lacking in one form or another.

It is for this reason that such a high importance is placed on training people (both rural and urban) to be able to promote resource efficient use of forest produce. It starts from the correct identification of commercially usable trees, harvesting with care and finally processing it with due diligence on extracting the utmost from a given harvest. As has been stated in detail in D10 Sandali has put in place both rural and urban mechanisms to provide for this transfer through mechanisms of

1. Ensuring the supply chain at the Village
2. Ensuring the production
3. With a sound Machinery Inventory
4. Innovative techniques
5. FSC compliant Management Systems and
6. A comprehensive Entrepreneurship Capacity Programme

It will use and expand on "fell what you can sell" training, use log calipers, volume computations log purchase with various other user friendly techniques at the industrial shop floor to promote a high level of skills and capacity enhancement to fill the gap left by lack of skills and capacity both at the rural and urban level.

Access to finance is normally a major constraint to the industrious poor - this has been circumvented by the entrepreneurship programme that has been instituted at Sandali where the latter provides the infrastructure in the form of equipment and raw material for use on a quasi-franchisee basis to allow local entrepreneurs to team up to produce as per international buyer order requirements. This system allows the worker to work to a self imposed production target be it in producing Blackwood pieces for export or semiprocessing in the rural context. The capital costs in both situations will be met by Sandali addressing the lack of leverage of poor workers to access finance.

Competition and Replication

Fair competition in business is a good thing. It leads to development through innovation.

In a climate where sustainable, ethical and legal business is pitched against illegal and irresponsible trade and where the dice is loaded in favour of the latter, as it can offer cheaper goods on the market place through corrupt practices, the definition of competition is blurred.

It is the singular intention to use legal trade with the rural poor who have not been as tainted by unethical practices as the urban elite to outcompete those businesses which are only in the market place due to illegal and corrupt business means. Through legal trade with VLFRs the playing field is levelled and then processing and profitability is reliant on the ingenuity of solid business practices.

The Business Model presented in this project is imminently replicable and the singular benefit is one where a systemic change will take place where the conducting of business will be based on merit and ethical market competition rather than on corrupt and illegal shortcuts.

As a result it is hoped that this business idea will "crowd-out" illegal and "crowd-in" legal and ethical businesses. Sandali expects to be able to replicate this to any rural setting that abides by the PFM and FSC guidelines.

At present it should not be seen as unusual that there will no real rush to accept this radical shift as for decades, and particularly worse so in the last decade, the norm has been that of illegal trade (traffic report 2004).

What Are The Economic Benefits For The Village Community?

Please see table next page

Economic Benefit Summary Over 6 Years

C5	Direct Forest Harvest Income	US \$ 1,200,000
C6	Additional Branch Income	US \$ 360,000
C7	Value Addition Income - Transport	US \$ 615,200
C8	Nanjirinji Villager Income	US \$ 203,800
C9	Sandali Capacity Assistance	US 203,800
C10	Sandali Training Programme	US 352,375
C11	Sandali Skills Transfer Project	US \$ 115,000
C12	Sandali Technology Transfer	US \$ 145,000

Social Benefit Summary

C13	Villager Harvester Income	US \$ 40,760
C14	Villager Loader Income	US \$ 101,900
C15	Villager Driver Income	US \$ 19,200
C16	Direct Health Care	US \$ 28,450
C17	Indirect Health Care	US \$ 452,000

Environmental Benefit Summary

C18	Patrolling Benefits	US \$ 23,000
C19	Appropriate Harvesting Benefits	Not Quantifiable At Present
C20	Branch Use Benefit	US \$ 360,000
C21	Illegal Logging Reduction Benefits	Not Quantifiable At Present
C22	Totals Training	\$735,675
C23	Totals	\$3,756,985

SECTION N: ENVIRONMENTAL, SOCIAL, HEALTH AND SAFETY ISSUES

Evidence Of Positive Environmental Impact

The PFM project has not had an EIA done.

The management plan for the various villages have been approved at the District, Regional and the Central Government level. The same plans have been approved by the FSC certification body.

Sandali as a company has been in existence well before the Environmental Management Act of 2004. For this reason, it falls under the category where only an Environmental Audit (EA) is required - this is being undertaken at present.

In short, formal independent environment audited evidence is lacking but Sandali has been involved in Cleaner Production and Resource Efficient production as is summarised below.

In any sawmill, the log represents 5% of the total tree of which in the best case of softwood 40-60% is used giving only use ½% of the total tree. This waste is normally burnt or dumped. Converting waste into products represents a responsible use of natural resources and that is exactly what Sandali Wood does best. The company engages in accurate eyeball cutting for blackwood musical instrument, billets and examination of figures from mass balance computations showed that yield increased from 2% to 14%, a real competitive edge to the company. Curing off-cuts to violin pegs and knife handles also increased yield to 23% while sapwood for craft and hobby turnery increased yield to 37%. Blackwood oil production from waste pieces and dust increased it to 60-70% and densification of residue to briquettes has been expected to complete the picture to 100% utilization.

It has been worked out that Sandali has a yearly saving of 800 kW of electricity and 1,200 tonnes of carbon, from reduction in electricity bills brought about by decrease in Amperage from pneumatic operations and increased efficiency from reduction in downtime lost through constant replacement and resharpening of sawblades by employing Tungsten Carbide Blades (TCT) respectively.

Sandali, from these resource efficiency measures, achieves quality which is a direct consequence of its continuous research and development. Sounding trees before felling, use of small 4 x 4 trucks to minimize damage to trees in the harvesting area, GPS truck tracking for efficient fuel use and mapping quality raw material source and use of roll on roll off and air clamping in the manufacturing process have all contributed to industrial efficiency and quality

Potential Environmental and Social Risks And How Will We Mitigate Them

Long term nature of the project leading to human resource fatigue and financial difficulties is mitigated by the fact that every effort has been made to derive sellable products from the plantations at a very early stage. The fact that the private sector is acting to lever support and providing skills/technology assistance at the early stage of the project, it is envisaged that this will nurture the weak rural poor partner to a level of competence and capacity to be able to stand alone

A potentially more serious risk is that the skills and technology transfer remains elusive due to limited/saturated capacity of the people. This is why there is a large training component that is earmarked for AECF support as commercial risk taking in such a training enterprise would be limited in time and finance.

Intra and inter Village conflict regarding land tenure is a serious social issue. Tanzanian land has remained underdeveloped due to land being titled for speculation rather than development. The fact that every step of the Government hierarchy (village-district-central) is to be involved is one way to have secured land tenure for both the private and the rural community partners in this project. Also the fact that the Miombo forests FSC certified, there is little room for not addressing these matters prior to getting FSC certification. It is well to note that the PFM mechanism



is robustly addressed in the Land, Forest and Local Government acts which if adhered to appropriately should spare any difficulties that may arise with tenureship. Furthermore, FSC requires absolute commitment, in the form of a written undertaking, to non-displacement of UN defined indigenous peoples.

Wherever there is human activity there is likelihood of illness/disease. Malaria and HIV/AIDS morbidity is a likelihood. The fact that the young will be the eventual beneficiaries in this project, the resilience, now with government and donor programmes of support in the health sector, will not be jeopardised. Sustainable, planned and managed Forest management is so designed that it should have the minimum of negative environmental impact.

In fact, good forest management is meant to reduce potential threats to the environment - with all plans approved by the FSC international body and the fact that FSC raison d'etre is to mitigate against negative environmental and social factors, the potential threats are minimised.

The PFM based VLFR Miombo harvest has no programme for reforestation at present in the Angai area. It is hoped that by early training of Angai villagers to better harvesting methods, the reduced forest degradation will go some way to address this issue.

Carbon entrapment studies in Miombo woodland is fraught with difficulties as things stand - it is hoped that the pilot REDD+ initiatives and the NAFORMA inventory will shed light on the amount of carbon that is suitable for trading and the mechanisms thereof.

Village capacity to conduct business in responsible forestry is, at present, weak and embryonic - the present project has its raison d'etre in addressing this, and all parameters, including political will, will have come together under the umbrella of climate change to address this.

Notwithstanding what has been stated, indicative potential risks are described below. We have a very detailed account of SWOT Analysis if it should be further required.

Potential Health And Safety Issues

Logging in plantation is a potentially dangerous activity. Felling of trees in natural forests is doubly so. Being FSC certified, one of the crucial and critical requirements is to ensure health and safety of those engaged in forest activity. To this effect all that who perform harvesting are to have full PPE (helmets gloves) and a first aid box next to the felling site. They have been trained to clear the area of potential hazards and have clear signs of the harvesting activity going on. They also have to have a logging supervisor present at all times with records kept of all activity and accidents reported for further corrective action. One of the reasons for the novel mechanised harvesting method described elsewhere is just such a measure to reduce accidents in the forest.

As is evidenced by the Health and Safety manual in Annex D10 (Worksheets - Risk Analysis Health and Safety, Health and Safety Instructions and Risk Analysis Summary) Sandali had to undergo major overhaul of its activities to conform to stringent Health and Safety Standards. The Annex is just a sample of these measures but the actual records cover very detailed aspects of Health and Safety issues down to machine and individual specific risk factors and mitigation measures. Most common issues that Sandali confronts regarding Health and Safety are Ergonomics (solved by semi-mechanisation and pneumatics), Dust (solved by light disposable theatre masks, water spraying and dust extraction systems) and Biological stressors (fungal infections - solved by disposable theatre masks instead of plastic ones - malaria - in the realms of a public health concern rather than a strict industrial concern)

Adaptation To Climate Change

It is internationally recognised that providing communities with secure tenure and continual flow of benefits from forests reduces deforestation. PFM and sustainable harvesting through legal arrangements will conserve the integrity of Angai forests despite pressures from agriculture and other illegal drivers. Forests provide a supporting range of ecosystem services (water, food, soil, pollination) that will ensure improved capacity for adaptation in the face of climate change. Miombo forests are key natural assets that guarantee improved adaptive capacity and therefore resilience and stability - improved fire management, sustainable harvesting and responsible wood processing offers people's prospects for adaptation by ensuring the health of the ecosystem they depend on

A summary of estimates are given below

Total Direct Rural Household Beneficiaries	\$ 22,000
Per Rural Household Impact	\$ 80
Total Rural Net Benefit	\$ 1,764,364

A total of 200,000 Hectares of Land will be taken out of the conventional system of central government system and into the PFM mechanism. If adhered to, and as a consequence due to prevention of losses through the ill-applied DBH system, this systemic change in forest produce use will effectively cause a possible income increase from forestry by \$ 450,000. It will also have saved a loss of 40,000 tonnes of carbon dioxide.

By the end of the six year period, as a reduction of forest fires in Miombo woodland normally caused by farmers (slash and burn), hunters and poachers, beekeepers and natural causes, it is estimated that there will be some 630,000 (out of which an estimated 5% ie 31,500 tonnes could be attributable to Sandali trade with Angai over the project period) tonnes of carbon dioxide equivalents saved which will be directly attributable to better forest management and utilisation brought about by adherence to FSC certified guidelines - the income generated from trading in legal and sustainable forest use will go some way to address these types of land use management changes that are so important for the vulnerable poor who at present cannot act as robust custodians of their forests due to lack of financial resources for one thing.

As shown in the table above some 22,000 households stand to benefit. The figure has been arrived at by using the example of, for instance, the provision of clean water by the village government from use of proceeds derived from the trade in forest produce. Beneficiaries were calculated as described above and this shows that some 22,000 households would stand to benefit, and as income from forest produce goes up from \$ 157,771 at the beginning of the project to \$ 505,156 by the end, then the number of households benefit concomitantly from 2,465 to 7,893. As a result, the need for women to collect water diminishes which in turn reduces the costs of expending the number of calories which would normally have been spent if they had to collect. The value calculated is \$ 987,198 in the beginning to \$ 3,160,832 by the end - it is important that these are hypothetical estimates but do illustrate quantitatively what is involved when the switch to PFM occurs. Additionally, benefits of clean water resultant from diarrhoeal diseases in children is estimated to be \$ 103,538 to \$ 331,508.

Due to the inherent difficulties in calculating the true benefits and central importance of provision of good health care in the context of vulnerability and adaptation to climate is, sadly, often overlooked or not mentioned altogether. The illustrative, tip-of-the-iceberg, example of the major contribution of good health, nourishment and clean water may go some way to redress this neglected imbalance in perception.

SECTION O: MONITORING AND EVALUATION

How Will We Monitor Our Progress As To How The KPIs Are Being Met?

Financial indicators will be monitored with relative ease through normal accounting and auditing channels. As mentioned elsewhere, production is strictly matched to sales and with imminent bar coding of processed produce this will add another level of confidence in monitoring and accessing the financial KPI's.

Developmental indicators will, in some cases, be amenable to direct monitoring - increased number of jobs or households engaged directly in the harvesting, processing, propagation or plantation activity. In the case of PFM whole village communities stand to benefit from the sale of forest produce. Proxy indicators like the one engineered for the benefits of clean water supply will be developed de novo. The one that has been developed for clean water will be expanded to accommodate micro-tuning.

A good part of the type of calculational framework has already been developed (Workings can be provided). With accurate and scientific data obtained from actual harvesting the figures will be able to be refined. Miombo natural forests are fraught with difficulty and are a subject of numerous REDD initiative studies (Naforma inventory to be completed January 2013). However as shown in the Miombo Carbon Worksheet, a handle on the amount of Carbon and damage drivers can be used to give an indication on what is at stake when considering environmental damage without intervention and what can be obtained through the use of PFM and sustainable forestry.

Workings from studies by the Clinton Foundation on the Angai VLFRs in Liwale where a very modest assumption of reducing forest fires by 1% year on year (in the VLFR due to better patrolling, education of the value of the forest resource, ownership and better land use by reducing slash and burn) gives a total figure preservation of carbon dioxide sequestration equivalents of some 1,900,000 tonnes over the six year project period.

Hand in hand with these environmental indicators have to see a seismic shift in the systemic change indicators. If the Central government can be cornered, once a critical mass of VLFRs in the country have emerged, then the damage caused by corruption, haphazard utilisation of forest produce, ill implemented non inventorised stock usage in the form of leaving most of the tree to rot once cut will be reduced as the villages and FSC will want the maximum amount of the tree to be used once felled instead of the prevailing situation in Government managed forests where due to red tape most of the tree canopy is left in the forest.

The Village Land Act (1999), The Local Government Act (1982) and Forest Act (2002) provide the legal basis for villages to identify, declare, own and manage forest resources on village land in ways that are both sustainable and profitable. Although the Forest Act specifies various institutional arrangements for protection of forests in VLFRs, it does not provide guidance on the legal business personality for villagers to initiate small scale commercial operations. It is also widely acknowledged that many forest users are unaware of their rights.

Mechanisms of supporting the establishments of VLFRs with donor support and increasing awareness of legal rights is one important aspect but what is overlooked oftentimes is how to address the continuity of keeping such an entity alive and sustainable. Business with the private sector is one way of addressing this challenge. With sustainable and continuous business with the VLFRs will come the snowball effect of other neighbouring villages seeing the benefit of the mechanism - the more that come on board the more it means that there will come a tipping point where the Central Government, with its inertia to provide what is manifested in law to the villagers, will have to bow to provide the necessary tools (permit paperwork and individual villager hammers) for the villagers to own their destiny regarding forest resource management and utilisation. This will result in the seismic systemic change in the implementation of the laws that so far have not been forthcoming and lead to PFM forest use being the norm rather than what is at present ie pockets of exceptions.

Currently, practicing sustainable timber harvesting is an unattractive option as it cannot compete against rampant wantonly destructive illegal and cheap timber flooding the markets. The reason why VLFRs have been marginalised in trade is for the simple reason that no commercial company wishes to trade with them as there are cheaper means of acquiring forest produce from Government owned land where corruption, elite capture and nepotism is rife promoting highly destructive forest degradation and deforestation. Tanzania is cleared of some 13,000 Hectares of natural forests per annum.



SECTION P: RISKS, ASSUMPTIONS AND EXIT MODALITIES

SWOT Analysis

Some salient features of SWOT analysis are given below followed by a more comprehensive one

COMMUNITY BASED FOREST TRADE IN FSC CERTIFIED NATURAL RESOURCE	
Key to levels	
Very High (A or +++)	
Good (B or ++)	
Average (C or +)	
Low (D or -)	
Not Applicable	
Overview Of Main Strengths Weaknesses Opportunities and Threats	
Strengths	
SWOT LEVEL	Very High (A or +++)
Increase Government Revenue	Village Government getting full revenue of harvest
SWOT LEVEL	Very High (A or +++)
Gender Redress	Women have already taken on the physical challenge of felling and processing trees into logs - see photo
SWOT LEVEL	Very High (A or +++)
Reduced Emissions	Prosperity increase will reduce pressures on the forest to seek energy sources such as firewood
Weaknesses	
SWOT LEVEL	Very High (A or +++)
Management Team Small	Distance to PFM FSC source too far for effective management
SWOT LEVEL	High (B or ++)
Reforestation	There is no programme for reforestation - small scale crop farmers are involved - programme of imparting benefits of reforestation maybe long term goal - or private partnership as for Teak and Bitter Orange
Opportunities	
SWOT LEVEL	Very High (A or +++)
Reforestation	As above when the benefits of tree planting by access to immediate income through carbon or biomass is appreciated then greater participation in negating climate change will be a consequence
SWOT LEVEL	Very High (A or +++)
Skills Transfer	When technology is transferred due to high income as above then naturally skills acquisition will follow as a priority
SWOT LEVEL	Very High (A or +++)
Management Team Small	White Collar job creation opportunity - training and education - university graduate employment
Threats	
SWOT LEVEL	High (B or ++)
The Weather and Diseases	Any form of natural phenomenon like change in weather pattern weather excessive rain or drought or human resource incapacitation by disease is a direct threat to this project - especially so when considering the very fact that there are climate change effects as of writing this project

A little in depth SWOT analysis is shown below on the next page.

STRENGTHS WEAKNESSES OPPORTUNITIES AND THREATS SUMMARY				
COMMUNITY BASED FOREST TRADE IN FSC CERTIFIED NATURAL RESOURCE				
Risk Profile	Strengths	Weaknesses	Opportunities	Threats
Economic				
SWOT LEVEL	Not Applicable	Not Applicable	High (B or +++)	High (B or +++)
New Industrial Capacity For Private Sector			The ultimate goal has to be to truly transfer all skills, technology and entrepreneurship for the community to truly take over - this would be the exit strategy for the private partner in this project	Realisation that transfer of skills is not possible due to inability to find motivated people or the level of exposure is not conducive to teaching due to lack of formal education even at the basic level
SWOT LEVEL	High (B or +++)	High (B or +++)	Low (D or +)	Not Applicable
Job Creation	Villagers involved in own harvest and possibly own processing	Villagers involved in own harvest and possibly own processing	Villagers involved in own harvest and possibly own processing	
SWOT LEVEL	Very High (A or +++)	Not Applicable	Not Applicable	Low (D or +)
Increase Government Revenue	Village Government getting full revenue of harvest			PFM and VLFR are part of the Law - The Forest Act 2004 - this makes it difficult for changes to occur - today there are hundreds of villages involved in PFM throughout the country.
SWOT LEVEL	Not Applicable	Very High (A or +++)	Very High (A or +++)	Average (C or ++)
Management Team Small		Distance to PFM FSC source too far for effective management	White Collar job creation opportunity - training and education - university graduate employment	Distance to PFM FSC source too far for effective management
Social				
SWOT LEVEL	Very High (A or +++)	High (B or +++)	High (B or +++)	High (B or +++)
Long Term Nature	FSC harvesting plans for natural resource allows only selective and sustainable harvesting methodology and so it promotes long term use of the resource	Long term nature leading to human resource fatigue and financial difficulties	Long term nature gives ability to adjust to challenges in climate both natural and man made	Financial insecurity or inadequate finances or market changes jeopardising sustainability - FSC certified timber with the Lacey Act in the states and EU-FLEGT requirements make it unlikely that there would be a market collapse in certified timber
SWOT LEVEL	High (B or +++)	Not Applicable	Not Applicable	Not Applicable
Cooperate CSR Addressed	Sandali offering fleet of trucks to aid villages extract their harvest sign of sound CSR			
SWOT LEVEL	Very High (A or +++)	Not Applicable	Not Applicable	Not Applicable
Community participation	Excellent as villages own their natural resource			
SWOT LEVEL	High (B or +++)	Not Applicable	Not Applicable	Not Applicable
Prosperity	Village community definitely prospers which will translate to individual prosperity through local job creation and entrepreneurship			
SWOT LEVEL	Low (D or +)	High (B or +++)	High (B or +++)	Low (D or +)
Technology Transfer	For the foreseeable future harvest and processing will be manual	As for the foreseeable future harvest and processing will be manual there is no short term possibility of having benefits from technology transfer	Income generation should be encouraged through buying of all resource which in turn will bring in a need ability to purchase sawmilling and processing technology will all its offshoot benefits as in the private sector	One possible scenario is that the technology transfer remains elusive due to the limited/saturated capacity of the skilled personnel - this is however highly unlikely given that there is a large labour market from which to draw from
SWOT LEVEL	Low (D or +)	High (B or +++)	Very High (A or +++)	Low (D or +)
Skills Transfer	At present no processing is performed	As for the foreseeable future harvest and processing will be manual there is no short term possibility of having benefits from technology transfer	When technology is transferred due to high income as above then naturally skills acquisition will follow as a priority	Inability to transfer skills due to ability to grasp - as explained above this is not very likely



	Strengths	Weaknesses	Opportunities	Threats
Social				
SWOT LEVEL	Very High (A or ++++)	Not Applicable	Very High (A or ++++)	Not Applicable
Gender Redress	Women have already taken on the physical challenge of felling and processing trees into logs - see photo		If through planting activity and access to carbon schemes is in place then opportunity for entrepreneurship is very high especially so in women as this is traditionally their domain	
Environmental				
SWOT LEVEL	Not Applicable	High (B or +++)	Very High (A or ++++)	Not Applicable
Reforestation		There is no programme for reforestation - small scale crop farmers are involved - programme of imparting benefits of reforestation maybe long term goal - or private partnership as for Teak and Bitter Orange	As above when the benefits of tree planting by access to immediate income through carbon or biomass is appreciated then greater participation in negating climate change will be a consequence	
SWOT LEVEL	Low (D or +)	Average (C or ++)	High (B or +++)	Not Applicable
Carbon Entrapment	Only when the NAFORMA inventory is finished in 2012 may we be able to make sense of any carbon data in Miombo Woodlands	Only when the NAFORMA inventory is finished in 2012 may we be able to make sense of any carbon data in Miombo Woodlands	Only when the NAFORMA inventory is finished in 2012 may we be able to make sense of any carbon data in Miombo Woodlands - once this is in place then the village can have true scientific access to carbon finance.	
SWOT LEVEL	Very High (A or ++++)	Not Applicable	Not Applicable	Not Applicable
Reduced Emissions	Prosperity increase will reduce pressures on the forest to seek energy sources such as firewood			
Reduced Emissions - Quantitative	Figures Not available			
Environmental				
SWOT LEVEL	Low (D or +)	High (B or +++)	High (B or +++)	Not Applicable
Responsible Processing	Village capacity in infancy for processing	Village capacity in infancy for processing - there is a need to empower the village with their own mode of transport to be able to extract their resource and possibly be engaged in their own processing at a later stage	Village capacity in infancy for processing - there is a need to empower the village with their own mode of transport to be able to extract their resource and possibly be engaged in their own processing at a later stage. Sandali has already utilised this opportunity by assisting them with transport facilities to be able to extract the harvest and sell it on	
SWOT LEVEL	Not Applicable	Not Applicable	Not Applicable	Not Applicable
End pipe Waste Usage	No processing so no end pipe yet	No processing so no end pipe yet		
SWOT LEVEL	Not Applicable	Very High (A or ++++)	Very High (A or ++++)	Not Applicable
Access to Carbon Trading		In Tanzania Carbon trading is restricted to a handful few high financed high resourced donor funded companies or programmes - SMEs have no access to the market	To learn lessons from such a small scale project and roll it out to the wider population is a huge incentive to acquire methodology to circumvent what is at present for the enjoyment of a few multi rich multinationals with huge human and financial resources	
SWOT LEVEL	Not Applicable	Not Applicable	Not Applicable	High (B or +++)
The Weather and Diseases				Any form of natural phenomenon like change in weather pattern weather excessive rain or drought or human resource incapacitation by disease is a direct threat to this project - especially so when considering the very fact that there are climate changes on



SECTION Q: OTHER INFORMATION

Who Are Our Partners And What Do They Require From Sandali and Nanjirinji?

Our clients, now that they have to be Lacey and EU-FLEGT compliant, require to be provided a tree stump to sawmill chain of custody documentation and veracity of strict adherence to these protocols. These are large buyers who are and have to be seen to be squeaky clean regarding forest harvests especially when they come from natural forests.

For this reason Sandali already has a very sophisticated mechanism in place for traceability but has not been able to put it into absolute practice as it has had to rely on an intermediary NGO with its own rules of operating the Village Land Forest Reserves – these however have now changed and the villages are in direct control. This means that Sandali will be able to ask/request the village government to assist keep to the documentation templates prepared by Sandali in keeping with buyers requirements.

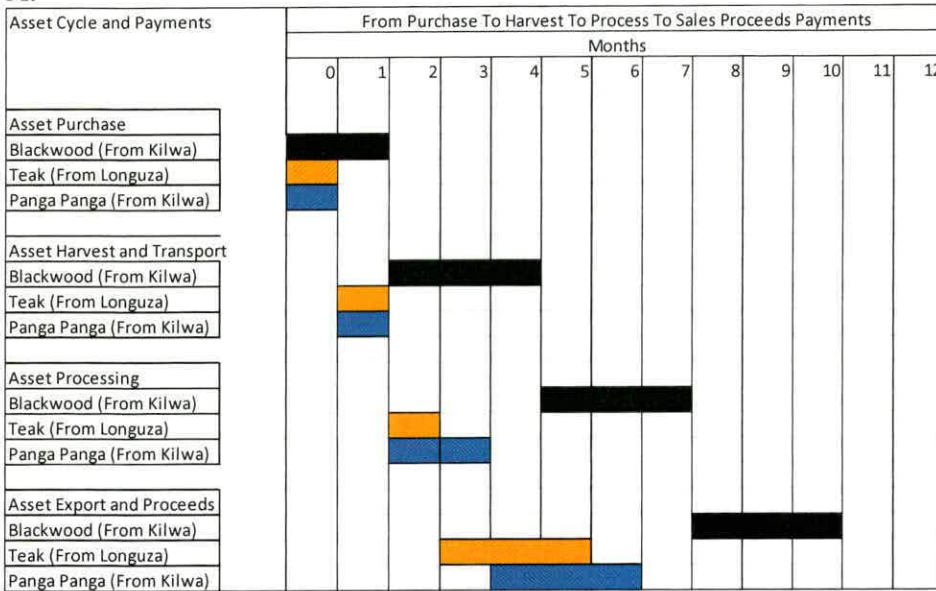
SECTION R: ANNEXES

1. Sandali and Village Draft MOU.

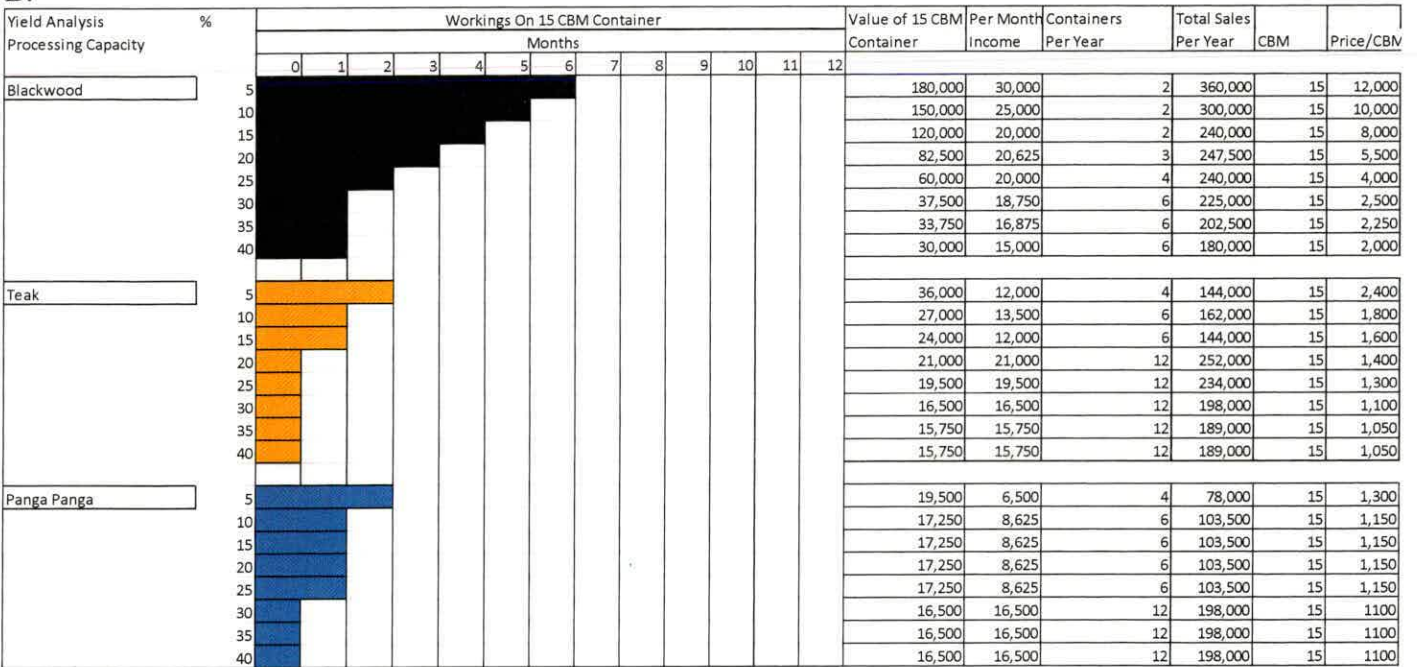
Sandali Undertakes To Provide	
E1	Lorries Provided
E2	Harvesting Assets
E3	Comprehensive Training Programme - Drivers
E4	Comprehensive Training Programme - Fellers
E5	Comprehensive Training Programme - Graders and Sorters
E6	Harvesting Aids and PPE
E7	Provide Appropriate Stump To Mill Printed Booklets
E8	Training On Use Of E7
E9	Handheld GPS and Training
E10	Motorbike And Recording Assistance For Patrolling
The Village Undertakes To	
E10	Do The Harvest
E11	Patrol Their VLFR
E12	Source Out Appropriate Harvest Ground In Accordance With Their Own Management And Harvest Plan
E13	Ensure Safety Of Harvestors And Forest Workers
E14	Be Custodians Of Their VLFR
	Keep Records Of Trees Felled According To Document Requirement
E16	Enter GPS Waypoints Of Trees Harvested Into Booklet Where Possible
E17	Village To Hold Stocks And Transport It To Tanga
E18	Point Of Sale To Tanga
E19	
E20	All Permits And Paperwork Done By Village
E21	Material To Be Escorted To Tanga By Dedicated Duly Authorised And Recognised Appointed Villager. To Have Village Identity Card
E22	Will Not Carry Anyone Elses Forest Load
E23	Will Not Carry Anything Illegal - If So Then The Village Responsibility
E24	If Accident - Village Responsibility
E25	2,000 CBM Order

2. Asset Cycle Analysis

A.



B.



3. Nanjirinji Stock Analysis In CBM Logs As Per Management And Harvest Plan

	Green	Blue	Total Take	Annual Take
Mpingo	2879	3312	6192	1238.4
Mpangapanga	12065	0	12065	2413.0
Msenjele	11687	328	12015	2403.0
Mkongo	2549	0	2549	509.8
Mninga Jangwa	6779	0	6779	1355.8
Mninga Bonde	2861	0	2861	572.1
Msufi pori	2526	0	2526	505.2
				8997.3

4. Sandali Requirements For Working Partnership With Village

At The VLFR Level - Requirements				
Human Resource		ACTIVITY	INVESTMENT	BENEFITS
F1	Villagers Do Harvest	Fell trees in accordance to VLFR Harvest Plan and FSC guidelines	Training	Environmentally and Socially Responsible
F2	Patrolling Villagers	Villagers empowered to patrol	Capacity enhancement	Reduction in Illegal logging and Forest Fires
F3	Sourcing Appropriate Harvest Ground In Accordance With Management And Harvest Plan	Fell trees in accordance to VLFR Harvest Plan and FSC guidelines	Training and in depth knowledge of village plans	
F4	Safety Responsibility Village	Health and Safety of Forest and Forest related workers	Training	In accordance with FSC Guidelines
F5	Custodians Of VLFR	Following bylaws of local government	Knowledge	Protection of own resource and ownership in VLFR
Natural Resource				
F6	Keep Records Of Trees Felled According To Document Requirement	Clerical	Training	In accordance with FSC Guidelines
F7	GPS Waypoints To Enter Into Booklet	Clerical	Training	Beyond FSC - good for data analysis - GIS
F8	Village To Hold Stocks	Village still responsible for stocks at Village Landing site as point of sale Tanga	Custody and responsibility	Final custodians of resource
F9	Point Of Sale To Tanga	Village hands over custody of produce with Tanga delivery	Transfer of COC	Increase prices fetched on providing extra service
Clerical				
F11	All Permits And Paperwork Done By Village	Village acting in capacity as local Government	Bookeeping and Training	Legality and ownership
F12	Material To Be Escorted To Tanga By Dedicated Duly Authorised And Recognised Appointed Villager. To Have Village Identity Card	Village to appoint with necessary identification document and documentation to assist it transport the material to Tanga with appropriate village and district passes appropriately filled.	Bookeeping and Training	Legality and ownership
Social				
F13	Lorries Provided	Lorries will be provided - number and type to be determined	To extract logs and carry them to Village Landing Site	Extractive capacity increased
F14	Saturday and Sunday For Village Use	Village can use truck offered for joint use to be used for non forest activity on weekends without fuel being provided by company and only for distance of not more than 30 kilometres - will be monitored by GPS!	Sandali trucks	Legally it is the village's load
F15	Will Not Carry Anyone Elses Forest Load	Only village community member consignment will be assisted and not be used for subcontracting to outside clients	-	Legally it is the village's load
F16	Will Not Carry Anything Illegal - If So Then The Village Responsibility	Legally the village is responsible for the type of load it is to ferry	-	Legally it is the village's load
F17	If Accident - Village Responsibility	Accidents within and when carrying village loads will be the responsibility of the village.	-	Legally it is the village's load
F18	2,000 CBM Order	Sandali can provide offer to buy on an immediate basis some 2,000 CBM logs - on mutually binding delivery schedule	-	Huge early and easy income generation

5. Workplan

Key Activity	Key Result Indicator	2011		2012		2013		2014		2015		2016		2017		2018	
		Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2
ASSET AND CAPITAL ACTIVITY PLAN																	
1. Pre-employment activities	Develop human resources and training of staff																
2. Capital structure	Secure financing and develop financial structure with 50% equity																
3. Operational activities	Implement and manage the operations of the plant																
4. Marketing activities	Develop and implement marketing strategy																
5. Financial activities	Manage financial resources and ensure liquidity																
OPERATIONAL ACTIVITY PLAN																	
1. Production	Produce 1000 m ³ of wood per month																
2. Maintenance	Perform regular maintenance on machinery																
3. Quality control	Ensure quality of wood products																
4. Safety	Implement safety protocols																
5. Environmental	Manage waste and emissions																

6. Cash Flow

CASH FLOW FROM OPERATING ACTIVITIES	2011	2012	2013	2014	2015	2016	2017	2018
		Baseline	Opening			Project Proper		
Profit/Loss After Tax	-300,087	30,759	647,009	736,099	1,159,933	1,134,993	1,696,274	2,108,545
Adjustment for items not involving cash movement								
Less: Amortization of Asset								
Add: Depreciation	91,976	106,568	147,482	209,333	208,819	183,154	160,909	141,277
NET CASH FLOW BEFORE CHANGES IN WORKING CAPITAL	-208,111	137,327	794,491	945,432	1,368,752	1,318,147	1,859,184	2,249,822
Increase/(Decrease) in Inventories	-183,273	48,600	38,916	-128,867	0	56,905	-200,000	85,524
Increase/(Decrease) in Current Tax Receivable	-9,166	36,229	19,192	0	0	0	0	0
Increase/(Decrease) Trade & Other Receivables	-22,985	-59,375	-237,721	301,012	30,181	-7,019	-65,072	-79,987
Increase/(Decrease) Current Tax Payable		0	125,858	555	49,135	32,731	64,319	74,920
Increase/(Decrease) in Trade & Other Payables	678,049	0	0	-655,818	-1	0	-327,909	-163,955
Operating Cash Flow	254,514	162,781	740,736	462,314	1,448,067	1,400,764	1,330,522	2,166,324
CASH FLOW FROM INVESTING ACTIVITIES								
Acquisition of Property, Plant & Equipments	-47923	-230,000	-444,500	-646,000	-204,500	0	0	0
Cash flow - Investment	-47,923	-230,000	-444,500	-646,000	-204,500	0	0	0
CASH FLOW FROM FINANCING								
Totals								
AECF Repayable Grant		0	199,780	249,916	168,120	0	-308,908	-308,908
PFM FSC Loan		9,056	40,461	87,696	-7,636	-48,959	-41,363	-39,255
Bank M Loan	-96,686	464,967	0	-106,991	-118,194	-130,574	-144,241	0
Klicksi (Cash Partner Involvement)		0	0	0	0	0	0	0
Total net cash flow from finance	-96,686	474,023	240,241	230,621	42,290	-179,533	-494,512	-348,163
NET CASH FLOW	109,905	406,804	536,477	46,935	1,285,857	1,221,231	836,010	1,818,161
Cash and cash equivalents at the beginning of the year	1,837	24,978	431,782	968,260	1,015,195	2,301,052	3,522,282	4,358,292
Bank Overdraft	-86,764	0	0	0	0	0	0	0
Cash and cash equivalents at the end of the year	24,978	431,782	968,260	1,015,195	2,301,052	3,522,282	4,358,292	6,176,453
Net increase/(decrease) in cash and cash equivalents:	-23,141	-406,804	-536,477	-46,935	-1,285,857	-1,221,231	-836,010	-1,818,161



7. Profit and Loss

Revenue	2011	2012	2013	2014	2015	2016	2017	2018
	Baseline Opening	Baseline Opening	Project Proper					
Revenue	76,096	201,271	805,836	1,056,529	1,735,872	1,917,493	2,628,984	3,312,207
Total Sales	76,096	201,271	805,836	1,056,529	1,735,872	1,917,493	2,628,984	3,312,207
Cost of Sales								
Direct Wage Inclusive Cost Of Sales								
PFM FSC Totals	20,500	0	25,350	182,526	209,705	201,842	500,642	701,882
Bitter Orange Totals	14,000							
Materials Consumed		48,600	38,916	71,133		56,905		85,524
PFM LKS Supplies	15,446	0	24,214	24,214	24,214	24,214	24,214	24,214
Mobile Greenhouse								
Cost of Sales	49,946	48,600	88,480	277,873	233,920	282,961	524,856	811,621
Gross Profit	26,150	152,671	717,356	778,656	1,501,953	1,634,532	2,104,128	2,500,587
Other Income								
AECF Grant			90,690	143,778	117,907		0	0
Partner Klicksi In Kind	26150	1,400	1,500	1,500	1,900	1,000	1,400	1,000
Sandali Cash In Kind	37,720	16,856	243,654	486,941	440,012	346,867	586,920	732,182
Sandali Cash		0	140,105	85,316	31,879	20,933	48,351	72,632
Partner Klicksi Cash		0	27,600	32,150	0	0	0	0
Total Other Income	63,870	18,256	503,550	749,685	591,698	368,800	636,670	805,814
Total Income	90,020	170,927	1,220,905	1,528,341	2,093,651	2,003,332	2,740,798	3,306,400
Expenditure - Overhead								
Expenditure - please break down								
Office Costs Salaries Admin Drivers Cleaner etc		0	29,400	29,400	32,340	32,340	32,340	33,957
Legal and Auditing Fees	4,500	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Director's Wages		0	36,000	36,000	41,400	47,610	54,752	57,489
Overseas Travel Procurement Recruitment and	19,400	0	0	0	0	0	0	0
Marketing Inclusive Of Fair Stalls	11,024	14,000	15,000	15,000	19,000	10,000	14,000	10,000
Expatriate Trainer Costs	32,000	0	34,080	0	34,080	34,080	0	0
Utilities		500	1,500	2,500	5,000	8,000	10,000	15,000
Vehicles	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Electrical	3,000	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Mechanical	1,174	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Structure	4,200	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Endpipe Effluent	36,000	500	500	500	500	500	500	500
		0						
Principal								
Service Levy	5,500	0	4,205	2,160	4,529	4,901	3,285	3,449
Royalties	1,200	0	0	0	0	0	0	0
Corporate Tax	1,300	0	0	0	0	0	0	0
Various District and Village Cess	5,200	0	0	0	0	0	0	0
Council Taxes								
Land Rent	2,077	0	0	0	0	0	0	0
Property Tax	500	0	0	0	0	0	0	0
Insurance	45,000	0	0	0	0	0	0	0
Existing Premises Insurance	666	600	630	662	695	729	766	804
PAYE	150	0	9,810	9,810	11,061	11,993	13,064	13,717
Finance Expenses	117,740	0	0	0	0	0	0	0
Total Overheads	298,131	33,600	149,125	114,032	166,604	168,153	146,706	152,916
EBITDA								
Net Profit / Loss before tax	-208,111	137,327	1,071,781	1,414,309	1,927,047	1,835,178	2,594,092	3,153,484
Interest, Tax and Depreciation								
Interest expense			-	-	107,384.08	42,826.43	21,424.54	4,953.73
Tax expense		0	277,290	361,493	515,468	495,607	729,955	903,662
Depreciation	91,976	106,568	147,482	209,333	208,819	183,154	160,909	141,277
Total I T and D	91,976	106,568	424,772	678,210	767,114	700,186	895,818	1,044,939
Profit/Loss After Tax and Depreciation	-300,087	30,759	647,009	736,099	1,159,933	1,134,993	1,698,274	2,108,545
Net Profit / Loss Brought Forward	-240,211	-540,298	-509,539	137,470	873,570	2,033,502	3,168,495	4,866,769
Net Profit / Loss Carried Forward	-540,298	-509,539	137,470	873,570	2,033,502	3,168,495	4,866,769	6,975,314

8. Balance Sheet

NON CURRENT ASSETS	2011	2012	2013	2014	2015	2016	2017	2018
		Baseline Opening	Project Proper					
Property Plant & Equipment	790,561	913,993	1,211,011	1,647,678	1,643,359	1,460,205	1,299,295	1,158,018
Total non current assets								
CURRENT ASSETS								
Inventories	243,182	194,582	155,666	284,533	284,533	227,628	427,628	342,104
Current Tax Receivable	55,421	19,192						
Trade & Other Receivables	266,496	325,871	563,592	262,580	232,399	239,418	304,490	384,477
Cash & Cash Equivalent	24,976	431,781	968,258	1,015,192	2,301,049	3,522,281	4,358,288	6,176,451
Total Current Assets	590,075	971,426	1,687,516	1,562,305	2,817,981	3,989,327	5,090,406	6,903,032
TOTAL ASSETS								
TOTAL ASSETS	1,380,636	1,885,418	2,898,527	3,209,982	4,461,340	5,449,532	6,389,701	8,061,050
EQUITIES & LIABILITIES								
CAPITAL AND RESERVES								
Total capital and reserves:								
Share Capital	11,880	11,880	11,880	11,880	11,880	11,880	11,880	11,880
Reserves	375,466	375,464	375,464	375,463	375,464	375,466	375,463	375,465
Accumulated Profit/loss	-540,298	-509,539	137,470	873,570	2,033,502	3,168,495	4,866,769	6,975,314
Total Capital & Reserves	-152,952	-122,195	524,814	1,260,913	2,420,846	3,555,841	5,254,112	7,362,659
NON CURRENT LIABILITIES								
AECF Repayable Grant			199,780	449,696	617,816	617,816	308,908	0
PFM FSC Loan		9,056	49,517	137,213	129,577	80,618	39,255	
Bank M Loan	35,033	500,000	500,000	393,009	274,815	144,241		
Klicksi (Cash Partner Involvement)	186,920	186,920	186,920	186,920	186,920	186,920	186,920	186,920
Total Non Current Liabilities	221,953	695,976	936,217	1,166,838	1,209,128	1,029,595	535,083	186,920
CURRENT LIABILITIES								
Trade & Other Payables	1,311,637	1,311,637	1,311,637	655,819	655,818	655,818	327,909	163,954
Bank Overdraft								
Current Tax Payable			125,858	126,413	175,548	208,279	272,598	347,518
Total Current Liabilities	1,311,637	1,311,637	1,437,495	782,232	831,366	864,097	600,507	511,472
TOTAL EQUITY & LIABILITIES								
TOTAL EQUITY AND LIABILITIES	1,380,638	1,885,418	2,898,527	3,209,982	4,461,341	5,449,533	6,389,702	8,061,051
<i>to balance</i>	-2	0	0	0	-1	-1	-1	-1

9. Fixed Assets

LAND & BUILDINGS	Depreciation rate	2011	2012	2013	2014	2015	2016	2017	2018
			Baseline Opening From Past Financial Performance	Project Proper					
Cost									
Opening balance		411,651	391,068	371,515	352,939	335,292	318,528	302,601	287,471
Additions									
Depreciation @	5%	5%	5%	5%	5%	5%	5%	5%	5%
Depreciation		20,583	19,553	18,576	17,647	16,765	15,926	15,130	14,374
Closing balance		391,068	371,515	352,939	335,292	318,528	302,601	287,471	273,098
PLANT & MACHINERY									
Cost									
Opening balance		384,619	359,930	516,188	840,602	1,300,777	1,317,117	1,152,478	1,008,418
Additions		26,729	230,000	444,500	646,000	204,500	0	0	0
Depreciation @	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
Depreciation		51,419	73,741	120,086	185,825	188,160	164,640	144,060	126,052
Closing balance		359,930	516,188	840,602	1,300,777	1,317,117	1,152,478	1,008,418	882,366
MOTOR VEHICLES									
Cost									
Opening balance		38,344	39,563	26,290	17,469	11,608	7,714	5,126	3,406
Additions		21,194							
Depreciation @	33.55%	33.55%	33.55%	33.55%	33.55%	33.55%	33.55%	33.55%	25%
Depreciation		19,975	13,273	8,820	5,861	3,895	2,588	1,720	852
Closing balance		39,563	26,290	17,469	11,608	7,714	5,126	3,406	2,555
OFFICE FURNITURE AND PLANTATION									
Cost									
Opening balance				0	0	0	0	0	0
Additions							0	0	0
Depreciation @	20%	20%	20%	20%	20%	20%	20%	20%	20%
Depreciation		0	0	0	0	0	0	0	0
Closing balance		0	0	0	0	0	0	0	0
COMPUTERS & OFFICE APPLIANCES									
Cost									
Opening balance				0	0	0	0	0	0
Additions									
Depreciation @	33%		33%	33%	33%	33%	33%	33%	33%
Depreciation			0	0	0	0	0	0	0
Closing balance		0	0	0	0	0	0	0	0
MOVEMENT IN TOTAL FIXED ASSETS									
Cost									
Opening balance		834,614	790,561	913,993	1,211,011	1,647,678	1,643,359	1,460,205	1,299,295
Additions		47,923	230,000	444,500	646,000	204,500	0	0	0
Depreciation			1.0	1.0	1.0	1.0	1.0	1.0	1.0
Depreciation		91,976	106,568	147,482	209,333	208,819	183,154	160,909	141,277
Closing balance - total fixed assets		790,561	913,993	1,211,011	1,647,678	1,643,359	1,460,205	1,299,295	1,158,018

10. Key Performance Indicators

Key Performance Indicators		Totals	Baseline	2013	2014	2015	2016	2017	2018	How will we measure this?	Explanations, Notes and Assumptions
Business - link to Annex B.1											
1	Sales	\$	237,500	960,896	1,246,704	2,048,329	2,262,642	3,102,201	3,906,405	Audited Financial Statements. Variances of actual from projected will be subject to analysis and rectification accordingly	There are detailed workings in other worksheets in master spreadsheet attached
2	EBITDA	\$	204,500	1,071,761	1,414,309	1,927,047	1,835,178	2,594,092	3,153,484	Audited Financial Statements. Variances of actual from projected will be subject to analysis and rectification accordingly	There are detailed workings in other worksheets in master spreadsheet attached
Development Impact - see notes below											
Direct Beneficiaries From Engaging In Project Related Activity Like Logging Transport and Processing or Propagation and Plantation											
3	Number of PFM - Direct Beneficiaries			64	59	85	79	95	119	Financial, Entrepreneurial and Employment Records	Records of number of people engaged at the factory will be readily available from accounting and management systems records
4	Net benefit per PFM - Average Income Per Unit			52	104	98	83	72	59	Payments made against entrepreneurial or employment contracts	Contractual payments made to employees or outsourced entrepreneurs will again be available from accounting and management systems making analysis and interpretation a direct exercise.
5	Total Benefits Rural PFM and BO Household - 3 x 4			3,333	6,165	6,367	6,579	6,801	7,034	Using above data	Projected figures are obtained from Developmental Impact summaries but these will be varnaced against actual employees and entrepreneurial contracts deployed
Household Beneficiaries From Impact Analysis Of Spin Off Benefits Like Access To Clean Water, Nearby Firewood Availability and Reduction In Childhood Diarrhoea - Demonstrative											
6	Number of Indirect Water Beneficiaries households			2,465	3,275	3,587	4,494	5,854	7,893	Using actual Royalty payments (as per FSC requirements) to individual villages and knowing their population, the figures will be computed as per the model developed in worksheet Developmental Impact Households (please see link to the right)	These have been arrived at using the methodology in Developmental Impact Households. These are indicative, challengeable but are the closest quantitative scientific analysis available. Based on this model further refinement with in-field data will be used.
7	Net benefit per Water Beneficiaries household			200	200	200	200	200	200	ibid	ibid
8	Total Benefits Rural Water Beneficiaries Household			493,599	655,760	718,309	899,805	1,172,048	1,580,416	ibid	ibid
9	Number of Anti-Diarrhoea Effect Of Clean Water Beneficiaries households			2,465	3,275	3,587	4,494	5,854	7,893	ibid	ibid
10	Net benefit per Anti-Diarrhoea Effect Of Clean Water Beneficiaries household			42	42	42	42	42	42	ibid	ibid
11	Total Benefits Rural Anti-Diarrhoea Beneficiaries Household			103,538	137,552	150,673	188,743	245,848	331,508	ibid	ibid
12	Number of Indirect Energy Beneficiaries households						390	503	671	ibid	ibid
13	Net benefit per Energy Beneficiaries household						200	200	200	ibid	ibid
14	Total Benefits Energy Beneficiaries Household						78,156	100,620	134,316	ibid	ibid
Direct Beneficiaries From Payment Of Royalties To Village Governments											
15	Amount Of Royalties Paid To Village			157,771	209,604	229,596	287,609	374,628	505,156	Simple beneficiary impression can be gleaned from dividing equitably all village proceeds amongst all households/families. Figures for these sums will be easily accessed from account and office management systems records	What cannot be challenged is a very direct impact derived from a hypothetical scenario of distributing the money earned by villages government to all households/families of the village
16	Number Of Families In Village			22,000	22,000	22,000	22,000	22,000	22,000	Knowing the amount of money the village government earns in royalties and the number of households in the village then the total impact per household is given by division of royalties by the number of households	Whilst we believe this is not a very realistic scenario on the collective behaviour of how benefits are derived from village government income it is the most simple and direct, albeit clumsy, way of giving a direct benefit to households
17	Benefit Per Family In US \$			7	10	10	13	17	23	As shown and explained above	Whilst this is much easier to calculate it cannot be a realistic picture of developmental benefit distribution behaviour in the village.
Summary of Benefits If Indirect But More Realistic Yet Difficult To Quantify Unequivocally, Water Firewood and Health Indices Are Analysed											
18	Total Rural Household Beneficiaries	28,613	2,529	3,334	3,652	4,963	6,451	8,683	Adding KPI 3, 6 and 12		
19	Total Rural Net Benefit US \$	7,027,173	600,470	796,477	875,348	1,173,283	1,525,319	2,053,275	Adding KPI 5, 8, 11, and 14		
20	Per Rural Household Impact US \$	237	237	240	240	236	236	236	Dividing Total Benefit by Total Beneficiaries KPI 18/15		
Summary of Benefits If Direct But Unrealistic Yet Easy To Quantify Unequivocally Direct Benefits To Individual Households If Income To Village Distributed Equally Amongst Village Households											
21	Total Direct Rural Household Beneficiaries	22,000	22,000	22,000	22,000	22,000	22,000	22,000	From KPI 16		
22	Per Rural Household Impact US \$	80	7	10	10	13	17	23	From KPI 17		
23	Total Rural Net Benefit US \$	1,764,364	157,771	209,604	229,596	287,609	374,628	505,156	KPI 21 multiply KPI 22		
Total Benefits Summary											
24	Number of employees - see below		11	11	20	214	231	257	295	From Employment Records	
25	Wage Bill - link to B.1		886	2,066	4,710	66,888	67,326	67,740	68,193	From Account keeping records	
26	Total Indirect Net Benefit + Direct Wage Bill	7,304,116	602,556	804,187	942,237	1,240,609	1,593,059	2,121,467	Adding KPI 19 and KPI 25		
27	Total Direct Net Benefit + Direct Wage Bill	2,041,307	159,858	214,314	296,485	354,935	442,367	573,349	Adding KPI 23 and KPI 25		
Systemic Change - see notes below											
1	Increased Legal and Ethical Trade Reducing Corruption						10% increase	10% increase	10% increase	increase in FSC orders as per projected figures	Variance from projected figures will give indication on the uptake of FSC material. FSC orders are inversely proportional to illegal trade in forest produce
1 a	Corruption Reduction						5% Reduction	Additional 5%	10% Reduction	Difficult to quantify but amount of time spent on route will be increased substantially as a result of checkpoint harassment	Natural Resource checkpoints are a source of corruption. The amount of time spent at checkpoints is inversely proportional to amount of bribes
2	Fair Business Exiting Out Unfair Ones								25% Increase	Data from MCDI and LIMAS regarding how much proportional trade is done by villages to FSC and Non FSC lending to comparison	VLFRs are obliged to keep transparent record keeping of permits given and amount of trade conducted in supply to FSC and non FSC buyers.
2 a	Addition Of New Villages Tipping Point					13	2	2		Number of new villages with registered VLFRs	The increase in number of FSC certified VLFRs will bring it to a critical mass where
3	Better Implementation of Forest Act. Reduction In Wastage Brought About By Misapplication Of DBH Rule By FBD						60%	60%	60%	Transformation of sale of forest produce from, a predominantly centralised, Tanzania Forestry Services to a decentralised VLFR system. Regulatory guideline changes reflecting this change.	New regulations and guidelines will give a clear indication for the transformation to a decentralised VLFR system



Sandali Wood Industries Limited
(Registration number 9344)
Financial statements
for the year ended 31 May 2011

Sandali Wood Industries Limited

(Registration number 9344)

Financial Statements for the year ended 31 May 2011

General Information

Country of incorporation and domicile	Tanzania, United Republic of
Directors	Dr. Azim Fazal Ms. Harieth Hangi
Registered office	Plot No. 34, Block KB 111 Railway Street Tanga Tanzania
Bankers	Exim Bank Tanzania Limited Barclays Bank Tanzania Limited Bank M (Tanzania) Limited
Auditors	Horwath Tanzania Certified Public Accountants in Public Practice Dar es Salaam
Company registration number	9344

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2011

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The reports and statements set out below comprise the financial statements presented to the shareholders:

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Sandali Wood Industries Limited

(Registration number 9344)

Financial Statements for the year ended 31 May 2011

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 2002 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with the International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 May 2012 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 4 to 5.

The financial statements set out on pages 6 to 26, which have been prepared on the going concern basis, were approved by the board of directors on the date of this statement and were signed on its behalf by:



Dr. Azim Fazal

31st Oct 2012



Ms. Harieth Hanga

31st Oct 2012

Report of the Independent Auditors

To the members of Sandali Wood Industries Limited

Report on the Financial Statements

We have audited the financial statements of Sandali Wood Industries Limited, which comprise the statement of financial position as at May 31, 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 26.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and requirements of the Companies Act 2002, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

We did not observe the counting of physical inventories stated at TSh 243,182,000 as at 31 May 2011. Owing to the nature of the company's records, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to inventory quantities and valuation by other audit procedures.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Sandali Wood Industries Limited as at May 31, 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act 2002.

Report of the Independent Auditors

Report on Other Legal and Regulatory Requirements

This report, including the opinion, has been prepared for, and only for, the company's members as a body in accordance with the Companies Act 2002 and for no other purposes.

As required by the Companies Act 2002 we report to you, based on our audit, that:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books;
- the company's statement of financial position and profit and loss account are in agreement with the books of account;
- the directors' report is consistent with the financial statements; and
- information specified by law regarding directors remuneration and transactions with the company is disclosed.



Horwath Tanzania
Certified Public Accountants in Public Practice
Dar es Salaam

Signed by Christopher Msuya

October 31, 2012

Sandali Wood Industries Limited

(Registration number 9344)

Financial Statements for the year ended 31 May 2011

Directors' Report

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 May 2011.

1. Incorporation

The company is incorporated in the United Republic of Tanzania under the Companies Act 2002 as a private company limited by share.

2. Review of activities

Main business and operations

The principal activity of the company is that of wood cutting and processing.

The operating results and state of affairs of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net loss of the company was TSh 300,087 (2010: TSh 197,794 loss), after taxation of TSh - (2010: TSh -) rounded off to the nearest thousands.

3. Going concern

The directors confirm that applicable accounting standards have been followed and that financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year.

5. Authorised and issued share capital

There were no changes in the authorised or issued share capital of the company during the year under review.

6. Dividends

No dividends were declared or paid to shareholder during the year.

7. Directors

The directors of the company during the year and to the date of this report are as follows:

Name	Nationality
Dr. Azim Fazal	British
Ms. Harieth Hangi	Tanzanian

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2011

Directors' Report

8. Shareholders

The total number of shareholders during the year is three shareholders (previous year: Three shareholders)

Directors holding shares are listed below

Name	Nationality	Number of Shares
Dr. Azim Fazal	British	54,000
Ms. Herieth Hangi	Tanzanian	10,800

The shares of the company are held as follows:

Shareholder	Number of Shares	
	Current year	Previous year
Dr. Azim Fazal	54,000	54,000
Mr. Sakim Fazal	54,000	54,000
Ms. Herieth Hangi	10,800	10,800

9. Corporate Governance

The Board of directors consists of two Directors. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board is required to meet at least four times a year. The Board delegates the day to day management of the business to Managing Director assisted by senior management. Senior Management is invited to attend board meetings and facilitates the effective control of all the Company's operational activities, acting as a medium of communication and coordination between all the various business units.

The company is committed to the principles of effective corporate governance. The directors also recognize the importance of integrity, transparency and accountability.

10. Risk management and internal control

The Board accepts final responsibility for the risk management and internal control systems of the Company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

The effectiveness and efficiency of operations;
The safeguarding of the Company's assets;
Compliance with applicable laws and regulations;
The reliability of accounting records;
Business sustainability under normal as well as adverse conditions; and
Responsible behaviours towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system, of internal control can provide absolute assurance against misstatement or losses, the company system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial year ended 2011 and is of the opinion that they met accepted criteria.

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2011

Directors' Report

11. Employee welfare


The relation between employees and management continued to be cordial during the year. There were no unresolved complaints received by Management from the employees during the year.

12. Related Party Transactions

All related party transactions and balances are disclosed in note 20 to these financial statements.


13. Auditors

The auditors Horwath Tanzania have expressed their willingness to continue in office and are eligible for re-appointment. A resolution proposing the re-appointment as auditor of the Company for the year 2012 will be put to the Annual General Meeting.


.....
Dr. Azim Fazal
Director

Date:

31st Oct 2012


.....
Ms. Harieth Hangi
Director

Date:

31st Oct 2012

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2011

Statement of Financial Position

	Note(s)	2011 TSh '000	2010 TSh '000
Assets			
Non-Current Assets			
Property, plant and equipment	3	790,563	834,614
Current Assets			
Inventories	4	243,182	59,909
Current tax receivable		55,421	46,255
Trade and other receivables	5	266,496	243,511
Cash and cash equivalents	6	24,976	1,837
		590,075	351,512
Total Assets		1,380,638	1,186,126
Equity and Liabilities			
Equity			
Share capital	7	11,880	11,880
Reserves		375,466	397,552
Accumulated loss		(540,298)	(262,297)
		(152,952)	147,135
Liabilities			
Non-Current Liabilities			
Loan	9	-	218,685
Current Liabilities			
Loan	9	221,953	99,954
Trade and other payables	10	1,311,637	633,588
Bank overdraft	6	-	86,764
		1,533,590	820,306
Total Liabilities		1,533,590	1,038,991
Total Equity and Liabilities		1,380,638	1,186,126


Dr. Azim Fazal


Ms. Harieth Hanga

The accounting policies on pages 13 to 19 and the notes on pages 20 to 26 form an integral part of the financial statements.

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Financial Statements for the year ended 31 May 2011

Statement of Comprehensive Income

	Note(s)	2011 TSh '000	2010 TSh '000
Revenue	11	76,096	82,165
Cost of sales		(49,946)	(34,349)
Gross profit		26,150	47,816
Other income		63,870	81,923
Operating expenses		(272,367)	(271,883)
Operating (loss) profit	12	(182,347)	(142,144)
Finance costs	13	(117,740)	(55,650)
(Loss) profit for the year		(300,087)	(197,794)
Other comprehensive income		-	-
Total comprehensive (loss) income		(300,087)	(197,794)
Total comprehensive (loss) income attributable to:			
Owners of the parent		(300,087)	(197,794)

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2011

Statement of Changes in Equity

	Share capital	Revaluation reserve	Accumulated loss	Total equity
	TSh '000	TSh '000	TSh '000	TSh '000
Balance at 01 June 2009	11,880	419,638	(64,503)	367,015
Changes in equity				
Total comprehensive income for the year	-	(22,086)	(197,794)	(219,880)
Total changes	-	(22,086)	(197,794)	(219,880)
Balance at 01 June 2010	11,880	397,552	(262,297)	147,135
Changes in equity				
Total comprehensive income for the year	-	-	(300,087)	(300,087)
Adjustment of depreciation on revaluation	-	(22,086)	22,086	-
Total changes	-	(22,086)	(278,001)	(300,087)
Balance at 31 May 2011	11,880	375,466	(540,298)	(152,952)
Note(s)	7	8		

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2011

Statement of Cash Flows

	Note(s)	2011 TSh '000	2010 TSh '000
Cash flows from operating activities			
Cash generated from operations	16	381,418	181,269
Finance costs		(117,740)	(55,650)
Tax paid	17	(9,166)	(9,281)
Net cash from operating activities		254,512	116,338
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(47,923)	(332,782)
Cash flows from financing activities			
Repayment of loan		(96,686)	131,719
Net cash from financing activities		(96,686)	131,719
Total cash movement for the year		109,903	(84,725)
Cash at the beginning of the year		(84,927)	(202)
Total cash at end of the year	6	24,976	(84,927)

Sandali Wood Industries Limited

(Registration number 9344)

Financial Statements for the year ended 31 May 2011

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the International Financial Reporting Standards, and the Companies Act 2002. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in Tanzanian Shillings.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the diminishing balance method over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	20 years
Plant and machinery	8 years
Furniture and fixtures	8 years
Motor vehicles	4 years
Motor Lorries and Tractors	2.67 years

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2011

Accounting Policies

1.1 Property, plant and equipment (continued)

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.2 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2011

Accounting Policies

1.2 Financial instruments (continued)

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

1.3 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.4 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2011

Accounting Policies

1.4 Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.5 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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Financial Statements for the year ended 31 May 2011

Accounting Policies

1.5 Impairment of assets (continued)

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.6 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.7 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.8 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and

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Financial Statements for the year ended 31 May 2011

Accounting Policies

1.8 Provisions and contingencies (continued)

- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 18.

1.9 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

1.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

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Financial Statements for the year ended 31 May 2011

Accounting Policies

1.11 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Tanzanian Shillings, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Tanzanian Shillings by applying to the foreign currency amount the exchange rate between the Tanzanian Shillings and the foreign currency at the date of the cash flow.

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Financial Statements for the year ended 31 May 2011

Notes to the Financial Statements

2011	2010
TSh '000	TSh '000

2. New Standards and Interpretations

IAS 39 Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items

The amendment provides clarification on two hedge accounting issues:

- Inflation in a financial hedged item and
- A one sided risk in a hedged item.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The company has adopted the amendment for the first time in the 2011 financial statements.

The impact of the amendment is not material.

2009 Annual Improvements Project: Amendments to IFRS 8 Operating Segments

Entities are only required to report segment assets if they are regularly reported to the chief operating decision maker.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The company has adopted the amendment for the first time in the 2011 financial statements.

The impact of the amendment is not material.

2009 Annual Improvements Project: Amendments to IAS 1 Presentation of Financial Statements

The amendment clarifies that a liability which could, at the option of the counterparty, result in its settlement by the issue equity instruments, does not affect its classification as current or non-current.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The company has adopted the amendment for the first time in the 2011 financial statements.

The impact of the amendment is not material.

2009 Annual Improvements Project: Amendments to IAS 7 Statement of Cash Flows

The amendment provides that expenditure may only be classified as 'cash flows from investing activities' if it resulted in the recognition of an asset on the statement of financial position.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The company has adopted the amendment for the first time in the 2011 financial statements.

The impact of the amendment is not material.

2009 Annual Improvements Project: Amendments to IAS 17 Leases

The amendment removes the guidance that leases of land, where title does not transfer, are operating leases. The amendment therefore requires that lease classification for land be assessed in the same manner as for all leases. The amendment is to be applied retrospectively, unless the information is not available. In these cases, existing leases shall be reconsidered based on facts and circumstances existing at the date of adoption of the amendment. The lease asset and lease liability shall, in these cases be recognised at their fair values on that date, with any difference in those fair values recognised in retained earnings.

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Financial Statements for the year ended 31 May 2011

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 January 2010.

The company has adopted the amendment for the first time in the 2011 financial statements.

The impact of the amendment is not material.

2009 Annual Improvements Project: Amendments to IAS 36 Impairment of Assets

The amendment now requires that, for the purpose of goodwill testing, each group of units to which goodwill is allocated shall not be larger than an operating segment as defined in paragraph 5 of IFRS 8 Operating Segments. Thus the determination is now required to be made before operating segments are aggregated.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The company has adopted the amendment for the first time in the 2011 financial statements.

The impact of the amendment is not material.

IAS 24 Related Party Disclosures (Revised)

The revisions to IAS 24 include a clarification of the definition of a related party as well as providing a partial exemption for related party disclosures between government-related entities.

In terms of the definition, the revision clarifies that joint ventures or associates of the same third party are related parties of each other. To this end, an associate includes its subsidiaries and a joint venture includes its subsidiaries.

The partial exemption applies to related party transactions and outstanding balances with a government which controls, jointly controls or significantly influences the reporting entity as well as to transactions or outstanding balances with another entity which is controlled, jointly controlled or significantly influenced by the same government. In such circumstances, the entity is exempt from the disclosure requirements of paragraph 18 of IAS 24 and is required only to disclose:

- The name of the government and nature of the relationship
- Information about the nature and amount of each individually significant transaction and a quantitative or qualitative indication of the extent of collectively significant transactions. Such information is required in sufficient detail to allow users to understand the effect.

The effective date of the amendment is for years beginning on or after 01 January 2011.

The company expects to adopt the amendment for the first time in the 2012 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

2010 Annual Improvements Project: Amendments to IAS 1 Presentation of Financial Statements

The amendment now requires that an entity must present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item.

The effective date of the amendment is for years beginning on or after 01 January 2011.

The company expects to adopt the amendment for the first time in the 2012 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

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Financial Statements for the year ended 31 May 2011

Notes to the Financial Statements

	2011 TSh '000	2010 TSh '000
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3. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	456,123	(65,055)	391,068	456,123	(44,472)	411,651
Furniture, plant and equipments	486,015	(126,085)	359,930	459,286	(74,667)	384,619
Motor vehicles	89,204	(49,639)	39,565	68,333	(29,989)	38,344
Total	1,031,342	(240,779)	790,563	983,742	(149,128)	834,614

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Depreciation	Total
Buildings	411,651	-	(20,583)	391,068
Furniture, plant and equipments	384,619	26,729	(51,418)	359,930
Motor vehicles	38,344	21,194	(19,973)	39,565
	834,614	47,923	(91,974)	790,563

4. Inventories

Greavillea wood	4,826	4,826
Coconut logs	4,585	4,585
Sandal wood	2,422	2,422
Teak logs	44,383	44,767
Black logger	186,966	3,309
	243,182	59,909

5. Trade and other receivables

Trade receivables	237,136	216,606
VAT	14,889	12,434
Other receivables	14,471	14,471
	266,496	243,511

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,293	1,837
Bank balances	22,683	-
Bank overdraft	-	(86,764)
	24,976	(84,927)
Current assets	24,976	1,837
Current liabilities	-	(86,764)
	24,976	(84,927)

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Financial Statements for the year ended 31 May 2011

Notes to the Financial Statements

	2011 TSh '000	2010 TSh '000
6. Cash and cash equivalents (continued)		
Security for the overdraft and loan facility from Bank M Tanzania Limited is as follows:		
a) First legal mortgage over land and building on Plot No. 175 and 176, Gofu Chini Industrial Area, Tanga with certificate of title No. 25551 in the name of the company.		
b) First legal mortgage over land and building on Plot No. 537, King Street and Arab Street, Tanga with Certificate of Title No. 130513/8 registered in the name of the Registered Trustees of the Fazal Memorial Trust.		
c) Debenture charge on all floating and fixed assets;		
d) Personal Guarantee of the directors of the company.		
7. Share capital		
Authorised		
118,800 Ordinary shares of TSh 100 each	11,880	11,880
Issued		
Ordinary	11,880	11,880
8. Revaluation reserve		
Balance as at 1 June	397,552	419,638
Adjustment on depreciation on revaluation	(22,086)	(22,086)
	375,466	397,552
9. Loan		
Held at amortised cost		
Bank M Tanzania Limited	35,033	131,719
Refer note 6 for securities		
Klicksi Limited	186,920	-
The loan is unsecured and interest free		
Klicksi Limited	-	186,920
The loan is unsecured and interest free		
	221,953	318,639
Non-current liabilities		
At amortised cost	-	218,685
Current liabilities		
At amortised cost	221,953	99,954
	221,953	318,639
10. Trade and other payables		
Trade payables	1,269,896	600,850
Other payables	19,541	14,018
Deferred rental income	22,200	18,720
	1,311,637	633,588

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Financial Statements for the year ended 31 May 2011

Notes to the Financial Statements

	2011 TSh '000	2010 TSh '000
11. Revenue		
Sale of Blackwood	23,954	64,949
Sale of Teak	52,142	-
Sale of Biomass	-	6,819
Sale of Bitter Orange Peel Oil	-	10,397
	76,096	82,165
12. Operating (loss) profit		
Operating (loss) profit for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
• Contractual amounts	11,038	10,008
Depreciation on property, plant and equipment	91,974	94,598
Employee costs	80,546	82,283
13. Finance costs		
Loss on foreign currency borrowings	96,247	24,027
Bank	21,493	31,623
	117,740	55,650
14. Taxation		
No provision has been made for 2011 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is TSh 753,051,000 (2010: TSh 469,687,000-). The company has a potential deferred tax asset of TSh 143,382,000 which has not been recognised due to uncertainty over availability of future taxable profits.		
15. Auditors' remuneration		
Fees	3,000	4,865
16. Cash generated from operations		
Loss before taxation	(300,087)	(197,794)
Adjustments for:		
Depreciation and amortisation	91,974	94,598
Finance costs	117,740	55,650
Changes in working capital:		
Inventories	(183,273)	(23,401)
Trade and other receivables	(22,985)	(27,055)
Trade and other payables	678,049	279,271
	361,418	181,269

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Financial Statements for the year ended 31 May 2011

Notes to the Financial Statements

	2011 TSh '000	2010 TSh '000
17. Tax paid		
Balance at beginning of the year	46,255	36,974
Balance at end of the year	(55,421)	(46,255)
	(9,166)	(9,281)
18. Contingencies		
The directors are of the opinion that there are no contingent liabilities as at the year-end.		
19. Related parties		
Related party balances		
Loan accounts - Owing (to) by related parties		
Klicksi Limited	(186,920)	(186,920)
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Klicksi Limited	(876,599)	(490,608)
Fazal Memorial Trust	188,243	198,149
Related party transactions		
Purchases from (sales to) related parties		
Klicksi Limited	(76,096)	(75,346)
Fazal Memorial Trust	-	(26,483)
Klicksi Limited	24,718	279,461
Fazal Memorial Trust	11,038	10,008
Remuneration		
Directors	16,246	16,246

20. Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

21. Risk management

Liquidity risk

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

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Financial Statements for the year ended 31 May 2011

Notes to the Financial Statements

2011	2010
TSh '000	TSh '000

21. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Foreign exchange risk

The company does not hedge foreign exchange fluctuations.

Foreign currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The company transacts partly in United States Dollar and GBP and its assets and liabilities are denominated in the Tanzanian Shillings. The foreign exchange exposures are reviewed and controlled by management on a regular and frequent basis.

22. Going concern

We draw attention to the fact that at 31 May 2011, the company had accumulated losses of TSh (540,298,000) and that the company's total liabilities exceed its assets by TSh (152,952,000).

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The shareholders have confirmed that they will continue to provide financial support to the company so as to maintain it as a going concern for the foreseeable future.

Sandali Wood Industries Limited
(Registration number 9344)
Financial statements
for the year ended 31 May 2010

Sandali Wood Industries Limited

(Registration number 9344)

Financial Statements for the year ended 31 May 2010

General Information

Country of incorporation and domicile	Tanzania, United Republic of
Directors	Dr. Azim Fazal Ms. Harieth Hangi
Registered office	Plot No. 34, Block KB 111 Railway Street Tanga Tanzania
Bankers	Exim Bank Tanzania Limited Barclays Bank Tanzania Limited Bank M (Tanzania) Limited
Auditors	Horwath Tanzania Certified Public Accountants in Public Practice Dar es Salaam
Company registration number	9344

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2010

Index

The reports and statements set out below comprise the financial statements presented to the shareholders.

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Sandali Wood Industries Limited

(Registration number 9344)

Financial Statements for the year ended 31 May 2010

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 2002 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with the International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.


The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 May 2011 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

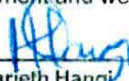
The external auditors are responsible for independently reviewing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 4 to 5.

The financial statements set out on pages 9 to 27, which have been prepared on the going concern basis, were approved by the board of directors on the date of this statement and were signed on its behalf by:



Dr. Azim Fazal
Director

Date: 31st Oct 2012



Ms. Harieth Hangi
Director

Date: 31st Oct 2012

Report of the Independent Auditors

To the members of Sandali Wood Industries Limited

Report on the Financial Statements

We have audited the financial statements of Sandali Wood Industries Limited, which comprise the statement of financial position as at May 31, 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 27.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and requirements of the Companies Act 2002, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

We did not observe the counting of physical inventories stated at TSh 59,909,000 as at 31 May 2010. Owing to the nature of the company's records, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to inventory quantities and valuation by other audit procedures.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Sandali Wood Industries Limited as at May 31, 2010, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act 2002.

Report of the Independent Auditors

Report on Other Legal and Regulatory Requirements

This report, including the opinion, has been prepared for, and only for, the company's members as a body in accordance with the Companies Act 2002 and for no other purposes.

As required by the Companies Act 2002 we report to you, based on our audit, that:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books;
- the company's statement of financial position and profit and loss account are in agreement with the books of account;
- the directors' report is consistent with the financial statements; and
- information specified by law regarding directors remuneration and transactions with the company is disclosed.



Horwath Tanzania
Certified Public Accountants in Public Practice
Dar es Salaam

Signed by Christopher Msuya

October 31, 2012

Sandali Wood Industries Limited

(Registration number 9344)

Financial Statements for the year ended 31 May 2010

Directors' Report

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 May 2010.

1. Incorporation

The company is incorporated in the United Republic of Tanzania under the Companies Act 2002 as a private company limited by share.

2. Review of activities

Main business and operations

The principal activity of the company is that of wood cutting and processing.

The operating results and state of affairs of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net loss of the company was TSh 197,794 (2009: TSh 56,220 profit), after taxation of TSh - (2009: TSh -) rounded off to the nearest thousands.

3. Going concern

The directors confirm that applicable accounting standards have been followed and that financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year.

5. Authorised and issued share capital

There were no changes in the authorised or issued share capital of the company during the year under review.

6. Dividends

No dividends were declared or paid to shareholder during the year.

7. Directors

The directors of the company during the year and to the date of this report are as follows:

Name	Nationality
Dr. Azim Fazal	British
Ms. Harieth Hangi	Tanzanian

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2010

Directors' Report

8. Shareholders

The total number of shareholders during the year is three shareholders (previous year: Three shareholders)

Directors holding shares are listed below

Name	Nationality	Number of Shares
Dr. Azim Fazal	British	54,000
Ms. Herieth Hangi	Tanzanian	10,800

The shares of the company are held as follows:

Shareholder	Number of Shares	
	Current year	Previous year
Dr. Azim Fazal	54,000	54,000
Mr. Salim Fazal	54,000	54,000
Ms. Herieth Hangi	10,800	10,800

9. Corporate Governance

The Board of directors consists of two Directors. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board is required to meet at least four times a year. The Board delegates the day to day management of the business to Managing Director assisted by senior management. Senior Management is invited to attend board meetings and facilitates the effective control of all the Company's operational activities, acting as a medium of communication and coordination between all the various business units.

The company is committed to the principles of effective corporate governance. The directors also recognize the importance of integrity, transparency and accountability.

10. Risk management and internal control

The Board accepts final responsibility for the risk management and internal control systems of the Company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system, of internal control can provide absolute assurance against misstatement or losses, the company system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial year ended 2010 and is of the opinion that they met accepted criteria.

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2010

Directors' Report

11. Employee welfare

There were continued good relation between employees and management for the year. There were no unresolved complaints received by Management from the employees during the year.

12. Related Party Transactions

All related party transactions and balances are disclosed in note 20 to these financial statements.

13. Auditors

The auditors Horwath Tanzania have expressed their willingness to continue in office and will be recommended for re-appointment in accordance with the Companies Act 2002.



.....
Dr. Azim Fazal
Director

Date:

31st Oct 2012



.....
Ms. Harieth Hangi
Director

Date:

31st Oct 2012


Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2010

Statement of Financial Position

	Note(s)	2010 TSh '000	2009 TSh '000
Assets			
Non-Current Assets			
Property, plant and equipment	3	834,614	596,430
Current Assets			
Inventories	4	59,909	36,508
Current tax receivable		46,255	36,974
Trade and other receivables	5	259,408	232,353
Cash and cash equivalents	6	1,837	4,324
		367,409	310,159
Total Assets		1,202,023	906,589
Equity and Liabilities			
Equity			
Share capital	7	11,880	11,880
Reserves		397,552	419,638
Accumulated loss		(262,297)	(86,589)
		147,135	344,929
Liabilities			
Non-Current Liabilities			
Loan	9	218,685	186,920
Current Liabilities			
Loan	9	99,954	-
Trade and other payables	10	649,485	370,214
Bank overdraft	6	86,764	4,526
		836,203	374,740
Total Liabilities		1,054,888	561,660
Total Equity and Liabilities		1,202,023	906,589


Dr. Azim Fazal


Ms. Harieth Hangi

The accounting policies on pages 13 to 19 and the notes on pages 20 to 27 form an integral part of the financial statements.

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2010

Statement of Comprehensive Income

	Note(s)	2010 TSh '000	2009 TSh '000
Revenue	11	82,165	144,573
Cost of sales		(34,349)	(107,624)
Gross profit		47,816	36,949
Other income		81,923	245,982
Operating expenses		(271,883)	(202,078)
Operating (loss) profit	12	(142,144)	80,853
Finance costs	13	(55,650)	(24,633)
(Loss) profit for the year		(197,794)	56,220
Other comprehensive income:			
Adjustment on depreciation on revaluation		(22,086)	(22,086)
Total comprehensive (loss) income		(219,880)	34,134
Total comprehensive (loss) income attributable to:			
Owners of the parent		(219,880)	34,134

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2010

Statement of Changes in Equity

	Share capital	Foreign currency translation reserve	Accumulated loss	Total equity
	TSh '000	TSh '000	TSh '000	TSh '000
Balance at 01 June 2008	11,880	441,724	(164,895)	288,709
Changes in equity				
Total comprehensive income for the year	-	(22,086)	56,220	34,134
Adjustment on depreciation on revaluation	-	-	22,086	22,086
Total changes	-	(22,086)	78,306	56,220
Balance at 01 June 2009	11,880	419,638	(86,589)	344,929
Changes in equity				
Total comprehensive income for the year	-	(22,086)	(197,794)	(219,880)
Adjustment on depreciation on revaluation	-	-	22,086	22,086
Total changes	-	(22,086)	(175,708)	(197,794)
Balance at 31 May 2010	11,880	397,552	(262,297)	147,135
Note(s)	7	8		

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2010

Statement of Cash Flows

	Note(s)	2010 TSh '000	2009 TSh '000
Cash flows from operating activities			
Cash generated from operations	16	181,269	126,763
Finance costs		(55,650)	(24,633)
Tax paid	17	(9,281)	(1,200)
Net cash from operating activities		116,338	100,930
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(332,782)	(56,376)
Cash flows from financing activities			
Movement of loan		131,719	-
Net cash from financing activities		131,719	-
Total cash movement for the year		(84,725)	44,554
Cash at the beginning of the year		(202)	(44,756)
Total cash at end of the year	6	(84,927)	(202)

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2010

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the International Financial Reporting Standards, and the Companies Act 2002. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in Tanzanian Shillings.

These accounting policies are consistent with the previous period except as disclosed in Note 19.

1.1 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Plant and machinery	8 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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Financial Statements for the year ended 31 May 2010

Accounting Policies

1.1 Property, plant and equipment (continued)

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.2 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2010

Accounting Policies

1.3 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.4 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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Financial Statements for the year ended 31 May 2010

Accounting Policies

1.4 Inventories (continued)

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.5 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2010

Accounting Policies

1.6 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.7 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.8 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 18.

Sandali Wood Industries Limited

(Registration number 9344)

Financial Statements for the year ended 31 May 2010

Accounting Policies

1.9 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

1.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2010

Accounting Policies

1.11 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Tanzanian Shillings, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Tanzanian Shillings by applying to the foreign currency amount the exchange rate between the Tanzanian Shillings and the foreign currency at the date of the cash flow.

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2010

Notes to the Financial Statements

2010	2009
TSh '000	TSh '000

2. New Standards and Interpretations

2009 Annual Improvements Project: Amendments to IFRS 8 Operating Segments

Entities are only required to report segment assets if they are regularly reported to the chief operating decision maker.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The company expects to adopt the amendment for the first time in the 2011 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

2009 Annual Improvements Project: Amendments to IAS 1 Presentation of Financial Statements

The amendment clarifies that a liability which could, at the option of the counterparty, result in its settlement by the issue equity instruments, does not affect its classification as current or non-current.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The company expects to adopt the amendment for the first time in the 2011 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

2009 Annual Improvements Project: Amendments to IAS 7 Statement of Cash Flows

The amendment provides that expenditure may only be classified as 'cash flows from investing activities' if it resulted in the recognition of an asset on the statement of financial position.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The company expects to adopt the amendment for the first time in the 2011 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

2009 Annual Improvements Project: Amendments to IAS 36 Impairment of Assets

The amendment now requires that, for the purpose of goodwill testing, each group of units to which goodwill is allocated shall not be larger than an operating segment as defined in paragraph 5 of IFRS 8 Operating Segments. Thus the determination is now required to be made before operating segments are aggregated.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The company expects to adopt the amendment for the first time in the 2011 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

IAS 1 (Revised) Presentation of Financial Statements

The main revisions to IAS 1:

- Require the presentation of non-owner changes in equity either in a single statement of comprehensive income or in an income statement and statement of comprehensive income.
- Require the presentation of a statement of financial position at the beginning of the earliest comparative period whenever a retrospective adjustment is made. This requirement includes related notes.

Sandali Wood Industries Limited

(Registration number 9344)

Financial Statements for the year ended 31 May 2010

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

- Require the disclosure of income tax and reclassification adjustments relating to each component of other comprehensive income. The disclosures may be presented on the face of the statement of comprehensive income or in the notes.
- Allow dividend presentations to be made either in the statement of changes in equity or in the notes only.
- Have changed the titles to some of the financial statement components, where the 'balance sheet' becomes the 'statement of financial position' and the 'cash flow statement' becomes the 'statement of cash flows.' These new titles will be used in International Financial Reporting Standards, but are not mandatory for use in financial statements.

The effective date of the standard is for years beginning on or after 01 January 2009.

The company has adopted the standard for the first time in the 2010 financial statements.

The impact of the standard is not material.

IAS 23 (Revised) Borrowing Costs

The revision requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed.

The effective date of the standard is for years beginning on or after 01 January 2009.

The company has adopted the standard for the first time in the 2010 financial statements.

The impact of the standard is not material.

IFRS 8 Operating segments

IFRS 8 replaces IAS 14 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

The effective date of the standard is for years beginning on or after 01 January 2009.

The company has adopted the standard for the first time in the 2010 financial statements.

The impact of the standard is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 1 Presentation of Financial Statements

The amendment is to clarify that financial instruments classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not always required to be presented as current assets/liabilities.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The company has adopted the amendment for the first time in the 2010 financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 10 Events after the Reporting Period

The amendment clarified that if dividends are declared (appropriately authorised and no longer at the discretion of the entity) after the reporting period but before the financial statements are authorised for issue, the dividends may not be recognised as a liability as no obligation exists at the reporting date. Thus clarifying that in such cases a liability cannot be raised even if there is a constructive obligation.

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2010

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 January 2009.

The company has adopted the amendment for the first time in the 2010 financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 18 Revenue

With regards to financial service fees, the term 'direct costs' have been replaced with 'transaction costs' as defined in IAS 39 Financial Instruments: Recognition and Measurement. This was in order to remove the inconsistency for costs incurred in originating financial assets and liabilities that should be deferred and recognised as an adjustment to the underlying effective interest rate.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The company has adopted the amendment for the first time in the 2010 financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 36 Impairment of Assets

The amendment requires disclosures of estimates used to determine the recoverable amount of cash-generating units containing goodwill or intangible assets with indefinite useful lives. Specifically, the following disclosures are required when discounted cash flows are used to estimate fair value less costs to sell:

- The period over which management has projected cash flows;
- The growth rate used to extrapolate cash flow projections; and
- The discount rate(s) applied to the cash flow projections.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The company has adopted the amendment for the first time in the 2010 financial statements.

The impact of the amendment is not material.

3. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	456,123	(44,472)	411,651	456,123	(22,806)	433,317
Furniture and fixtures	459,286	(74,667)	384,619	157,767	(19,721)	138,046
Motor vehicles	29,627	(10,800)	18,827	16,804	(4,201)	12,603
Motor Lorries and Tractors	38,706	(19,189)	19,517	19,943	(7,479)	12,464
Total	983,742	(149,128)	834,614	650,637	(54,207)	596,430

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2010

Notes to the Financial Statements

	2010 TSh '000	2009 TSh '000
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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Depreciation	Total
Buildings	433,317	-	(21,666)	411,651
Furniture and fixtures	138,046	301,519	(54,946)	384,619
Motor vehicles	12,603	12,500	(6,276)	18,827
Motor Lorries and Tractors	12,464	18,763	(11,710)	19,517
	596,430	332,782	(94,598)	834,614

4. Inventories

Greavillea wood	4,826	4,826
Coconut logs	4,585	4,585
Sandal wood	2,422	2,422
Teak logs	44,767	13,289
Black logger	3,309	11,386
	59,909	36,508

5. Trade and other receivables

Trade receivables	232,503	198,852
VAT	12,434	19,030
Other receivables	14,471	14,471
	259,408	232,353

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,837	4,324
Bank overdraft	(86,764)	(4,526)
	(84,927)	(202)
Current assets	1,837	4,324
Current liabilities	(86,764)	(4,526)
	(84,927)	(202)

Security for the overdraft and loan facility from Bank M Tanzania Limited is as follows:

- First legal mortgage over land and building on Plot No. 175 and 176, Gofu Chini Industrial Area, Tanga with certificate of title No. 25551 in the name of the company.
- First legal mortgage over land and building on Plot No. 537, King Street and Arab Street, Tanga with Certificate of title no. 130513/8 registered in the name of the Registered Trustees of the Fazal Memorial Trust.
- Debenture charge on all floating and fixed assets;
- Personal Guarantee of the directors of the company.

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2010

Notes to the Financial Statements

	2010 TSh '000	2009 TSh '000
7. Share capital		
Authorised		
118,800 Ordinary shares of Tsh 100 each	11,880	11,880
Issued		
Ordinary	11,880	11,880
8. Revaluation reserve		
Balance as at 1 June	419,638	441,724
Adjustment on depreciation on revaluation	(22,086)	(22,086)
	397,552	419,638
9. Loan		
Held at amortised cost		
Bank M Tanzania Limited	131,719	-
Refer Note 6 for securities Klicksi Limited	186,920	186,920
The loan is unsecured and interest free		
	318,639	186,920
Non-current liabilities		
At amortised cost	218,685	186,920
Current liabilities		
At amortised cost	99,954	-
	318,639	186,920
10. Trade and other payables		
Trade payables	616,747	344,029
Other payables	14,018	8,185
Deferred rental income	18,720	18,000
	649,485	370,214
11. Revenue		
Sale of Blackwood	64,949	122,473
Sale of Teak	-	14,001
Sale of Biomass	6,819	8,099
Sale of Bitter Orange Peel Oil	10,397	-
	82,165	144,573
12. Operating (loss) profit		

Operating (loss) profit for the year is stated after accounting for the following:

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2010

Notes to the Financial Statements

	2010 TSh '000	2009 TSh '000
12. Operating (loss) profit (continued)		
Operating lease charges		
Premises		
• Contractual amounts	10,008	10,091
Depreciation on property, plant and equipment	94,598	54,207
Employee costs	82,283	56,924
13. Finance costs		
Loss on foreign currency borrowings	24,027	14,274
Bank	31,623	10,359
	55,650	24,633
14. Taxation		
No provision has been made for 2010 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is TSh 469,687,000 (2009: TSh 176,598,000-). The company has a potential deferred tax asset of TSh 59,815,000, which has not been recognised due to uncertainty over availability of future taxable profits.		
15. Auditors' remuneration		
Fees	4,865	4,633
16. Cash generated from operations		
Loss before taxation	(197,794)	56,220
Adjustments for:		
Depreciation and amortisation	94,598	54,207
Finance costs	55,650	24,633
Changes in working capital:		
Inventories	(23,401)	(10,086)
Trade and other receivables	(27,055)	(156,676)
Trade and other payables	279,271	158,465
	181,219	126,763
17. Tax paid		
Balance at beginning of the year	36,974	35,774
Balance at end of the year	(46,255)	(36,974)
	(9,281)	(1,200)
18. Contingencies		
The directors are of the opinion that there are no contingent liabilities as at the year-end.		

Sandali Wood Industries Limited

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Financial Statements for the year ended 31 May 2010

Notes to the Financial Statements

	2010 TSh '000	2009 TSh '000
19. First-time adoption of International Financial Reporting Standards		
<p>The company has applied IFRS 1, First-time adoption of International Financial Reporting Standards, to provide a starting point for the reporting under International Reporting and Accounting Standards. On principle these standards have been applied retrospectively and the 2009 comparatives contained in these financial statements differ from those published in the financial statements published for the year ended 31 May 2009..</p> <p>The date of transition was 1 June 2008 and had no effect of the transition on these financial statements.</p>		
20. Related parties		
Related party balances		
Loan accounts - Owing (to) by related parties		
Klicksi Limited	(186,920)	(186,920)
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Klicksi Limited	(490,608)	(272,685)
Fazal Memorial Trust	198,149	176,908
Related party transactions		
Purchases from (sales to) related parties		
Klicksi Limited	(75,346)	(144,573)
Fazal Memorial Trust	(26,483)	(161,100)
Klicksi Limited	279,461	55,084
Fazal Memorial Trust	10,008	8,577
Remuneration		
Directors	16,246	2,708

21. Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

22. Risk management

Liquidity risk

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Sandali Wood Industries Limited

(Registration number 9344)

Financial Statements for the year ended 31 May 2010

Notes to the Financial Statements

	2010	2009
	TSh '000	TSh '000

22. Risk management (continued)

Foreign exchange risk

The company does not hedge foreign exchange fluctuations.

Foreign currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The company transacts partly in United States Dollar and GBP and its assets and liabilities are denominated in the Tanzanian Shillings. The foreign exchange exposures are reviewed and controlled by management on a regular and frequent basis.

23. Going concern

We draw attention to the fact that at 31 May 2010, the company had accumulated losses of TSh (262,297,000)

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business

The shareholders have confirmed that they will continue to provide financial support to the company so as to maintain it as a going concern for the foreseeable future.

SANDALI WOOD INDUSTRIES LIMITED

FINANCIAL STATEMENTS 2009

SANDALI WOOD INDUSTRIES LIMITED

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SANDALI WOOD INDUSTRIES LIMITED

DIRECTORS AND OTHER INFORMATION

Directors

The Directors of the Company at the date of this report who have held office since 1 June 2008 are: -

Dr. Azim Fazal (British)
Ms. Harieth Hangi (Tanzanian)

Registered Office

Plot No. 34, Block KB 111
Railway Street
Tanga
Tanzania.

Auditors

Horwath Tanzania
Member of Horwath International
P.O. Box 22731
Dar Es Salaam
Tanzania.

Bankers

Exim Bank Tanzania Limited
P.O Box 729
Tanga
Tanzania.

SANDALI WOOD INDUSTRIES LIMITED

Report of the Directors

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 May 2009

Directors

The present Directors are shown on page 1

Activities

The principal activity is that of wood cutting and processing.

Results

	2009 Tzs'000	2008 Tzs'000
Revenue	<u>144,573</u>	<u>154,660</u>
Profit/(Loss) before tax	56,220	(13,206)
Taxation credit/(charge)	-	-
Profit/(Loss) for the year	<u>56,220</u>	<u>(13,206)</u>

Dividend

The Directors do not propose the payment of a dividend for the year.

Auditors

The auditors, Horwath Tanzania, have expressed their willingness to continue in office and will be recommended for re-appointment in accordance with the Companies Act 2002.

BY ORDER OF THE BOARD



Azim Fazal
Director

Date 21/5/2011

SANDALI WOOD INDUSTRIES LIMITED

Statement of Directors' responsibilities

The Companies Act 2002, requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the operating profits of the Company for that year. It also requires directors to ensure they keep proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company, ensuring the Company's compliance with all regulatory and legal requirements and for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standard for small and Medium-sized Entities, and in the manner required by the Companies Act 2002. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and its operating profits. The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.



Azim Fazal
Director

21/5/2011

Date:



Herrieth Dominic Hangi
Director

21/5/2011

Date:

Report of the Independent Auditors

To the shareholders of Sandali Wood Industries Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Sandali Wood Industries Limited, which comprise the directors' report, the statement of financial position as at 31 May 2009, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 17.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standard for small and Medium-sized Entities, and in the manner required by the Companies Act 2002. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Crowe Horwath

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Limitation of Scope

We did not attend the physical stock count and therefore have relied on the Directors representation with respect to valuation and existence of the year end stock.

Opinion

Except for the effect of any adjustments arising out of the foregoing, in our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 May 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities, and in the manner required by the Companies Act 2002.

Report on Other Legal and Regulatory Requirements

This report, including the opinion, has been prepared for, and only for, the company's members as a body in accordance with the Companies Act 2002 and for no other purposes.

As required by the Companies Act 2002, we are also required to report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

In respect of the foregoing requirements, we have no matter to report.



Horwath Tanzania
Certified Public Accountants in Public practice
Dar es Salaam

Signed by Christopher Msuya

14 September 2011

SANDALI WOOD INDUSTRIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2009

	Note	2009 Tzs'000	2008 Tzs'000
Revenue	3	144,573	154,660
Cost of sales		<u>(107,624)</u>	<u>(73,826)</u>
Gross profit		36,949	80,834
Other operating income	4	245,982	52,934
Selling and distribution costs		(1,430)	(6,336)
Administration costs		(208,695)	(125,762)
Operating profit	5	<u>72,806</u>	<u>1,670</u>
Finance costs	7	(16,586)	(14,876)
Profit/(Loss) before taxation		<u>56,220</u>	<u>(13,206)</u>
Taxation	8	-	-
Profit/(Loss) for the year		<u>56,220</u>	<u>(13,206)</u>

Notes on pages 10 to 17 form part of these financial statements
Auditors' report – Pages 4 and 5

SANDALI WOOD INDUSTRIES LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2009

	Note	2009 Tzs'000	2008 Tzs'000
ASSETS			
Non current Assets			
Property, plant and equipment	9	596,430	594,261
		<u>596,430</u>	<u>594,261</u>
Current assets			
Inventories	10	36,508	26,422
Taxation		36,974	35,774
Trade and other receivables	11	233,845	77,169
Cash and bank balances		6,193	7,215
Total Current Assets		<u>313,520</u>	<u>146,580</u>
Total assets		<u>909,950</u>	<u>740,841</u>
EQUITY AND LIABILITIES			
Share capital	14	11,880	11,880
Revaluation reserve	15	419,638	441,724
Accumulated losses		(86,589)	(164,895)
		<u>344,929</u>	<u>288,709</u>
Non-current liabilities			
Long term borrowings	12	186,920	186,920
		<u>186,920</u>	<u>186,920</u>
Current liabilities			
Trade and other payables	13	371,706	213,241
Bank Overdraft	16	6,395	51,971
		<u>378,101</u>	<u>265,212</u>
Total equity and Liabilities		<u>909,950</u>	<u>740,841</u>

Approved by the Board of Directors at a meeting held on


Director


Director

Notes on pages 10 to 17 form part of these financial statements
Auditors' report – Pages 4 and 5
Page 7.

SANDALI WOOD INDUSTRIES LIMITED

STATEMENT OF CHANGES IN EQUITY

	Share capital Tzs'000	Reserves Tzs'000	Accumulated losses Tzs'000	Revaluation Reserve Tzs'000	Total Tzs'000
Year ended 31 May 2008					
As at 1 June	10,800	3,540	(178,478)	464,973	300,835
Transfer		(3,540)	3,540	-	-
Share issue	1,080	-	-	-	1,080
Loss for the year	-	-	(13,206)	-	(13,206)
Depreciation on revaluation	-	-	23,249	(23,249)	-
As at 31 May 2008	<u>11,880</u>	<u>-</u>	<u>(164,895)</u>	<u>441,724</u>	<u>288,709</u>
Year ended 31 May 2009					
As at 1 June	11,880	-	(164,895)	441,724	288,709
Profit for the year	-	-	56,220	-	56,220
Depreciation on revaluation	-	-	22,086	(22,086)	-
As at 31 May 2009	<u>11,880</u>	<u>-</u>	<u>(86,589)</u>	<u>419,638</u>	<u>344,929</u>

Notes on pages 10 to 17 form part of these financial statements
Auditors' report – Pages 4 and 5

SANDALI WOOD INDUSTRIES LTD

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MAY 2009

	2009 Tzs'000	2008 Tzs'000
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit/ (loss) before tax	56,220	(13,206)
Adjustments for:		
Depreciation	54,207	47,144
Profit on disposal	-	(11,236)
Profit before working capital changes	<u>110,427</u>	<u>22,702</u>
WORKING CAPITAL CHANGES		
(Increase)/decrease in inventories	(10,086)	30,298
(Increase) in trade and other receivables	(156,676)	(17,968)
Increase/(decrease) in trade and other payables	158,465	(39,589)
Cash generated from operations	<u>102,130</u>	<u>(4,557)</u>
Tax paid	(1,200)	(1,200)
Net cash generated from operating activities	<u>100,930</u>	<u>(5,757)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(56,376)	(12,404)
Disposal proceeds	-	23,640
Net cash used in investing activities	<u>(56,376)</u>	<u>11,236</u>
Cash flows from financing activities		
Proceeds from issue of shares	-	1,080
Net changes in cash and cash equivalents	44,554	6,559
Cash and cash equivalents at the beginning of the year	(44,756)	(51,315)
Closing cash and cash equivalents at the end of the year	<u>(202)</u>	<u>(44,756)</u>

Notes on pages 10 to 17 form part of these financial statements
Auditors' report - Pages 4 and 5

SANDALI WOOD INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2009 (Continued)

1. Principal accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standard for small and Medium-sized Entities. The principal accounting policies adopted are set out below.

1.1 Basis of accounting and Going concern

The financial statements are prepared in accordance with the historical cost convention. The directors have prepared these financial statements on a going concern basis on the assurance by the shareholders and major creditor that they will provide the financial support for the foreseeable future.

1.2 Revenue

Revenue, which excludes value added tax, represents the invoiced value of goods supplied.

1.3 Foreign currencies

Assets and liabilities denominated in foreign currencies are translated to Tanzania Shillings at the rates of exchange ruling at the end of financial year. Differences on exchange are included in the results for the year.

1.4 Property, plant and equipment

Plant and equipment are stated at cost less depreciation and impairment. Depreciation is provided so as to allocate the cost of fixed assets on a reducing balance method over the expected economic useful lives of the assets concerned. The principal rates used for this purpose are:

	%
Plant and machinery	12.5
Motor vehicle	25
Motor Lorries & Tractors	37.5
Furniture and equipments	12.5

1.5 Impairment of assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.6 Inventories

Stocks are stated at the lower of cost and net realizable value. In general, the cost is determined on a first in first out basis. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the cost of realization and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolescence, slow moving and defective stocks.

SANDALI WOOD INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2009 (continued)

1.7 Trade receivables

Trade receivables are carried at original invoiced amounts less an estimate made for doubtful debts.

1.8 Employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for the entitlements as a result of services rendered by employees up to the balance sheet date.

1.9 Taxation

Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted in accordance with the tax legislation.

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantially enacted are used to determine deferred tax.

Deferred tax assets are utilized to the extent that it is probable that future tax profits will be available against which temporary differences can be utilized.

1.10 Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

1.11 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts.

	2009 Tzs' 000	2008 Tzs' 000
Cash and bank balances	6,193	7,215
Bank overdraft	<u>(6,395)</u>	<u>(51,971)</u>
Cash and cash equivalents	<u>(202)</u>	<u>(44,756)</u>

2. New standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IAS 1 (Revised) Presentation of Financial Statements

The main revisions to IAS 1:

Require the presentation of non-owner changes in equity either in a single statement of comprehensive income or in an income statement and statement of comprehensive income.

SANDALI WOOD INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2009 (continued)

Require the presentation of a statement of financial position at the beginning of the earliest comparative period whenever a retrospective adjustment is made. This requirement includes related notes.

Require the disclosure of income tax and reclassification adjustments relating to each component of other comprehensive income. The disclosures may be presented on the face of the statement of comprehensive income or in the notes.

Allow dividend presentations to be made either in the statement of changes in equity or in the notes only.

Have changed the titles to some of the financial statement components, where the 'balance sheet' becomes the 'statement of financial position' and the 'cash flow statement' becomes the 'statement of cash flows.' These new titles will be used in International Financial Reporting Standards, but are not mandatory for use in financial statements.

The effective date of the standard is for years beginning on or after 01 January 2009.

The company has adopted the standard for the first time in the 2009 financial statements.

The impact of the standard is not material.

IAS 23 (Revised) Borrowing Costs

The revision requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed.

The effective date of the standard is for years beginning on or after 01 January 2009.

The company has adopted the standard for the first time in the 2009 financial statements.

The impact of the standard is not material.

IFRS 8 Operating segments

IFRS 8 replaces IAS 14 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

The effective date of the standard is for years beginning on or after 01 January 2009.

The company has adopted the standard for the first time in the 2009 financial statements.

The impact of the standard is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 1 Presentation of Financial Statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2009 (continued)

The amendment is to clarify that financial instruments classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not always required to be presented as current assets/liabilities.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The company has adopted the amendment for the first time in the 2009 financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 8 Accounting Policies Changes in Accounting Estimates and Errors

The amendment clarified that Implementation Guidance related to any Standard is only mandatory when it is identified as an integral part of the Standard.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The company has adopted the amendment for the first time in the 2009 financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 10 Events after the Reporting Period

The amendment clarified that if dividends are declared (appropriately authorised and no longer at the discretion of the entity) after the reporting period but before the financial statements are authorised for issue, the dividends may not be recognised as a liability as no obligation exists at the reporting date. Thus clarifying that in such cases a liability cannot be raised even if there is a constructive obligation.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The company has adopted the amendment for the first time in the 2009 financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 16 Property, Plant and Equipment

The term 'net selling price' has been replaced with 'fair value less cost to sell' in the definition of recoverable amount.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The company has adopted the amendment for the first time in the 2009 financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 7 Statement of Cash Flows

Cash payments to manufacture or acquire property, plant and equipment that entities routinely sell and which they have previously held for rentals to others, and cash receipts from rental and sale of such assets are to be included within operating activities.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The company has adopted the amendment for the first time in the 2009 financial statements.

SANDALI WOOD INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2009 (continued)

3. Segment information

Analysis of revenue is as follows:

Blackwood dimensions	122,473	136,379
Biomass	8,099	14,798
Towel Dispensors	-	3,483
Teak	14,001	-
	<u>144,573</u>	<u>154,660</u>

4. Other operating income

Profit on disposal of motor vehicles	-	11,236
Rental Income	50,029	28,057
Fluctuation of foreign exchange rate	29,491	13,641
Storage Income	161,100	-
Other Income	5,362	-
	<u>245,982</u>	<u>52,934</u>

Rental income is from the hospital property registered under Fazal Memorial Trust process to transfer the title is underway.

5. Operating results is stated after charging:

Depreciation	35,673	30,056
Staff costs (note 5)	42,043	34,439
Auditor's remuneration	<u>4,693</u>	<u>3,023</u>

6. Staff Costs

Salaries, wages	36,101	28,771
Retirement benefits costs:		
National Social security fund	2,883	3,237
Allowances and SDL	<u>3,059</u>	<u>2,431</u>
	<u>42,043</u>	<u>34,439</u>

7. Finance Costs

Bank charges & interest	<u>16,586</u>	<u>18,000</u>
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8. Taxation

There is no tax charge for the year since the company has tax losses. These losses are yet to be agreed with the Tanzania Revenue Authority.

SANDALI WOOD INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2009 (continued)

9. Property, plant and equipment

	Land and Buildings Tzs'000	Motor Vehicles Tzs'000	Motor Lorries and tractors Tzs'000	Furniture, plant and equipment Tzs'000	Total Tzs'000
WDV/Revaluation					
As at 1 June	456,123	2,716	6,310	129,112	594,261
Additions	-	14,088	13,633	28,655	56,376
As at 31 May	<u>456,123</u>	<u>16,804</u>	<u>19,943</u>	<u>157,767</u>	<u>650,637</u>
Depreciation					
Charge for the year	22,806	4,201	7,479	19,721	54,207
As at 31 May	<u>22,806</u>	<u>4,201</u>	<u>7,479</u>	<u>19,721</u>	<u>54,207</u>
Net book value					
As at 31 May'09	<u>433,317</u>	<u>12,603</u>	<u>12,464</u>	<u>138,046</u>	<u>596,430</u>
As at 31 May'08	<u>456,123</u>	<u>2,716</u>	<u>6,310</u>	<u>129,112</u>	<u>594,261</u>

	2009 Tzs'000	2008 Tzs'000
10. Inventories		
Greavillea wood	4,826	4,826
Coconut logs	4,585	1,300
Sandal wood	2,422	2,422
Teak Logs	13,289	-
Black logger	<u>11,386</u>	<u>17,874</u>
	<u>36,508</u>	<u>26,422</u>
11. Trade and other receivables		
Trade receivables	195,656	19,434
Other receivables	<u>38,189</u>	<u>57,735</u>
	<u>233,845</u>	<u>77,169</u>
12. Non current liabilities		
Long term borrowings – Klicksi Ltd loan	186,920	186,920
	<u>186,920</u>	<u>186,920</u>
13. Trade and other payables		
Trade payables	339,432	185,683
Accruals and other payables	<u>32,274</u>	<u>27,558</u>
	<u>371,706</u>	<u>213,241</u>

SANDALI WOOD INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2009 (continued)

	2009 Tzs'000	2008 Tzs'000
14. Share capital		
Authorised, issued and paid up capital		
118,800 ordinary shares of Tzs 100/- each	<u>11,880</u>	<u>11,880</u>

15. Revaluation reserve

Revaluation reserve arises out of the surplus of the revalued amounts of the Company's buildings over the net book value at the date of the valuation. The revaluation reserve is not available for distribution by way of dividends. The movement in the account is made up as follows:

Revaluation surplus balance as at 1 June 2008	441,724	464,973
Depreciation on revaluation	<u>(22,086)</u>	<u>(23,249)</u>
	<u>419,638</u>	<u>441,724</u>

16. Bank Overdraft

(a) Security/support for the overdraft with bank M Tanzania Ltd as follows:

First legal mortgage over land and building on Plot No. 175 and 176, Gofu Chini Industrial Area, Tanga with Certificate of Title No. 25551. It is registered in the name of Sandali Wood Industries Limited.

(b) First legal mortgage over land Building on plot No.537, King street and Arab Street, Tanga with Certificate of Title No. 130513/8. It is registered in the name of the registered trustees of the Fazal Memorial Trust.

(c) Debencture Charge on all floating and fixed assets of Sandali Wood Industries.

(d) Deed of Assignments of Rental income payable by Barclays bank Tanga Branch, which is USD 3,600

Personal Guarantee of Directors of the company, viz Dr. Azim Fazal and Ms Herrieth Hangi.

17. Deferred tax

At the balance sheet date no provision for deferred tax asset has been made, as the Company does not foresee the recovery of the tax losses in the foreseeable future.

SANDALI WOOD INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2009 (continued)

	2009 Tzs'000	2008 Tzs'000
18. Related Party Transactions		
The Company had transactions with the following related parties in the normal course of business. In all the cases they were on commercial terms and conditions and market prices.		
(a) Sale of goods and services		
Klicksi Limited	<u>144,573</u>	<u>154,660</u>
Fazal Memorial Trust	<u>161,100</u>	<u>-</u>
(b) Purchase of goods and services		
Klicksi Limited	<u>55,084</u>	<u>8,366</u>
Fazal Memorial Trust	<u>8,577</u>	<u>7,835</u>
(c) Directors remuneration	<u>2,708</u>	<u>-</u>
(d) Balance due (to)/ from related party		
Klicksi Limited	<u>(459,605)</u>	<u>(369,090)</u>
Fazal Memorial Trust	<u>176,908</u>	<u>-</u>

19. Contingent liabilities

In the opinion of the directors, there are no contingent liabilities requiring disclosure in these financial statements.

20. Currency

The financial statements are presented in Tanzanian Shillings Thousand (Tzs.000).

21. Incorporation

The Company has been registered under the Companies Act 2002.

H/F Sh 21,000/-

Form 128

THE UNITED REPUBLIC OF TANZANIA

BUSINESS REGISTRATIONS AND LICENCING AGENCY

26/04/2012

Annual Return of a Company
Pursuant to Section 128 of the Companies Act 2002

Company Number: 9344

Name of Company (Full Name): SANDALI WOOD INDUSTRIES LIMITED

The information in this return is made up to: 31 DECEMBER 2011

Address of registered office of the company: PLOT NO.34, BLOCK KB 111, RAILWAY STREET, P.O.BOX 5093, TANGA.

Company type : PRIVATE COMPANY HAVING A SHARE CAPITAL
(If the company does not have a share capital there must be annexed to the return a statement containing particulars of the total amount of indebtedness of the company in respect of all mortgages and charges required to be registered under the Act)

Principal business activities: WOOD CUTTING AND PROCESSING

If different from the registered Office, state address where the Register of Members or any Register of Debenture holders Is kept

Register of Members At the Registered Address
Register of Debenture holders

Company Secretary
Name: AZIM FAZAL
Previous Name(s):
Address: PLOT NO.44, BLOCK NO.130523, ONATO AREA,P.O.BOX 5093, TANGA

FOR OFFICIAL USE ONLY

Form 128: Annual Return

Directors

(use additional copies of this sheet if necessary)

Name: AZIM FAZAL,	Business Occupation: DIRECTOR
Previous Name(s):	Nationality: BRITISH
Address: PLOT NO.44, BLOCK NO.130523, ONATO AREA, TANGA	Date of Birth: 08.03.1960
Other relevant past or present directorships:	

Name: HERIET DOMINICK HANGI	Business Occupation: DIRECTOR
Previous Name(s):	Nationality: TANZANIAN
Address: HOUSE NO.3, USAMBARA STREET, CENTRAL AREA, TANGA	Date of Birth: 09.04.1965
Other relevant past or present directorships:	

Name:	Business Occupation:
Previous Name(s):	Nationality:
Address:	Date of Birth:
Other relevant past or present directorships	

Name:	Business Occupation:
Previous Name(s):	Nationality:
Address:	Date of Birth:
Other relevant past or present directorships	

Form 128: Annual Return

Issued Share Capital

Enter details of all the shares in issue at the date of the return

	Class	Number of shares issued	Aggregate Nominal Value
1	ORDINARY	118,800	TZS.11,880,000/-
2			
3			
Totals:		118,800	TZS.11, 880,000/-

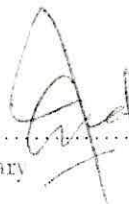
List of past and present members
A full list is required if one was not
Included with either of the last two returns.

There were no changes in the period

A list of changes is enclosed (pages
4 and 5)

A full list of members is enclosed
(pages 4 and 5)

I certify that the information given in this return is true to the best of my knowledge and belief.

Signed.....  Date 20/03/2012

Director / Secretary

LIST OF PAST AND PRESENT MEMBERS (Continued on page 5)
 (Use additional copies of this sheet if necessary)

	Names and Addresses
1	AZIM FAZAL, P.O.BOX 5093, TANGA
2	SALIM FAZAL, P.O.BOX 5093, TANGA
3	HERIET DOMINICK HANGI, P.O.BOX 5093, TANGA
4	/
5	
6	
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17	

Form 128: Annual Return

LIST OF PAST AND PRESENT MEMBERS (Continued from page 4)

(Use additional copies of this sheet if necessary)

	Number of shares or amount of stock held by existing members at date of return	Particulars of shares transferred since the date of the last return (or, in the case of the first return, of the incorporation of the company) by (a) persons who are still members, and (b) persons who have ceased to be members (note 12)	Remarks
		Number/amount transferred	Date of registration of transfer
1	54,000	-	-
2	54,000	-	-
3	10,800	-	-
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			



WAKALA WA USAJILI WA BIASHARA NA LESENI.

S.L.P 9393, Dar-es-Salaam.

SIMU : +255 22 2180141, 2180113, 2181113. **NUKUSHI**: +255 22 2180371

BARUA PEPE: usajili@cats-net.com, brela@cats-net.com

TOVUTI: <http://www.brela-tz.com>



RECEIPT NO: 00118089

NIMEPOKEA KWA

Received from

SANDALI WOOD INDUSTRIES LTD

KIASI CHA SHILINGI(KWA MANENO)

Sum of shillings(words)

TWENTY-ONE THOUSAND TANZANIAN SHILLINGS ONLY.

KWA MALIPO YA

In respect of

FILLING FEES [TSHS21,000] .

TOTAL TSHS : 21,000

KWA FEDHA TASLIMU/HUNDI NAMBA

By cash/cheque No.

CASH

KITUO

Station

DAR ES SALAAM

SAHIHI YA MPOKEAJI

Receiving officer's sign.

CHEO

Title

TAREHE

Date

ACCOUNTS ASSISTANT

23/05/2012

TANZANIA

THE LAND ACT 1999

(NO.4 OF 1999)

CERTIFICATE OF OCCUPANCY

(Under Section 29)

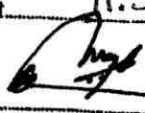
Date of Issue:


Title Number: 25551 LAND REGISTRY MOSHI

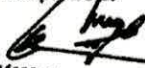
Land Office Number: 170786

Land: PLOT NO. 175 & 176 GOFU GWINI INDUSTRIAL AREA TANGA MUNICIPALITY


Term: THIRTY THREE (33) YEARS.

TITLE No. 25551
REGISTERED ON
08-04-2009
at 11:30 A.M.

Asst. Registrar of Titles



Stamp Duty Shs. 100/- Paid
and Revenue Receipt No. 20146165
of 18-5-2004 issued.

Asst. Registrar of Titles

Land Form No. 22

Stamp Duty Shs. 4890/- Paid
on Original Revenue Receipt No.
20146165 of 18-5-2004

Asst. Registrar of Titles

THE UNITED REPUBLIC OF TANZANIA

THE LAND ACT, 1999
(NO. 4 OF 1999)
CERTIFICATE OF OCCUPANCY

(Under Section 29) LAND REGISTRY MOSHI

Title No. 25551
L.O. NO.170786
L.D NO. TAD/29163

The *etc* day of *April*, Two thousand and *nine*.

THIS IS TO CERTIFY that SANDAL WOOD INDUSTRIES LIMITED, A LIMITED liability Company incorporated in Tanzania under Company Ordinance (Cap.212) and having its Registered Office in TANGA of P.O. Box 5093, TANGA. (hereinafter called "the Occupier") is entitled to the Right of Occupancy (hereinafter called "the Right") in and over the land described in the Schedule hereto (hereinafter called "the Land") for a term of ninety nine years from the first day of January, Two thousand and four according to the true intent and meaning of the Land Act and subject to the provisions thereof and to any regulations made hereunder and to any enactment in substitution there for or amendment thereof and to the following special conditions:-

The Occupiers having paid rent up to the thirtieth day of June, 2005, shall hereafter pay rent of shillings three hundred eighty two thousand one hundred and eighty only (T Sh 382,180) a year in advance on the first day of July in every year of the term without deduction PROVIDED that the rent may be revised by the commissioner for lands.

The Occupiers shall:-

- (i) Be responsible for the protection of all beacons on the land throughout the term of the Right. Missing beacons will have to be re-established at any time at the Occupier's expenses as assessed by the Director responsible for Surveys and Mapping.

- (ii) Do everything necessary to preserve the environment and protect the soil and prevent soil erosion on the land and do all things which may be required by the authorities responsible for environment and to achieve such objective.
- (iii) Erect on land building hereinafter called "the buildings") in permanent materials designed for use in accordance with the conditions of the Right and which conform to the building line (if any) decided by the TANGA MUNICIPAL COUNCIL hereinafter called "the Authority").
- (iv) Building plan to be submitted to the TANGA MUNICIPAL COUNCIL within six months from the commencement of the right, which said plans shall be submitted in triplicate.
- (v) Building construction to begin within six months after approval of the plans by the Authority.
- (vi) Completed the buildings according to the plans and specification so that they are ready for use and occupation within thirty six (36) months from the commencement of the Right.
- (vii) At all time during the term after thirtieth day of June 2009 have on the land buildings as approved by the Authority and maintain them in good order repair to the satisfaction on the commissioner for Lands (hereinafter called the Commissioner")
- (viii) Not erect or commence to erect on the Land any building except in accordance with building plans and specifications which shall have been first approved by the Authority as herein before provided.

3. USER: The land and the building to be erected thereon shall be used for industrial Purposes only

Use Group 'M' use classes (b) and (c) as defined in the Town and Country planning (use classes) Regulation, 1960 as amended in 1993.

- 4. The Occupiers shall not assign the Right within three years of the date hereof without the prior approval of the Commissioner.
- 5. The Occupiers shall deliver to the Commissioner notification of disposition in prescribed form before or at the time the disposition is carried out together with the payment of all premia, taxes and dues prescribed in connection with that disposition.



INSET SHOWING DETAILS OF PLOT

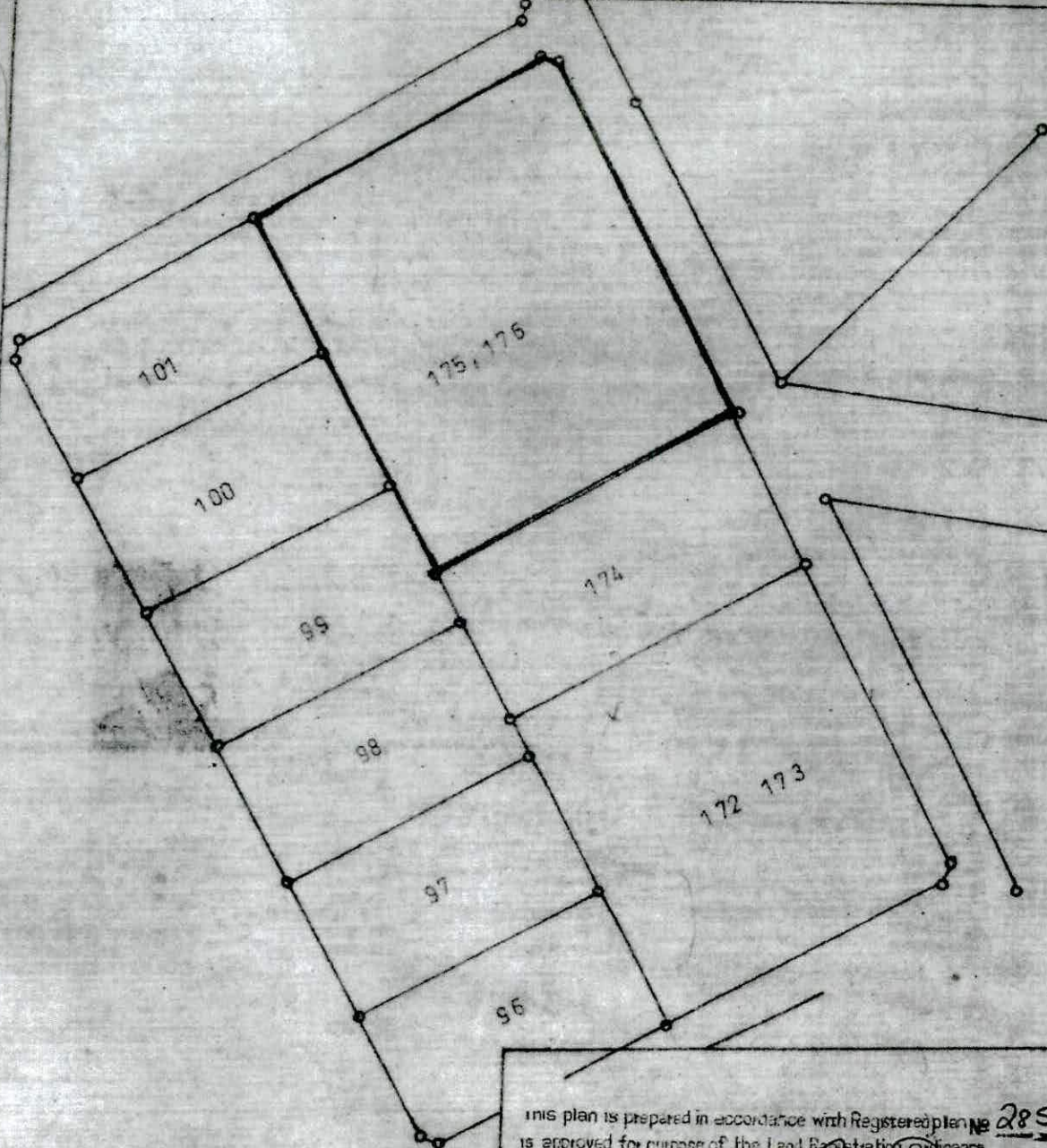
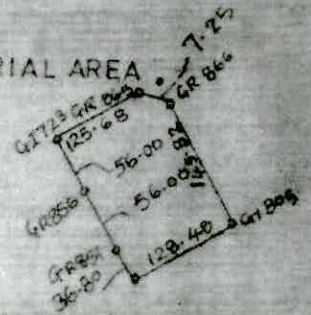
Locality GOFU CHINI

Block INDUSTRIAL AREA

Plot No 175 175

L.O. No 170786

Area ~~1.91 Ha~~
15765 sqm



The issue of this plan implies no guarantee of admission of title by the Government

This plan is prepared in accordance with Registered plan No 2857Y
is approved for purpose of the Land Registration Ordinance
Director of surveys and Mapping *[Signature]* Date 19-06-04
Ministry of Lands and Human Settlements Development

6. The occupiers shall further:-

- (i) Make and maintain of the land throughout the term adequate arrangement for Water Supply drainage and disposal for trade refuse and effluent to the satisfaction of the Authority.
- (ii) Make and keep all the building on the Land rat-proof and carry out such measures as the Medical Officer of the health for the Authority may require for purposes.
- (iii) Provide and maintain on the land such ablution facilities and take and maintain such hygienic measures as may be required by the said Medical Officer of Health.
- (iv) Fence the land with good quality fencing, car parking spaces shall be provided as required by the Authority. Loading and unloading facilities shall be provide with the boundaries of the Land.

7. The occupiers shall pay to the Commission:-

- (i) Any further fees or stamp duties which may be discovered to be payable by the occupiers in connation with the right.
- (ii) An amount equal to any contribution in lieu of rate which may be payable by Government for the Land during the term of Right.
- (iii) Such sum as the commissioner shall assess as proper share payable for the Land of the cost of making up the road or improvement of same upon which the Land fronts, abuts or adjoins, whatever such demand is made before during or after such making or improvement thereof, This condition does not oblige the Government to make or improve roads.

8. The President may revoke the right for good cause and in public interest.

SCHEDULE

ALL that Land known as PLOT NO. 175 & 176 situated at GOFU CHINI INDUSTRIAL ARAE IN TANGA MUNICIPALITY containing One Decimal Point Nine One (1.91) Hactors shown for identification only edged Red on the plan attached to this Certificate and defined on the registered Survey Plan Numbered 28574 deposited at the Office of the Director for Surveys and Mapping at Dar es Salaam.

Given under my hand and my official seal the day and year first above written.


AGG. COMMISSIONER FOR LANDS

The within named SANDAL WOOD INDUSTRIES LIMITED hereby accept the terms and conditions contained in the foregoing Certificate of Occupancy.

Sealed with the Common Seal of the)
said SANDAL WOOD INDUSTRIES LIMITED)
and Delivered in the presence of us)
this 19 day of November 2007)
Signature.....)
Postal Address: P.O. Box 5093 Tanga)
Qualification: Divedja)
Signature.....)
Postal Address: P.O. Box 5093 Tanga)
Qualification: Divedja)

36971258

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TAKABADHIVASIKUKALI
X-CHEQUES RECEIPT

MPOKEA KWA
received from

SANDH WOOD INDUSTRIES

MILA YA SHILINGI (K. Tanzania)
the sum of Shillings (Words)

Seven hundred and only

KWA MALIPO YA
in respect of

Reg. fees on Co. 170786

WA FEDHA TASLANA/PAUNDI
AMBA By Cash/Cheque/No

CHEO-Unit

LABEMI/Date

KITULO - Station
Kusini

Shs.	74000
Cts.	

NO. R. 151

MPOKEA
Signature



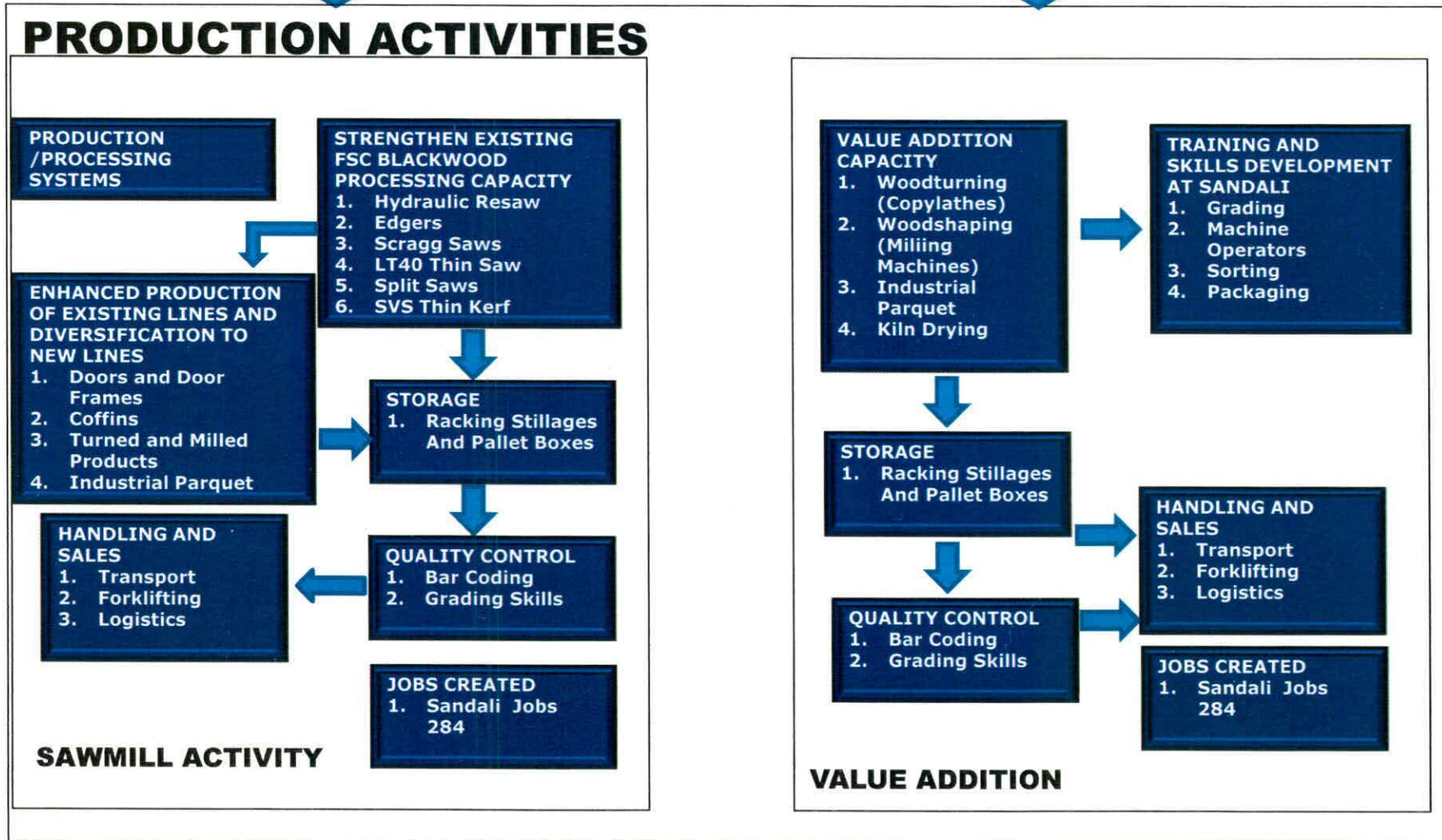
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TANZANIA INVESTMENT CENTRE

REGISTRATION FORM

FOR

CERTIFICATE OF INCENTIVES

(Tanzania Investment Act 1997, Section 17 and 18,
and the Investment Regulations:
Regulation 42, Government Notice No. 318A of 2002)

Tanzania Investment Centre
9A & B Shaaban Robert Street
P. O. Box 938
DAR ES SALAAM
Tel. 022 2116328
Fax. 022 2118253
e-mail: information@tic.co.tz
Website: www.tic.co.tz

(Please fill the form in duplicate)

UNITED REPUBLIC OF TANZANIA
THE TANZANIA INVESTMENT ACT
(No. 26 of 1997)

APPLICATION FOR REGISTRATION
(Made under Regulation 42)

To: The Executive Director
Tanzania Investment Centre
P. O. Box 938
DAR ES SALAAM
Tanzania

1. I/We Dr Azim Farid, ~~and~~ Ms Harneeth Hanga and Hayim Burhan
(director/directors/agent of Sandali Wood Industries Limited)
(name of business enterprise) apply for registration of Expansion for value Addition in Timber Products
under Section 17 of the Act and Part IV of the Investment Regulations, 2002.
2. The registered office of the company will be situated at Plot 175/176 Gatu Chini Industrial Area Tanga

Copies of the following documents are attached to this application:

- (i) The Memorandum and Articles of Association/or partnership agreement
 - (ii) Certificate of Incorporation/Registration
 - (iii) A copy of the Project Profile or Feasibility Study showing the implementation period, programme of implementation and operative date
 - (iv) Evidence of financing and evidence of land ownership for the project
3. The Head Office of the Company will be situated at Plot 175/176 Gatu Chini Tanga
 4. The Principal Officers of the Company are Dr Azim Farid, ~~and~~ Ms Harneeth Hanga and Mr Hayim Burhan
 5. Auditors of the Company are Craze Harneeth Tanzania Limited
 6. The authorized share capital of the Company is Tshs./US\$ 11,850,000

7. The intended capital investment of the Company in terms of Section 2(2) of the Act is Tshs./US\$ 27,000,000 \$ 4,489,000
8. The month and day of the financial year end is May 31st

Note: **failure to provide all the required information will result in the return of the application by the Centre.**

I/We enclose a cheque/cash made payable to the Tanzania Investment Centre for Tshs./US\$ 100 = 0 Being the Registration Fees. **In the event this application is unsuccessful we understand that this fee will not be refunded.**

I, Dr Arim Eral of Post Office Number 5093

do solemnly and sincerely declare that I am a director/duly authorized agent of Sandali Wood Industries Limited

AND that all the requirements of the Tanzania Investment Act, 1997 in respect of matters precedent to the registration of the business enterprise under the Act and incidental thereto have been complied with, AND I make this solemn declaration conscientiously believing the same to be true.

Declared at Tanga Dar es Salaam }
 The 14th day of February, 2013 }

[Signature]
 Applicant

Before me:

[Signature]
 Commissioner for Oaths

A. I. AKARO
 ADVOCATE
 Notary Public &
 Commissioner
 for Oaths
 P.O. Box 1294 TANGA

APPLICATION SUMMARY

Company Name: Sandali Wood Industries Limited

Certificate of Incorporation Number: 9344 Status: Active

Certificate of Incorporation Date: 27th April 1983

Post Box: 5093

Town: Tanga

Sector: Wood Processing Sub-Sector: Sawmilling And Finished Products

Investment Financing Plan in Million US\$/Tshs.

Foreign Equity	Local Equity	Foreign Loan	Local Loan
<u>\$ 353,00</u>	<u>\$ 2,666,00</u>	<u>\$ 970,00</u>	<u>\$ 520,00</u>

Project Objectives: Value Addition of wood products - Industrial And
Anga Parquet, Wood-turning, Boring, Planing, - milling, Kiln Drying
And Timber Treatment

Capacity: 3,700 cbm / Year

Employment: Foreign: 4-7 Local: 300 Total: 307

Implementation Period: 2013 to 2018

Project Location

Site/Plot/Block No.: 175/176 Gofu Chini Tanga

Street: Gofu Chini District: Tanga Region: Tanga
 (Attach sketch map showing project location)

Shareholders	Nationality	%
<u>Azim Fard</u>	<u>Burksh</u>	<u>45.5</u>
<u>Haneth Haraji</u>	<u>Tanzanian</u>	<u>9.0</u>
<u>Salim Fard</u>	<u>Burksh</u>	<u>45.5</u>
.....
.....

Investment Breakdown US\$/Tshs.M

Land/Building	\$ 850,00
Plant	\$ 1,735,00
Vehicles	\$ 66,00
Furniture & Fittings	\$ 15,00
Pre-expenses	-
Others	-
Working Capital	\$ 1,823,00
TOTAL	\$ 4,489,00

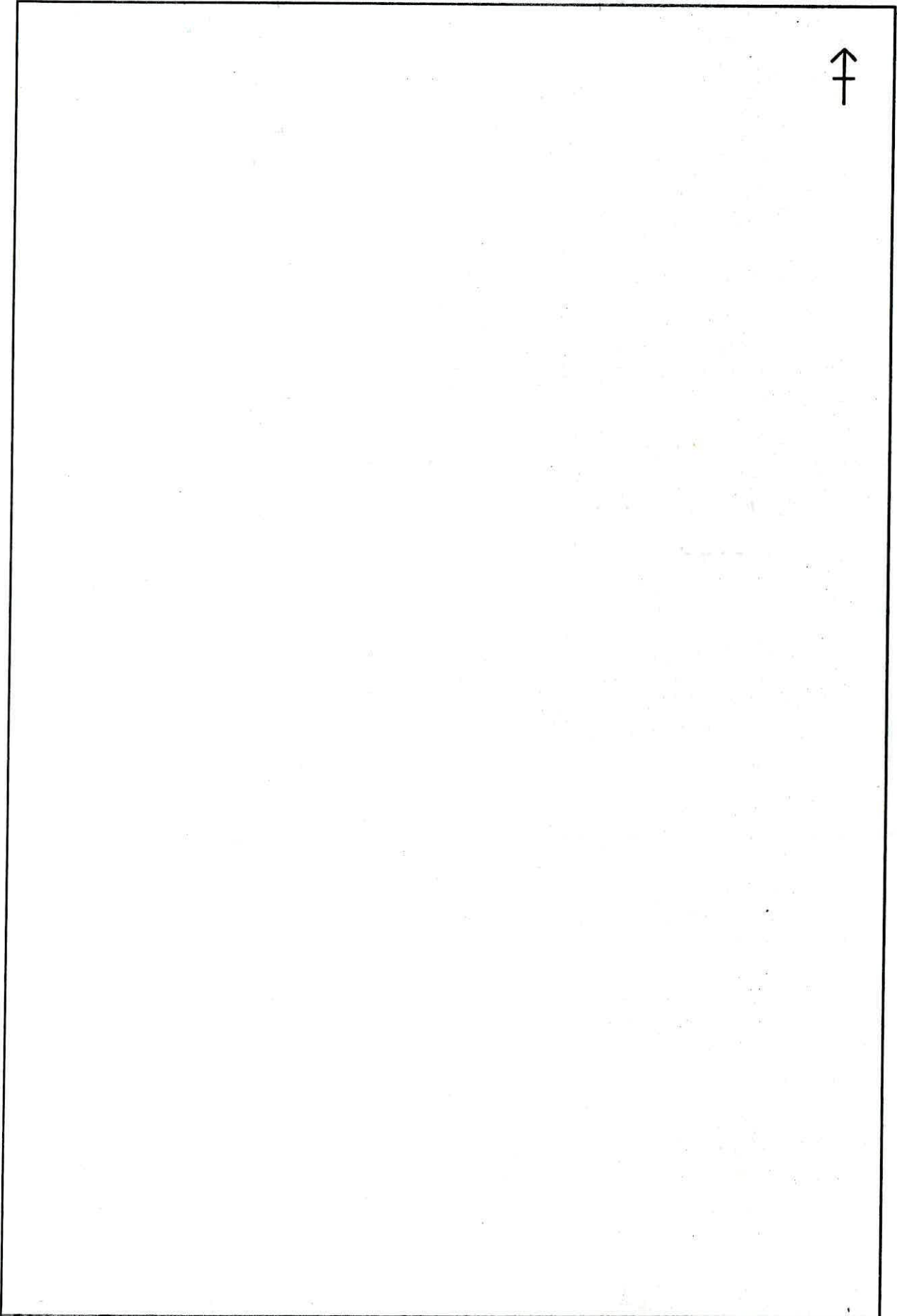
Contact Details:

Name: Azim Farid Title: Director
Telephone: 0787 991152 Fax: 027 2646318
Email: sandolitz@yahoo.co.uk

Payments to be made payable to:

TANZANIA INVESTMENT CENTRE
STANDARD CHARTERED BANK TANZANIA LTD.
SWIFT ADDRESS: **SCBLTZTX**
ACCOUNT NO.: **8702006002000**

SKETCH MAP SHOWING PROJECT LOCATION





SANDALI WOOD INDUSTRIES LIMITED - P O BOX 5093 TANGA
TANZANIA INVESTMENT CENTRE LIST 2013 RENEWAL

Total Machinery 1

USD 1,878,064.06

STRUCTURE/BUILDING/OFFICE

PRICE IN USD

PARTICULARS	UNIT	QTY	UNIT PRICE	TOTAL PRICE	QTY USED	REMAINS	REQUISITION NO
REINFORCED STEEL GIRDERS 100-300MM IN TONNES	TONNES	800	495.00	396,000			
CLADDING SHEETS	METRE	5000	1.12	5,600			
CEMENT	TONNES	1200	110.00	132,000			
GROUT	EA	50	2.00	100			
HOLLOW SECTIONS FROM 25MM TO 100MM 3MM TO 6MM GAUGE 6 METRES LONG	EA	3000	7.00	21,000			
ROOFING AND CLADDING SHEETS LENGTH FROM 3METRES TO 12 METRES	EA	700	8.02	5,614			
FLOOR AND WALL TILES IN SQUARE METRES	EA	1000	9.00	9,000			
ALUMINIUM WINDOWS ASSORTED SIZES	EA	50	23.00	1,150			
BATHROOM TOILET AND SHOWER ACCESSORIES AND FITTINGS	EA	25	78.50	1,963			
FLAT BAR 1-6", THICKNESS 10 MM	TONNES	5.0	440.00	2,200			
FLAT BAR 1-6", THICKNESS 8 MM	TONNES	5.0	440.00	2,200			
FLAT BAR 1-6", THICKNESS 6 MM	TONNES	5.0	440.00	2,200			
FLAT BAR 1-6", THICKNESS 4 MM	TONNES	5.0	440.00	2,200			
FLAT BAR 1-6", THICKNESS 3 MM	TONNES	5.0	440.00	2,200			
ANGLE IRON 3/4" X 3/4", THICKNESS TO 6" X 6" 3MM TO 6MM GAUGE	EA	500	2.10	1,050			
WC EUROPEAN TYPE COMPLETE	EA	10	10.50	105			
WC ASIAN TYPE COMPLETE	EA	10	5.25	53			
HAND WASH BASIN COMPLETE	EA	5	9.75	49			
KITCHEN SINK COMPLETE	EA	5	8.25	41			
HIGH LEVEL FLUSHING CISTERN	EA	5	3.75	19			
LOW LEVEL FLUSHING CISTERN	EA	5	9.75	49			
IMERSION HEATERS	EA	4	31.50	126			
URINAL SLAB TYPE	EA	10	37.00	370			
URINAL BOWL TYPE	EA	10	21.00	210			
AUTOMATIC FLUSHING CISTERN	EA	5	15.75	79			
SECURITY FENCING WROUGHT IRON COMPONENTS	EA	2200	1.80	3,960			

TANZANIA INVESTMENT CENTRE LIST 2013 RENEWAL**Total Machinery 1**

USD 1,878,064.06

STRUCTURE/BUILDING/OFFICE**PRICE IN USD**

PARTICULARS	UNIT	QTY	PRICE IN USD		QTY USED	REMAINS	REQUISITION NO
			UNIT PRICE	TOTAL PRICE			
SINGLE AND THREE CORE CABLE FROM 1.5 TO 90 SQMM	ROLLS 100METRES	100	3.15	315			
TIG WELDING MACHINE	EA	2	143.00	286			
ARC WELDING MACHINE	EA	2	111.00	222			
ANGLE GRINDER (ASSORTED)	EA	5	19.54	98			
WELDING RODS	BOX	500	1.10	550			
TOOL BOXES WITH ASSORTED TOOLS AND ACCESSORIES	EA	10	52.50	525			
HYDRAULIC JACK 20 TONNES	EA	5	20.00	100			
HYDRAULIC JACK 10 TONNES	EA	5	15.00	75			
HYDRAULIC JACK 5 TONNES	EA	5	10.00	50			
HYDRAULIC JACK 2 TONNES	EA	5	8.00	40			
HYDRAULIC JACK 1/2 TONNE	EA	5	8.00	40			
AIR COMPRESSORS	EA	15	93.00	1,395			
TOYOTA 4 WHEEL DRIVE PICK UP OR HARD TOP	EA	4	31,000.00	124,000			
INDUSTRIAL AIR CONDITIONERS FOR LOGGING AND MACHINE OPERATOR'S CABINETS	EA	10	235.00	2,350			
OFFICE DESK	EA	15	55.00	825			
OFFICE CHAIRS	EA	15	21.00	315			
MOTORBIKES FOR FOREST FOLLOW UP WORK	EA	4	800.00	3,200			
PHOTOCOPIER	EA	3	375.00	1,125			
TYRES FROM 900-20 TO 1300-20 FOR LOGGING VEHICLES	EA	50	200.00	10,000			
ROOFING TILES	EA	10000	0.14	1,350			
ARMOURED CABLE 4 CORE, 95 SQ MM,	METRE	1000	9.40	9,400			
ARMOURED CABLE 4 CORE, 70 SQ MM,	METRE	1000	8.15	8,150			
ARMOURED CABLE 4 CORE, 50 SQ MM,	METRE	1000	7.66	7,660			
ARMOURED CABLE 4 CORE, 35 SQ MM,	METRE	1000	6.78	6,780			
ARMOURED CABLE 4 CORE, 25 SQ MM,	METRE	1000	4.62	4,620			
ARMOURED CABLE 4 CORE, 16 SQ MM,	METRE	1000	0.75	750			

TANZANIA INVESTMENT CENTRE LIST 2013 RENEWAL**Total Machinery 1**

USD 1,878,064.06

STRUCTURE/BUILDING/OFFICE**PRICE IN USD**

PARTICULARS	UNIT	QTY	PRICE IN USD		QTY USED	REMAINS	REQUISITION NO
			UNIT PRICE	TOTAL PRICE			
ARMoured CABLE 4 CORE, 10 SQ MM,	METRE	1000	3.60	3,600			
ARMoured CABLE 4 CORE, 6 SQ MM,	METRE	1000	0.75	750			
ARMoured CABLE 4 CORE, 4 SQ MM,	METRE	1000	3.60	3,600			
ARMoured CABLE 4 CORE, 2.5 SQ MM	METRE	1000	0.75	750			
DISTRIBUTION BOARD MIXED CAPACITY (3 PHASE)	EA	5	157.50	788			
FUSED SWITCH 63 AMPS, (3 PHASE)	EA	5	40.50	203			
PANEL VOLT METER & AMP METER	EA	1	157.50	158			
LIGHT TWIN 5 FT (WITH SHADE)	EA	30	4.50	135			
2 GANG 1 WAY SWITCH	EA	200	0.90	180			
TWIN SOCKETS 13 AMPS	EA	250	1.58	394			
WALKIE TALKIE LICENSE FREE HAND HELD RADIO SETS WITH ACCESSORIES	SETS	20	14.11	282			
WALKIE TALKIE LICENSE FREE HELMET INCORPORATED RADIO SETS WITH ACCESSORIES	SETS	20	21.00	420			
POWER TOOLS ELECTRIC DRILL JIGSAW SCREWDRIVER PLANER SANDER ANGLE GRINDER	SETS	10	315.00	3,150			
POWER TOOLS PNEUMATIC DRILL JIGSAW SCREWDRIVER PLANER SANDER ANGLE GRINDER	SETS	2	285.00	570			
TOOL BOX INCLUSIVE OF ASSORTED SPANNERS HAMMERSM SAWS AND SCREWDRIVERS	SETS	5	105.00	525			
SAWMILLING REQUIREMENTS							
SAW BLADES 25MM BORE	EA	500	11.17	5,585			
SAW BLADES 30MM BORE	EA	500	12.85	6,425			
SAW BLADES 45MM BORE	EA	500	17.11	8,555			
SAW BLADES 50MM BORE	EA	500	23.65	11,825			
SAW BLADES 60MM BORE	EA	500	26.27	13,135			
SAW BLADES 70MM BORE	EA	500	29.55	14,775			
TCT BLACE TIPS PER 1000	BOX	5000	5.00	25,000			
INSERTED TEETH FOR SAWBLADES PER 500	BOX	1000	5.00	5,000			
CHAINSAW CHAINS TCT	METRES	1000	0.09	90			
CHAINSAW CHAINS	METRES	1000	0.04	40			

TANZANIA INVESTMENT CENTRE LIST 2013 RENEWAL**Total Machinery 1**

USD 1,878,064.06

STRUCTURE/BUILDING/OFFICE**PRICE IN USD**

PARTICULARS	UNIT	QTY	PRICE IN USD		QTY USED	REMAINS	REQUISITION NO
			UNIT PRICE	TOTAL PRICE			
CHAINSAWS WITH BARS AND CHAINS	EA	10	115.00	1,150			
HEATSHRINK MACHINES WITH ACCESSORIES	EA	3	165.00	495			
TUNNEL WRAP MACHINE WITH ACCESSORIES	EA	3	187.00	561			
STRAPPING AND PACKAGING MACHINE WITH ACCESSORIES	EA	3	77.00	231			
BARCODER MACHINE WITH ACCESSORIES	EA	3	390.00	1,170			
BARCODE PRINTING MACHINE WITH ACCESSORIES	EA	3	410.00	1,230			
LOGGING RATCHET STRAPS	EA	50	2.77	139			
LOGGING SLINGS	EA	50	0.75	38			
LOG SECURE BUNDLE STRAPS	EA	50	0.50	25			
LOG SECURE RATCHET STRAPS	EA	50	1.56	78			
LOG SECURE SLINGS	EA	50	3.10	155			
SAWMILLING/LOGGING HEAVY PLANT REQUIREMENTS							
LAMPARQUET COMPLETE LINE WITH TOOLING AND ACCESSORIES	EA	10	1,550.00	15,500			
FINGER PARQUET COMPLETE LINE WITH TOOLING AND ACCESSORIES	EA	10	1,100.00	11,000			
INDUSTRIAL PARQUET COMPLETE LINE WITH TOOLING AND ACCESSORIES	EA	10	950.00	9,500			
VIOLIN PEG LINE COMPLETE LINE WITH TOOLING AND ACCESSORIES	EA	10	1,800.00	18,000			
PLATE AND BOWL TURNING LINE WITH TOOLING AND ACCESSORIES	EA	10	2,300.00	23,000			
EGG CUP TURNING LINE WITH TOOLING AND ACCESSORIES	EA	10	1,100.00	11,000			
BALUSTRADE TURNING LINE WITH TOOLING AND ACCESSORIES	EA	10	900.00	9,000			
TRIVETS MILLING LINE WITH TOOLING AND ACCESSORIES	EA	10	900.00	9,000			
WOODEN TOYS LINE WITH TOOLING AND ACCESSORIES	EA	10	450.00	4,500			
WOOD DOUBLE END DRILLING TURRET BORING MACHINES WITH TOOLING AND ACCESSORIES	EA	10	2,100.00	21,000			
WOOD MILLING AND SHAPING MACHINES WITH TOOLING AND ACCESSORIES	EA	10	280.00	2,800			
LOG CRANE FORWARDERS COMPLETE WITH ACCESSORIES	EA	6	465.00	2,790			
LOG CRANE KNUCKLE BOOMS COMPLETE WITH ACCESSORIES	EA	7	775.00	5,425			
LOG CRANE TIMBER GRAPPLES COMPLETE WITH ACCESSORIES	EA	9	380.00	3,420			

TANZANIA INVESTMENT CENTRE LIST 2013 RENEWAL**Total Machinery 1**

USD 1,878,064.06

STRUCTURE/BUILDING/OFFICE**PRICE IN USD**

PARTICULARS	UNIT	QTY	UNIT PRICE	TOTAL PRICE	QTY USED	REMAINS	REQUISITION NO
LOG CRANE LOG GRAPPLES COMPLETE WITH ACCESSORIES	EA	6	930.00	5,580			
LOG CRANE TRAILER COMPLETE WITH ACCESSORIES	EA	6	650.00	3,900			
LOG CRANES COMPLETE WITH ACCESSORIES	EA	12	890.00	10,680			
LOGGING FORWARDING VEHICLES 4X4 2.5TONNES WITH ACCESSORIES INCLUDING CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	2,500.00	25,000			
LOGGING FORWARDING VEHICLES 4X4 5-10TONNES WITH ACCESSORIES INCLUDING CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	3,500.00	35,000			
LOGGING FORWARDING VEHICLES 4X4 7TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	4,000.00	40,000			
LOGGING FORWARDING VEHICLES 4X4 10-30TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	4,500.00	45,000			
LOGGING FORWARDING VEHICLES 6X6 2.5TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	2,500.00	25,000			
LOGGING FORWARDING VEHICLES 6X6 5-10TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	3,500.00	35,000			
LOGGING FORWARDING VEHICLES 6X6 10-30TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	4,000.00	40,000			
LOGGING FORWARDING VEHICLES 8X8 2.5TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	4,500.00	45,000			
LOGGING FORWARDING VEHICLES 8X8 5-10TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	4,500.00	45,000			
LOGGING FORWARDING VEHICLES 8X8 10-30TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	6,800.00	68,000			
LOGGING LORRIES 4X4 2.5TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	2,050.00	20,500			
LOGGING LORRIES 4X4 5TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	3,350.00	33,500			
LOGGING LORRIES 4X4 7TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	3,800.00	38,000			
LOGGING LORRIES 4X4 10TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	4,650.00	46,500			
LOGGING TIPPING LORRIES 4X4 5TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	2,350.00	23,500			
LOGGING TIPPING LORRIES 4X4 7TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	2,700.00	27,000			

TANZANIA INVESTMENT CENTRE LIST 2013 RENEWAL**Total Machinery 1**

USD 1,878,064.06

STRUCTURE/BUILDING/OFFICE**PRICE IN USD**

PARTICULARS	UNIT	QTY	PRICE IN USD		QTY USED	REMAINS	REQUISITION NO
			UNIT PRICE	TOTAL PRICE			
LOGGING TIPPING LORRIES 4X4 10TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	5,300.00	53,000			
LOGGING LORRIES 4X4 15-30TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	7,750.00	77,500			
SAW SHARPENER	EA	4	555.00	2,220			
POWER GENERATOR ON OR OFF SANKEY TRAILER 27 - 200KVA	EA	5	650.00	3,250			
DUMPERS 1 TONNE - 9 TONNE CAPACITY COMPLETE WITH ACCESSORIES	EA	12	300.00	3,600			
DUST COLLECTOR WITH ACCESSORIES	EA	12	250.00	3,000			
WHEELED COMPACTOR WITH ACCESSORIES	EA	3	300.00	900			
KILN LINE WITH ACCESSORIES	EA	3	8,000.00	24,000			
TIMBER TREATMENT LINE WITH ACCESSORIES	EA	3	4,500.00	13,500			
EXCAVATOR WITH ACCESSORIES	EA	3	1,100.00	3,300			
CRANE WITH ACCESSORIES	EA	4	7,000.00	28,000			
FORKLIFTS WITH ACCESSORIES	EA	6	1,200.00	7,200			
CEMENTMIXERS WITH ACCESSORIES	EA	6	500.00	3,000			
BRICK MAKING MACHINES WITH ACCESSORIES	EA	6	500.00	3,000			
PNEUMATIC/HYDRAULIC CYLINDERS AND VALVES WITH ACCESSORIES LIKE MOUNTING AND FITTINGS	EA	1000	0.92	916			
PNEUMATIC/HYDRAULIC VALVE AND REGULATORS WITH ACCESSORIES	EA	1000	5.69	5,686			
<u>PERSONAL PROTECTIVE EQUIPMENT</u>							
PPE GLOVES, EYE PROTECTORS, EAR PROTECTORS, RESPIRATORY PROTECTORS, HELMETS	10S	500	0.29	145			
GLOVES AND BOOTS	10S	200	0.20	40			
<u>ENVIRONMENT AND SECURITY</u>							
INTERNET CONNECTIVE CCTV AND GPS SYSTEMS	EA	50	55.00	2,750			
				-			

**SANDALI WOOD INDUSTRIES LIMITED
P O BOX 5093 TANGA**

Tel 027 2643620 Fax 027 2646318 Email sandalitz@yahoo.co.uk
Winner - Presidential Manufacturer Of The Year 2007/8 Award – Wood and Printing
Winner - Most Innovative SME In Africa Award 2007

COMPANY NO 9344

BOARD OF DIRECTORS RESOLUTION

AT A DULY CONVENED AND CONSTITUTED MEETING OF THE BOARD OF DIRECTORS OF SANDALI WOOD INDUSTRIES LIMITED HELD AT THE OFFICES OF THE COMPANY, LOCATED AT PLOT 175 AND 176 GOFU INDUSTRIAL AREA TANGA at this date 27th August 2013 the following resolution was passed

THAT the Company is desirous to register its new Project for Value Addition to Timber and Timber products. The project is to start in 2013 as per Business Plan prepared over a period of 6 years with Job creation and Village Empowerment.

**CERTIFIED TRUE EXTRACT
(BY ORDER OF THE BOARD)**



DIRECTOR

COMPANY SEAL



DIRECTOR



28th November 2012

To Whom It May Concern

As per our previous letter we are committed to offer Sandali our support in its bid to enhance its business capacity and, in so doing, directly and indirectly benefiting the rural poor.

With this letter we now quantify the contribution as tabled below

Breakdown Of Contributions By Klicksi							
		2013	2014	2015	2016	2017	2018
<i>Klicksi Cash Contribution (USD)</i>	242,000	86,000	106,000	50,000			
<i>Klicksi 'In Kind' Contribution (USD)</i>	150,217	67,750	25,750	17,500	12,606	12,606	12,606

Our 'In Kind' contribution derives its basis from foregoing part of our markup margins when assisting Sandali in sourcing, procuring, handling, storing and shipping as has been our relationship for a couple of decades.

We can provide further details if necessary.

Yours sincerely
KLICKSI LIMITED


Salim Fazal

Klicksi Limited
Unit E, 15 Oakcroft Road, Chessington, Surrey, KT9 1RH, England
T +44 (0) 20 8974 1500 • F +44 (0) 20 8974 1540 • E salimfazal@klicksi.com

Registered office: Unit E, 15 Oakcroft Road, Chessington, Surrey, KT9 1RH
Registered in England • Registration no. 1737566 • VAT no: 407436658

Unit E
15 Oakcroft Road
Chessington
Surrey
KT9 1RH
England

6th June 2012

TO WHOM IT MAY CONCERN

Dear Sir/Madam

T: 020 8974 1500
F: 020 8974 1540
E: klicksi@klicksi.com

Re: Partnership With Sandali Wood Industries Limited

We have been working very closely with Sandali Wood Industries Limited's new management since 1992.

We have been Sandali's main partner both financially and commercially throughout this period and we have witnessed and supported Sandali's drive for innovation and responsibility in treating natural resources with legality, ethics and sustainability for which they have, naturally, been accorded recognition through numerous awards and FSC certification in Blackwood – a first in Tanzania and the world.

We, as Klicksi, are FSC certified as well. This is to complete and nurture the legal and responsible supply chain created by the Tanzanian villages and Sandali Wood Industries Limited.

We have aggressively marketed FSC certified Blackwood in a very conservative market for the last three years and it is only now that we are seeing positive interest and results in the form of enquiries and orders (please refer to the Excel list provided). It is in view of the very fruitful, past, commercial gains in working with Sandali and the strong belief in the growth of the FSC certified products and that of Sandali that has led to Klicksi's recent investment injection as partners with Sandali.

Todate we have not only provided strong marketing support but have monetarily invested in Sandali, for some four years now, to tide them through the difficult times of transformation of their set up to conform to the FSC market requirements, the vagaries of supply of raw material by the Tanzanian authorities and the subdued international market due to the economic woes in the west at present.

We are confident that Sandali will not only involve itself fully (as it has on numerous occasions in the past) in a project that has high human, commercial and environmental benefits, but should excel considering its history of CSR and human/environmental responsibility (viz erecting a hospital and promoting FSC trade with Villages and low wastage innovative cutting).

With this letter we confirm our continued involvement with Sandali Wood Industries Limited, monetarily and otherwise, to the point of success.

Yours faithfully

Klicksi Limited



The Africa Enterprise Challenge Fund

P O Box 13459 - 00100 GPO

Nairobi, Kenya

Dr Azim Fazal
Director
Sandali Wood Industries Limited
P.O Box 5093
Tanga
Tanzania

Ref: AECF-RCT-R2-0019

Tel: + 255272643620

19 July 2013

Dear Dr Fazal

AGRA Contract for AECF Project – Sandali Wood Industries Limited

We are delighted to enclose the contract between AGRA and yourselves.

Kindly sign all three copies of the contract. In addition, please initial all the pages of the contract.

Kindly return **two copies** of the signed contract to AECF by courier to:

Africa Enterprise Challenge Fund
ABC Towers, 10th Floor
ABC Place, Waiyaki Way, Nairobi
Tel: 020 2699137/138
For the attention of: Ms Lilian Gathara, Grants Manager.

If you would like to discuss any of the matters in this letter, please contact Lilian Gathara or myself.

Yours sincerely

Hugh Scott
Project Director
The Africa Enterprise Challenge Fund
Enclosures: As above



The Fund Manager of the AECF is KPMG
Development Services Limited



Corporate &
Investment Bank

Ref. No.BANKM/CIB/1480/2012

12th June 2012

Dear Sir / Madam,

RE: TO WHOM IT MAY CONCERN

This is to certify that SANDALI WOOD INDUSTRIES LTD of P.O BOX 5093, Tanga maintain their accounts with us and are one of our most valued customers. Their account is performing very well and has been operating to our satisfaction.

We have received their application for our financial support for a project which is very worthy in our eyes, with a potentially huge human, environmental and financial impact.

It is the kind of challenge that we aim to support and as such we are giving it all the consideration that it deserves, especially as to the extent of our participation based on the merits of the application including sufficiency of security as per Bank of Tanzania guidelines

This information is given under strict confidence and without any responsibility on the part of the bank or any of its officers.

Yours sincerely,

For and on behalf of

Bank M Tanzania Ltd


Authorised Signatory


Authorised Signatory



P O Box 5093 Tanga Tel 027 2643620 Fax 027 2646318 Email sandalitz@yahoo.co.uk

The Corporate and Investment Director
Bank M
Daressalaam

1st October 2011

Dear Sir

Re: Overdraft Facilities For US Dollars 500,000

Being clients of yours you are aware that we have enjoyed Loan and OD facilities from yourselves both of which have been redeemed.

From our conversations with the team at Bank M (Waseem and Hussein), we, at Sandali, have reached a point where our marketing and investment efforts are poised for returns. The FSC market has increased substantially and our strategic shift to a different line has seen substantial enquiries and orders. This translates into an increase in working capital requirement.

One component of this FSC market is the need for Sandali to work with Village communities which requires other strategic International partners involved in the social component of capacity building and transfer of technology. Some donor programmes have expressed interest in supporting this component and communications are in progress.

For this reasons, we at Sandali, are of the opinion that we would like to keep all options open regarding collaterals that the company has to offer to other partners – the loan mechanism does not lend itself to flexibility in the form of collateral engagement and so we have opted, for the present, to ask only for an Overdraft facility.

We are optimistic that our application will be considered to our benefit in view of our previous record with Bank M.

Yours sincerely

A handwritten signature in black ink, appearing to read "Azim", written over a faint circular stamp.

Sandali Wood Industries Limited
Dr Azim Fazal - Director

The World's First Certified Blackwood Sawmill
Winner - Presidential Manufacturer Of The Year 2007/8 Award – Wood and Printing
Winner - Most Innovative SME In Africa Award 2007
Winner Bank M 2010 CSR Awards

BANK M

Tuesday 18 December 2012

SCHEDULE DETAILS FOR THE CONTRACT 002TLFN120470001

NAME : SANDALI WOOD INDUSTRIES LTD

CUSTOMER NO : 000716

TERM LOAN NORMAL - FCY

CONTRACT STATUS : NORM

Current Rate in : 10.00 %

Active/Liqd :

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Mar/12	TLFN-INT	805.56	805.56	0.00
	Sum:	805.56	805.56	0.00

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Apr/12	TLFN-INT	833.33	833.33	0.00
	Sum:	833.33	833.33	0.00

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/May/12	TLFN-INT	833.33	833.33	0.00
	Sum:	833.33	833.33	0.00

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Jun/12	TLFN-INT	833.33	833.33	0.00
	Sum:	833.33	833.33	0.00

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Jul/12	TLFN-INT	833.33	833.33	0.00
	TLFN-PINT	6.94	6.94	0.00
	Sum:	840.27	840.27	0.00

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Aug/12	TLFN-INT	833.33	833.33	0.00
	Sum:	833.33	833.33	0.00

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Sep/12	TLFN-INT	833.33	833.33	0.00
	Sum:	833.33	833.33	0.00

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Oct/12	TLFN-INT	833.33	833.33	0.00
	Sum:	833.33	833.33	0.00

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Nov/12	TLFN-INT	833.33	833.33	0.00
	Sum:	833.33	833.33	0.00

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Dec/12	TLFN-INT	833.33	833.33	0.00
	Sum:	833.33	833.33	0.00

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Jan/13	TLFN-INT	833.33	0.00	833.33
	Sum:	833.33	0.00	833.33

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Feb/13	TLFN-INT	833.33	0.00	833.33
	Sum:	833.33	0.00	833.33

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Mar/13	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	777.78	0.00	777.78
	Sum:	2,861.11	0.00	2,861.11

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Apr/13	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	815.97	0.00	815.97
	Sum:	2,899.30	0.00	2,899.30

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/May/13	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	798.61	0.00	798.61
	Sum:	2,881.94	0.00	2,881.94

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Jun/13	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	781.25	0.00	781.25
	Sum:	2,864.58	0.00	2,864.58

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Jul/13	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	763.89	0.00	763.89
	Sum:	2,847.22	0.00	2,847.22

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Aug/13	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	746.53	0.00	746.53
	Sum:	2,829.86	0.00	2,829.86

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Sep/13	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	729.17	0.00	729.17
	Sum:	2,812.50	0.00	2,812.50

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Oct/13	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	711.81	0.00	711.81
	Sum:	2,795.14	0.00	2,795.14

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Nov/13	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	694.44	0.00	694.44
	Sum:	2,777.77	0.00	2,777.77

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Dec/13	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	677.08	0.00	677.08
	Sum:	2,760.41	0.00	2,760.41

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Jan/14	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	659.72	0.00	659.72
	Sum:	2,743.05	0.00	2,743.05

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Feb/14	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	642.36	0.00	642.36
	Sum:	2,725.69	0.00	2,725.69

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Mar/14	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	583.33	0.00	583.33
	Sum:	2,666.66	0.00	2,666.66

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Apr/14	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	607.64	0.00	607.64
	Sum:	2,690.97	0.00	2,690.97

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/May/14	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	590.28	0.00	590.28
	Sum:	2,673.61	0.00	2,673.61

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Jun/14	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	572.92	0.00	572.92
	Sum:	2,656.25	0.00	2,656.25

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Jul/14	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	555.56	0.00	555.56
	Sum:	2,638.89	0.00	2,638.89

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Aug/14	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	538.19	0.00	538.19
	Sum:	2,621.52	0.00	2,621.52

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Sep/14	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	520.83	0.00	520.83
	Sum:	2,604.16	0.00	2,604.16

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Oct/14	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	503.47	0.00	503.47
	Sum:	2,586.80	0.00	2,586.80

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Nov/14	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	486.11	0.00	486.11
	Sum:	2,569.44	0.00	2,569.44

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Dec/14	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	468.75	0.00	468.75
	Sum:	2,552.08	0.00	2,552.08

Date	Sch Type	Amount Due	Amount Paid	Amount O/S

16/Jan/15	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	451.39	0.00	451.39
	Sum:	2,534.72	0.00	2,534.72

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Feb/15	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	434.03	0.00	434.03
	Sum:	2,517.36	0.00	2,517.36

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Mar/15	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	388.89	0.00	388.89
	Sum:	2,472.22	0.00	2,472.22

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Apr/15	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	399.31	0.00	399.31
	Sum:	2,482.64	0.00	2,482.64

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/May/15	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	381.95	0.00	381.95
	Sum:	2,465.28	0.00	2,465.28

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Jun/15	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	364.58	0.00	364.58
	Sum:	2,447.91	0.00	2,447.91

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Jul/15	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	347.22	0.00	347.22
	Sum:	2,430.55	0.00	2,430.55

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Aug/15	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	329.86	0.00	329.86
	Sum:	2,413.19	0.00	2,413.19

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Sep/15	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	312.50	0.00	312.50
	Sum:	2,395.83	0.00	2,395.83

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Oct/15	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	295.14	0.00	295.14
	Sum:	2,378.47	0.00	2,378.47

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Nov/15	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	277.78	0.00	277.78
	Sum:	2,361.11	0.00	2,361.11

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Dec/15	PRINCIPAL	2,083.33	0.00	2,083.33

TLFN-INT	260.42	0.00	260.42
Sum:	2,343.75	0.00	2,343.75

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Jan/16	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	243.06	0.00	243.06
	Sum:	2,326.39	0.00	2,326.39

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Feb/16	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	225.70	0.00	225.70
	Sum:	2,309.03	0.00	2,309.03

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Mar/16	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	201.39	0.00	201.39
	Sum:	2,284.72	0.00	2,284.72

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Apr/16	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	190.97	0.00	190.97
	Sum:	2,274.30	0.00	2,274.30

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/May/16	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	173.61	0.00	173.61
	Sum:	2,256.94	0.00	2,256.94

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Jun/16	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	156.25	0.00	156.25
	Sum:	2,239.58	0.00	2,239.58

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Jul/16	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	138.89	0.00	138.89
	Sum:	2,222.22	0.00	2,222.22

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Aug/16	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	121.53	0.00	121.53
	Sum:	2,204.86	0.00	2,204.86

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Sep/16	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	104.17	0.00	104.17
	Sum:	2,187.50	0.00	2,187.50

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Oct/16	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	86.81	0.00	86.81
	Sum:	2,170.14	0.00	2,170.14

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Nov/16	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	69.45	0.00	69.45

Sum:	2,152.78	0.00	2,152.78
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Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Dec/16	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	52.08	0.00	52.08
	Sum:	2,135.41	0.00	2,135.41

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Jan/17	PRINCIPAL	2,083.33	0.00	2,083.33
	TLFN-INT	34.72	0.00	34.72
	Sum:	2,118.05	0.00	2,118.05

Date	Sch Type	Amount Due	Amount Paid	Amount O/S
16/Feb/17	PRINCIPAL	2,083.49	0.00	2,083.49
	TLFN-INT	17.36	0.00	17.36
	Sum:	2,100.85	0.00	2,100.85

Grand Total :	130,263.88	8,312.47	121,951.41
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15,000 ✓
Form.210a

THE UNITED REPUBLIC OF TANZANIA

BUSINESS REGISTRATIONS AND LICENSING AGENCY

26/03/2013

Appointment as a Director or Secretary

(Not for resignation (Use Form 210b) or change of particulars (Use Form 210c)

Pursuant to Section 210 of the Companies Act 2002

Company Number	9344
Company Name (Full Name)	SANDALI WOOD INDUSTRIES LIMITED
	P.O. BOX 2213 TANGA
Date of Appointment	28 th February 2013
As director	<input checked="" type="checkbox"/>
	as secretary <input type="checkbox"/>
Name: (First Name(s))	HATIM
(Surname)	BURHANI
Previous name(s)	
Address: (Usual residential)	Box 2188 TANGA
	MADIMI BUILDING
	KING'S STREET TANGA
Nationality	TANZANIAN
Date of Birth	26 th AUGUST 1979

(continued on next page)

FOR OFFICIAL USE ONLY

I HEREBY CERTIFY THAT THIS IS
A TRUE COPY OF THE ORIGINAL.

Senior/Assistant Magistrate

DATE 10/4/2013

Business Occupation

ADMINISTRATOR.

Other Directorships
(directors only)

NONE

I consent to act as (Director) (~~Secretary~~) of the above named company

Signed 

Date 28th Feb 2013

A director / ~~secretary~~ etc. must sign the form below

Signed 

Date 28th Feb 2013

(A director/~~secretary~~/administrator/administrative receiver/~~receiver~~)

Notes:

Show full First Names, not initials. If the director or secretary is a corporation, show the name on surname line and registered principal office address on the usual residential address line.


Give previous First Name(s) or surname(s) except that:

- for a married woman, the name by which she was known before marriage need not be given.
- Names not used since the age of 18 or for at least 20 years need not be given.

Other directorships

Give the name of every company incorporated in Tanzania of which the person concerned is a director or has been a director at any time in the past five years.

I HEREBY CERTIFY THAT THIS IS
A TRUE COPY OF THE ORIGINAL.


DATE 18/1/2013
Scottish Magistrate



WAKALA WA USAJILI WA BIASHARA NA LESENI.

S.L.P 9393, Dar-es-Salaam.

SIMU : +255 22 2180141, 2180113, 2181113. NUKUSHI: +255 22 2180371

BARUA PEPE: ceo@brela-tz.org, usajili@brela-tz.org, info@brela-tz.org

TOVUTI: <http://www.brela-tz.org>



RECEIPT NO: 00153522

NIMEPOKEA KWA
Received from

SANDALI WOOD INDUSTRIES LTD

KIASI CHA SHILINGI(KWA MANENO)
Sum of shillings(In words)

FIFTEEN THOUSAND TANZANIAN SHILLINGS ONLY.

KWA MALIPO YA
in respect of

FILLING FEES [TSHS15,000]
TOTAL TSHS : 15,000

KWA FEDHA TASLIMU/HUNDI NAMBA
By cash/cheque No

CASH

DAR ES SALAM

KITUO
Station

SAHIHI YA MPOKEAJI
Receiving officer's sign

CHEO
Title

TAREHE
Date

GODFREY EDWARD

ACCOUNTS ASSISTANT

11/03/2013

I HEREBY CERTIFY THAT THIS IS
A TRUE COPY OF THE ORIGINAL.


Senior IP: District Magistrate

DATE 10/03/2013

CHECK ON A ...

... THE ...

... 917

POSTED

8811

Printed refund beyond three years will be forfeited



10821

Cash 7707

TANZANIA INVESTMENT CENTRE

Shaaban Robert Street, P.O. Box 938, Dar Es Salaam, Tel. +255 22 2116328-31, Fax: +255 22 2118253

RECEIPT REC010132

No.004616

Received from : SANDALIWOOD INDUSTRIES LTD.

Address : P.O. BOX 5093 TANGA

POSTED

Received the sum of (In words): ONE HUNDRED FIFTY NINE THOUSAND AND ZERO CENTS ONLY

Being payment in respect of : REGISTRATION FEE

Amount : TZS. 159,000.00

Cash / Cheque No: D/Deposit 07 02

Date : 07-Feb-2013

For Executive Director
Tanzania Investment Centre

BU/ISSO

Receiving Officer

POSTED

CHECK ON ...

... THE ...

... 717

8811
Paid amount returned beyond three years will be forfeited



10821

Cash 7707

TANZANIA INVESTMENT CENTRE

Shaaban Robert Street, P.O. Box 938, Dar Es Salaam, Tel. +255 22 2116328-31, Fax: +255 22 2118253

RECEIPT REC010132

No.004616

Received from : SANDALIWOOD INDUSTRIES LTD

Address : P.O. BOX 5093 TANGA

POSTED

Received the sum of (In words): ONE HUNDRED EIGHT NINE THOUSAND AND ZERO CENTS ONLY

Being payment in respect of : REGISTRATION FEE

Amount : TZS. 159,000.00

Cash / Cheque No: D/Deposit 07/02

Date :

07-06-2013

For Executive Director
Tanzania Investment Centre

BUSSO

Receiving Officer



00218460

THE UNITED REPUBLIC OF TANZANIA

Certificate of Incentives

(Section 17 of the Tanzania Investment Act, 1997)

THIS CERTIFICATE REPLACES
EXTENDS THE PREVIOUS ONE
NO. 041603 ISSUED ON
26/01/2009

AMENDMENT ON SECTIONS 10&11
HAVE BEEN EFFECTED

No: 041603

This is to certify that

SANDALI WOOD INDUSTRIES LTD

P.O. BOX 5093

of address

TANGA

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

SANDALI WOOD INDUSTRIES LTD

PLOTS NO. 175 & 176, GOFU CHINI INDUSTRIES AREA

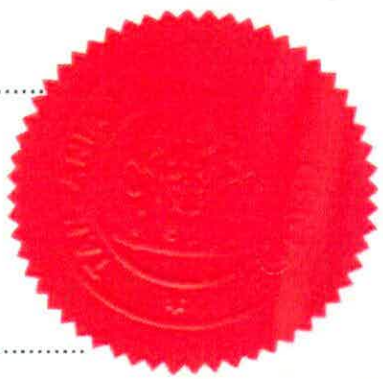
Which is located at

TANGA MUNICIPALITY

Further particulars required by Section 17 of the Tanzania Investment Act are set out overleaf.

Ag. Executive Director

Tanzania Investment Centre
P.O. Box 938, Dar es Salaam



Dated 13TH FEBRUARY 2012

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
- | | Nationality | Shareholding (%) |
|---------------------------|-------------|------------------|
| Salim Fazal | British | 45.5 |
| Harrieth Juliana D. Hangi | Tanzanian | 9 |
| Azim Fazal | British | 45.5 |
2. Proposed Activities : **To expand Sawmill operations and essential oil extraction**
3. Sector: **Manufacturing** Subsector **Saw milling and essential oil extraction**
4. Investment cost: Foreign **—** Local **USD 0.525m.** Total **USD 0.525m.**
5. Project Financing: Equity **USD 0.525m.** Loans **—** Total **USD 0.525m.**
6. Source, terms and conditions of loan.....
7. Assets to be invested:
- | Capital items: | Foreign | Local | Total |
|----------------|----------|--------------------|--------------------|
| | — | USD 0.525m. | USD 0.525m. |
8. Technology Agreement **None**
9. Date of TIC Registration: **22nd December 2008**
10. Implementation period **December 2008 - November 2012**
11. Operative date **December 2012**
12. Investment Incentive Grade: As defined in part III Section 19 (1), (2) and Section 20 of the Tanzania Investment Act, 1997
- (i) Applicable Import Duty **And VAT as per Customs Tariff Act, 1976 & VAT Act, 1997**
 - (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
 - (v) Changes in shareholding, project activities and level of invested capital must be notified to the centre
15. Additional conditions attached to Certificate
- Finished goods are not allowed under this Certificate**

Signed 
Ag. Executive Director

TANZANIA



Certificate of Incorporation

No. 9344

I HEREBY CERTIFY THAT

SANDALI WOOD INDUSTRIES

Limited

is this day incorporated under the Companies Ordinance (Cap. 212) and that the Company is Limited.

Given under my hand at Dar es Salaam

this 27TH day of APRIL

One thousand nine hundred and EIGHTY THREE

I HEREBY CERTIFY THAT THIS IS A TRUE COPY OF THE ORIGINAL.

Senior Resident Magistrate

DATE

10/9/2013

[Signature]

ASST. Registrar of Companies



1

P O Box 5093 Tanga Tel 027 2643620 Fax 027 2646318 Email sandalitz@yahoo.co.uk

Executive Director
The Tanzania Investment Centre
No A and B Shaaban Robert Street
P O Box 938
Daressalaam



27th August 2013

Dear Sir

**Re: Expansion Of TIC Certificate Of Incentives Number 041603 –
Application For A New Certificate Of Incentives**

We have embarked upon an expansion project for Value Addition – Finger Parquet, Wood Turning, Wood Milling, Wood Fluting and Drilling Complete Line.

We have filled in the necessary documents and attach enclosures as per the TIC checklist.

We therefore apply for an expansion permit with a view to execute this project of a PPP relationship with Villages in procuring and processing forest products. We enclose a proposal to that effect.

We thank you and await your further instructions.

Yours sincerely

**Sandali Wood Industries Limited
Dr Azim Fazal - Director**

The World's First Certified Blackwood Sawmill
Winner - Presidential Manufacturer Of The Year 2007/8 Award – Wood and Printing
Winner - Most Innovative SME In Africa Award 2007

2



TIC Evaluation Report

Name of the Company
Sandali Wood Industries Ltd.

Post Box	Gofu Chini, Plot No. 175/176	COI Number	9344-01	Contact	Mr. Azim Fazal
Post Office	5093	COI Date	27/04/83	Designation	Director
Region	Tanga	Application F. No	10821	Phone	0
Country	Tanzania	Status	Expansion	Direct Phone	0
		Sector	Manufacturing	Cell Phone	0787 99 11 52
		Sub Sector	Saumill And timber processing	Fax	0
		File No	041603-01	E-Mail Address	0

Project Location		Investment Finance Plan in Millions USD											
Plot/Block	Plot No. 175/176	<table border="1"> <tr> <th>Foreign Equity</th> <th>Local Equity</th> <th>Foreign Loan</th> <th>Local Loan</th> </tr> <tr> <td>0.353</td> <td>2.666</td> <td>0.97</td> <td>0.5</td> </tr> </table>	Foreign Equity	Local Equity	Foreign Loan	Local Loan	0.353	2.666	0.97	0.5			
Foreign Equity	Local Equity		Foreign Loan	Local Loan									
0.353	2.666		0.97	0.5									
Street	Gofu Chini												
District	Tanga												
Region	Tanga												

Shareholders Detail			Investment Breakdown (USD Million)	
Name	Nationality	(%)	Land/Building	0.85
Salim Fazal	British	45.5	Plant	1.735
harieth Haraji	Tanzanian	9	Vehicles	0.066
Azim Fazal	British	45.5	Furniture & Fittings	0.015
			Pre-expenses	0
			Others	0
			Working Capital	1.823
			Total	4.489

Employment	307	Evaluated By	wf officer3
Capacity	3700 cbm/year	Drawn By	wf registry1
Project Turn Over		Project Type	Mixed(Local & Foreign)

Description
To expand timber procesing facility and sawmill plant.

Recomendations
Be approved subject to providing evidence as required by section 17 of Tanzania Investmnet Act.1997

Decision
Approved as recommended.
AG ExD
13/9/2013

3

TICC/PP.10/041603-01/3

13th September 2013

Managing Director,
Sandali Wood Industries Ltd.
P.O. Box 5093
Tanga.

**RE: CERTIFICATE OF INCENTIVES FOR EXPANSION OF TIMBER
PROCESSING FACILITY AND SAWMILL PLANT**

We wish to acknowledge receipt of your project proposal to expand timber processing facility and sawmill plant as presented in the TIC P.A. 1 Form No. 10821 and Feasibility Study with a projected Investment amounting to USD 4.4489 m.

We are pleased to inform you that your investment proposal is now officially registered by TIC and therefore the project will be granted a Certificate of Incentives under Authority conferred upon TIC under Part III, Section 17 (1-8) of the Tanzania Investment Act, 1997.

Also be informed that you will have to submit a project implementation Progress Report on the implementation of the project in every six months for centre's information and review. Guidelines for the preparation of the report are contained in annexure attached to this letter. Please do not hesitate to contact the Centre for any clarification if the need arises. Also note that a facilitation fee equivalent to US\$ 1000.00 is payable at the ruling exchange rate prior issuance of the Certificate of Incentives. Please make deposit direct to the bank as per bank details below:

*Tanzania Investment Centre
Standard Chartered Bank (T) Ltd
US Dollar A/C 8702006002000
T.Shs A/C 0102006002000*

.../2

TICC/PP.10/042525/3

13th September, 2013

Tanzania Investment Centre
Standard Chartered Bank (T) Ltd
US Dollar A/C 8702006002000
T.Shs A/C 0102006002000

We wish you every success in the implementation of the project.

Yours sincerely,
Tanzania Investment Centre



Juliet R. Kairuki
EXECUTIVE DIRECTOR

Copy to: Permanent Secretary,
Ministry of Finance,
P. O. Box 9111,
DAR ES SALAAM

Permanent Secretary,
Ministry of Industry, Trade and Marketing,
P.O. Box 9503,
DAR ES SALAAM

Commissioner General,
Tanzania Revenue Authority,
P. O. Box 11491,
DAR ES SALAAM

Unclaimed refund beyond three years will be forfeited



4

TANZANIA INVESTMENT CENTRE

Shaaban Robert Street, P.O. Box 938, Dar Es Salaam, Tel. +255 22 2116328-31, Fax: +255 22 2118253

RECEIPT REC013603

No. 007550

Received from : SANDALIWOOD INDUSTRIES LTD

Address : P.O. BOX 5093 TANGA

Received the sum of (In words): ONE THOUSAND AND ZERO CENTS ONLY



Being payment in respect of : CERTIFICATE OF INCENTIVES

Amount : USD 1,000.00

Cash / Cheque No: 255287 of 26/11

Date : 26-Nov-2013

BUisso

Receiving Officer



S

00220475

THE UNITED REPUBLIC OF TANZANIA

Certificate of Incentives

(Section 17 of the Tanzania Investment Act, 1997)

041603-01

No:

This is to certify that

SANDALI WOOD INDUSTRIES LTD

P.O. BOX 5093

of address

TANGA

has been granted a Certificate of Incentives to invest in a new, ~~XXXXXXXXXXXX/XXXXXXXXXX~~
~~XXXXXXXXXXXX~~ enterprise known as

SANDALI WOOD INDUSTRIES LTD

PLOT NO. 175 & 176 GOFU CHINI INDUSTRIAL AREA

Which is located at

TANGA

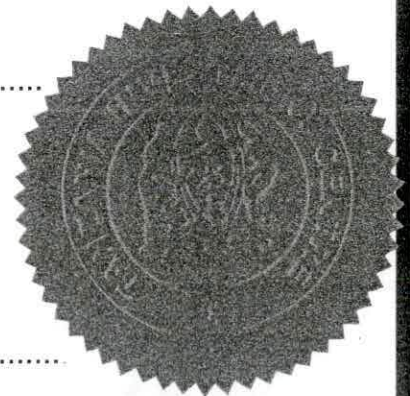
Further particulars required by Section 17 of the Tanzania Investment Act are set out overleaf.

Executive Director

Tanzania Investment Centre
P.O. Box 938, Dar es Salaam

2ND DECEMBER 2013

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

	Nationality	Shareholding (%)
<u>Salim Fazal</u>	<u>British</u>	<u>45.5</u>
<u>Harieth Hangi</u>	<u>Tanzanian</u>	<u>9.0</u>
<u>Azim Fazal</u>	<u>British</u>	<u>45.5</u>

2. Proposed Activities : To expand timber processing facility and sawmill plant

3. Sector: Manufacturing Subsector Sawmill and Timber Processing

4. Investment cost: Foreign - Local USD 4.489m. Total USD 4.489m.

5. Project Financing: Equity USD 3.019m. Loans USD 1.47m. Total USD 4.489m.

6. Source, terms and conditions of loan.....

7. Assets to be invested:

	Foreign	Local	Total
Capital items:	<u>-</u>	<u>USD 4.489m.</u>	<u>USD 4.489m.</u>

8. Technology Agreement None

9. Date of TIC Registration: 13th September 2013

10. Implementation period September 2013 - August 2016


11. Operative date September 2016

12. Investment Incentive Grade: As defined in part III Section 19 (1), (2) and Section 20 of the Tanzania Investment Act, 1997
 (i) Applicable Import Duty And VAT as per Customs Tariff Act, 1976 & VAT Act, 1997
 (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.
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 - (iv) Failure to operate investment must be notified to the Centre
 - (v) Changes in shareholding, project activities and level of invested capital must be notified to the centre

15. Additional conditions attached to Certificate
Finished goods are not allowed under this Certificate

Signed 
Executive Director

TIC



P O Box 5093 Tanga Tel 027 2643620 Fax 027 2646318 Email sandalitz@yahoo.co.uk

Commissioner of Customs & Excise
Tanzania Revenue Authority
P.O. Box 9053
Dar es Salaam

Received on
09/11/2014
M
TIC/TIC

UFS
Executive Director
Tanzania Investment Centre
P.O. Box 938
Dar es Salaam



9th January 2014

Dear Sir

Re: Duty & VAT Exemption on Capital/Deemed Capital Goods for Certificate of Incentives no 041603-01/00220475

We are TIC approved project with Certificate of Incentives No: 041603-01/00220475 which is valid up to August 2016.

The Company has been registered with objectives of expanding Sawmill and Timber Processing.

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

Yours sincerely

Dr Azim Fazal
Director
Sandaliz Wood Industries Limited

The World's First Certified Blackwood Sawmill
Winner - Presidential Manufacturer Of The Year 2007/8 Award – Wood and Printing
Winner - Most Innovative SME In Africa Award 2007

verified & true copy
of the Original
Signature *[Signature]*
Date 4/12/2013



00220475

For: Executive Director
Tanzania Investment Centre

THE UNITED REPUBLIC OF TANZANIA

Certificate of Incentives

(Section 17 of the Tanzania Investment Act, 1997)

041603-01

No:

This is to certify that

SANDALI WOOD INDUSTRIES LTD

P.O. BOX 5093

of address

TANGA

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~~XXXXXXXXXXXX~~ enterprise known as

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Which is located at

TANGA

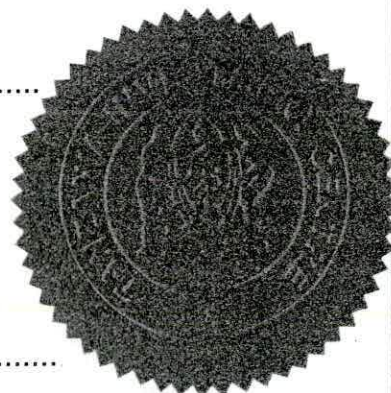
Further particulars required by Section 17 of the Tanzania Investment Act are set out overleaf.

Executive Director

Tanzania Investment Centre
P.O. Box 938, Dar es Salaam

2ND DECEMBER 2013

Dated



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1. Shareholders

	Nationality	Shareholding (%)
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Azim Fazal	British	45.5

2. Proposed Activities : **To expand timber processing facility and sawmill plant**

3. Sector: **Manufacturing** Subsector **Sawmill and Timber Processing**

4. Investment cost: Foreign **—** Local **USD 4.489m.** Total **USD 4.489m.**

5. Project Financing: Equity **USD 3.019m.** Loans **USD 1.47m.** Total **USD 4.489m.**

6. Source, terms and conditions of loan.....

7. Assets to be invested:

Capital items:	Foreign	Local	Total
	—	USD 4.489m.	USD 4.489m.

8. Technology Agreement **None**

9. Date of TIC Registration: **13th September 2013**

10. Implementation period **September 2013 - August 2016**

11. Operative date **September 2016**

12. Investment Incentive Grade: As defined in part III Section 19 (1), (2) and Section 20 of the Tanzania Investment Act, 1997
 - (i) Applicable Import Duty **And VAT as per Customs Tariff Act, 1976 & VAT Act, 1997**
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 - (v) Changes in shareholding, project activities and level of invested capital must be notified to the centre

15. Additional conditions attached to Certificate **Finished goods are not allowed under this Certificate**

Signed 
Executive Director



TANZANIA REVENUE AUTHORITY

Certificate of Registration for Value Added Tax (VAT)

(ISSUED UNDER SECTION 20 OF THE VALUE ADDED TAX ACT NO. 24 OF 1997)

THIS IS TO CERTIFY THAT

SANDALI WOOD INDUSTRIES LTD

WHOSE TAXPAYER IDENTIFICATION NUMBER (TIN) IS

100-160-250

HAS BEEN REGISTERED FOR VALUE ADDED TAX (VAT)

AND ASSIGNED VAT REGISTRATION NUMBER (VRN)

29-004094-B

FOR BUSINESS LOCATED AT PLOT NO. LO 62728
GOFU CHINI

WITH EFFECT FROM 1st July 1998

GIVEN UNDER MY HAND

THIS 29th **DAY OF** May **1998**


COMMISSIONER FOR VAT



NOTE: THE REQUIREMENTS UNDER WHICH THIS CERTIFICATE IS ISSUED ARE STATED OVERLEAF

CTIN: 0454969



TANZANIA REVENUE AUTHORITY

CERTIFICATE OF REGISTRATION

FOR

TAXPAYER IDENTIFICATION NUMBER (TIN)

(ISSUED UNDER SECTION 133 OF THE INCOME TAX ACT NO. 11 OF 2004)


THIS IS TO CERTIFY THAT

SANDALI WOOD INDUSTRIES LTD.

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

100-160-250

with effect from 01-Jul-1999


JOANNES N. A. MALLY

OFFICIAL SEAL

COMMISSIONER FOR DOMESTIC REVENUE

NOTE: THE REQUIREMENTS UNDER WHICH UNDER WHICH THIS CERTIFICATE IS ISSUED ARE STATED OVERLEAF

**SANDALI WOOD INDUSTRIES LIMITED - P O BOX 5093 TANGA
TANZANIA INVESTMENT CENTRE LIST 2013 RENEWAL**

USD 1,999,425.50

STRUCTURE/BUILDING/OFFICE

PRICE IN USD

PARTICULARS	UNIT	QTY	UNIT PRICE	TOTAL PRICE	QTY USED	REQUISITION NO	
						REMAINS	
REINFORCED STEEL GIRDERS 100-300MM IN TONNES	TONNES	800	495.00	396,000			
CLADDING SHEETS	METRE	5000	1.12	5,600			
CEMENT	TONNES	1200	110.00	132,000			
GROUT	EA	50	2.00	100			
HOLLOW SECTIONS FROM 25MM TO 100MM 3MM TO 6MM GAUGE 6 METRES LONG	EA	3000	7.00	21,000			
ROOFING AND CLADDING SHEETS LENGTH FROM 3METRES TO 12 METRES	EA	700	8.02	5,614			
FLOOR AND WALL TILES IN SQUARE METRES	EA	1000	9.00	9,000			
ALUMINIUM WINDOWS ASSORTED SIZES	EA	50	23.00	1,150			
BATHROOM TOILET AND SHOWER ACCESSORIES AND FITTINGS	EA	25	78.50	1,963			
FLAT BAR 1-6", THICKNESS 10 MM	TONNES	5.0	440.00	2,200			
FLAT BAR 1-6", THICKNESS 8 MM	TONNES	5.0	440.00	2,200			
FLAT BAR 1-6", THICKNESS 6 MM	TONNES	5.0	440.00	2,200			
FLAT BAR 1-6", THICKNESS 4 MM	TONNES	5.0	440.00	2,200			
FLAT BAR 1-6", THICKNESS 3 MM	TONNES	5.0	440.00	2,200			
ANGLE IRON 3/4" X 3/4", THICKNESS TO 6" X 6" 3MM TO 6MM GAUGE	EA	500	2.10	1,050			
WC EUROPEAN TYPE COMPLETE	EA	10	10.50	105			
WC ASIAN TYPE COMPLETE	EA	10	5.25	53			
HAND WASH BASIN COMPLETE	EA	8	9.75	78			
KITCHEN SINK COMPLETE	EA	12	8.25	99			
HIGH LEVEL FLUSHING CISTERN	EA	15	3.75	56			
LOW LEVEL FLUSHING CISTERN	EA	15	9.75	146			
IMERSION HEATERS	EA	4	31.50	126			
URINAL SLAB TYPE	EA	10	37.00	370			
URINAL BOWL TYPE	EA	10	21.00	210			
AUTOMATIC FLUSHING CISTERN	EA	4	15.75	63			
SECURITY FENCING WROUGHT IRON COMPONENTS	EA	2200	1.80	3,960			

TANZANIA INVESTMENT CENTRE LIST 2013 RENEWAL

USD 1,999,425.50

STRUCTURE/BUILDING/OFFICE**PRICE IN USD**

PARTICULARS	UNIT	QTY	PRICE IN USD		QTY USED	REMAINS	REQUISITION NO
			UNIT PRICE	TOTAL PRICE			
SINGLE AND THREE CORE CABLE FROM 1.5 TO 90 SQMM	ROLLS 100METRES	23	314.00	7,222			
TIG WELDING MACHINE	EA	2	143.00	286			
ARC WELDING MACHINE	EA	2	111.00	222			
ANGLE GRINDER (ASSORTED)	EA	5	19.54	98			
WELDING RODS	BOX	500	1.10	550			
TOOL BOXES WITH ASSORTED TOOLS AND ACCESSORIES	EA	10	52.50	525			
HYDRAULIC JACK 20 TONNES	EA	5	20.00	100			
HYDRAULIC JACK 10 TONNES	EA	5	15.00	75			
HYDRAULIC JACK 5 TONNES	EA	5	10.00	50			
HYDRAULIC JACK 2 TONNES	EA	5	8.00	40			
HYDRAULIC JACK 1/2 TONNE	EA	5	8.00	40			
AIR COMPRESSORS	EA	15	93.00	1,395			
TOYOTA 4 WHEEL DRIVE PICK UP OR HARD TOP	EA	4	31,000.00	124,000			
INDUSTRIAL AIR CONDITIONERS FOR LOGGING AND MACHINE OPERATOR'S CABINETS	EA	10	235.00	2,350			
OFFICE DESK	EA	15	55.00	825			
OFFICE CHAIRS	EA	15	21.00	315			
MOTORBIKES FOR FOREST FOLLOW UP WORK	EA	4	800.00	3,200			
PHOTOCOPIER	EA	6	375.00	2,250			
TYRES FROM 900-20 TO 1300-20 FOR LOGGING VEHICLES	EA	50	200.00	10,000			
ROOFING TILES	EA	10000	0.14	1,350			
ARMOURED CABLE 4 CORE, 95 SQ MM,	METRE	1000	9.40	9,400			
ARMOURED CABLE 4 CORE, 70 SQ MM,	METRE	1000	8.15	8,150			
ARMOURED CABLE 4 CORE, 50 SQ MM,	METRE	1000	7.66	7,660			
ARMOURED CABLE 4 CORE, 35 SQ MM,	METRE	1000	6.78	6,780			
ARMOURED CABLE 4 CORE, 25 SQ MM,	METRE	1000	4.62	4,620			
ARMOURED CABLE 4 CORE, 16 SQ MM,	METRE	1000	0.75	750			

TANZANIA INVESTMENT CENTRE LIST 2013 RENEWAL

USD 1,999,425.50

STRUCTURE/BUILDING/OFFICE**PRICE IN USD**

PARTICULARS	UNIT	QTY	PRICE IN USD		QTY USED	REMAINS	REQUISITION NO
			UNIT PRICE	TOTAL PRICE			
ARMoured CABLE 4 CORE, 10 SQ MM,	METRE	1000	3.60	3,600			
ARMoured CABLE 4 CORE, 6 SQ MM,	METRE	1000	0.75	750			
ARMoured CABLE 4 CORE, 4 SQ MM,	METRE	1000	3.60	3,600			
ARMoured CABLE 4 CORE, 2.5 SQ MM	METRE	1000	0.75	750			
DISTRIBUTION BOARD MIXED CAPACITY (3 PHASE)	EA	14	157.50	2,205			
FUSED SWITCH 63 AMPS, (3 PHASE)	EA	5	40.50	203			
PANEL VOLT METER & AMP METER	EA	1	157.50	158			
LIGHT FLUORESCENT TWIN ASSORTED SIZES WITH COVERS	EA	100	4.50	450			
2 GANG 1 WAY SWITCH	EA	200	0.90	180			
TWIN SOCKETS 13 AMPS	EA	250	1.58	394			
WALKIE TALKIE LICENSE FREE HAND HELD RADIO SETS WITH ACCESSORIES	SETS	20	14.11	282			
WALKIE TALKIE LICENSE FREE HELMET INCORPORATED RADIO SETS WITH ACCESSORIES	SETS	20	21.00	420			
POWER TOOLS ELECTRIC DRILL JIGSAW SCREWDRIVER PLANER SANDER ANGLE GRINDER	SETS	10	315.00	3,150			
POWER TOOLS PNEUMATIC DRILL JIGSAW SCREWDRIVER PLANER SANDER ANGLE GRINDER	SETS	10	285.00	2,850			
TOOL BOX INCLUSIVE OF ASSORTED SPANNERS HAMMERS SAWS AND SCREWDRIVERS	SETS	5	105.00	525			
SAWMILLING REQUIREMENTS							
SAW BLADES 25MM BORE	EA	500	11.17	5,585			
SAW BLADES 30MM BORE	EA	500	12.85	6,425			
SAW BLADES 45MM BORE	EA	500	17.11	8,555			
SAW BLADES 50MM BORE	EA	500	23.65	11,825			
SAW BLADES 60MM BORE	EA	500	26.27	13,135			
SAW BLADES 70MM BORE	EA	500	29.55	14,775			
TCT BLACE TIPS PER 1000	BOX	5000	5.00	25,000			
INSERTED TEETH FOR SAWBLADES PER 500	BOX	1000	5.00	5,000			
CHAINSAW CHAINS TCT	METRES	1000	0.09	90			
CHAINSAW CHAINS	METRES	1000	0.04	40			

TANZANIA INVESTMENT CENTRE LIST 2013 RENEWAL

USD 1,999,425.50

STRUCTURE/BUILDING/OFFICE**PRICE IN USD**

PARTICULARS	UNIT	QTY	UNIT PRICE	TOTAL PRICE	QTY USED	REQUISITION NO	
						REMAINS	
CHAINSAWS WITH BARS AND CHAINS	EA	10	115.00	1,150			
HEATSHRINK MACHINES WITH ACCESSORIES	EA	3	165.00	495			
TUNNEL WRAP MACHINE WITH ACCESSORIES	EA	3	187.00	561			
STRAPPING AND PACKAGING MACHINE WITH ACCESSORIES	EA	3	77.00	231			
BARCODER MACHINE WITH ACCESSORIES	EA	3	390.00	1,170			
BARCODE PRINTING MACHINE WITH ACCESSORIES	EA	3	410.00	1,230			
LOGGING RATCHET STRAPS	EA	50	2.77	139			
LOGGING SLINGS	EA	50	0.75	38			
LOG SECURE BUNDLE STRAPS	EA	50	0.50	25			
LOG SECURE RATCHET STRAPS	EA	50	1.56	78			
LOG SECURE SLINGS	EA	50	3.10	155			
<u>SAWMILLING/LOGGING HEAVY PLANT REQUIREMENTS</u>							
LAMPARQUET COMPLETE LINE WITH TOOLING AND ACCESSORIES	EA	10	1,550.00	15,500			
FINGER PARQUET COMPLETE LINE WITH TOOLING AND ACCESSORIES	EA	10	1,100.00	11,000			
INDUSTRIAL PARQUET COMPLETE LINE WITH TOOLING AND ACCESSORIES	EA	10	950.00	9,500			
VIOLIN PEG LINE COMPLETE LINE WITH TOOLING AND ACCESSORIES	EA	10	1,800.00	18,000			
PLATE AND BOWL TURNING LINE WITH TOOLING AND ACCESSORIES	EA	10	2,300.00	23,000			
EGG CUP TURNING LINE WITH TOOLING AND ACCESSORIES	EA	10	1,100.00	11,000			
BALUSTRADE TURNING LINE WITH TOOLING AND ACCESSORIES	EA	10	900.00	9,000			
TRIVETS MILLING LINE WITH TOOLING AND ACCESSORIES	EA	10	900.00	9,000			
WOODEN TOYS LINE WITH TOOLING AND ACCESSORIES	EA	10	450.00	4,500			
WOOD DOUBLE END DRILLING TURRET BORING MACHINES WITH TOOLING AND ACCESSORIES	EA	10	2,100.00	21,000			
WOOD MILLING AND SHAPING MACHINES WITH TOOLING AND ACCESSORIES	EA	10	280.00	2,800			
LOG CRANE FORWARDERS COMPLETE WITH ACCESSORIES	EA	6	465.00	2,790			
LOG CRANE KNUCKLE BOOMS COMPLETE WITH ACCESSORIES	EA	7	775.00	5,425			
LOG CRANE TIMBER GRAPPLES COMPLETE WITH ACCESSORIES	EA	9	380.00	3,420			

TANZANIA INVESTMENT CENTRE LIST 2013 RENEWAL

USD 1,999,425.50

STRUCTURE/BUILDING/OFFICE**PRICE IN USD**

PARTICULARS	UNIT	QTY	UNIT PRICE	TOTAL PRICE	QTY USED	REMAINS	REQUISITION NO
LOG CRANE LOG GRAPPLES COMPLETE WITH ACCESSORIES	EA	6	930.00	5,580			
LOG CRANE TRAILER COMPLETE WITH ACCESSORIES	EA	6	650.00	3,900			
LOG CRANES COMPLETE WITH ACCESSORIES	EA	12	890.00	10,680			
LOGGING FORWARDING VEHICLES 4X4 2.5TONNES WITH ACCESSORIES INCLUDING CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	2,500.00	25,000			
LOGGING FORWARDING VEHICLES 4X4 5-10TONNES WITH ACCESSORIES INCLUDING CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	3,500.00	35,000			
LOGGING FORWARDING VEHICLES 4X4 7TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	4,000.00	40,000			
LOGGING FORWARDING VEHICLES 4X4 10-30TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	4,500.00	45,000			
LOGGING FORWARDING VEHICLES 6X6 2.5TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	2,500.00	25,000			
LOGGING FORWARDING VEHICLES 6X6 5-10TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	3,500.00	35,000			
LOGGING FORWARDING VEHICLES 6X6 10-30TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	4,000.00	40,000			
LOGGING FORWARDING VEHICLES 8X8 2.5TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	4,500.00	45,000			
LOGGING FORWARDING VEHICLES 8X8 5-10TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	4,500.00	45,000			
LOGGING FORWARDING VEHICLES 8X8 10-30TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	6,800.00	68,000			
LOGGING LORRIES 4X4 2.5TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	2,050.00	20,500			
LOGGING LORRIES 4X4 5TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	3,350.00	33,500			
LOGGING LORRIES 4X4 7TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	3,800.00	38,000			
LOGGING LORRIES 4X4 10TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	4,650.00	46,500			
LOGGING TIPPING LORRIES 4X4 5TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	2,350.00	23,500			
LOGGING TIPPING LORRIES 4X4 7TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	2,700.00	27,000			

TANZANIA INVESTMENT CENTRE LIST 2013 RENEWAL

USD 1,999,425.50

STRUCTURE/BUILDING/OFFICE**PRICE IN USD**

PARTICULARS	UNIT	QTY	PRICE IN USD		QTY USED	REMAINS	REQUISITION NO
			UNIT PRICE	TOTAL PRICE			
LOGGING TIPPING LORRIES 4X4 10TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	5,300.00	53,000			
LOGGING LORRIES 4X4 15-30TONNES WITH OR WITHOUT CRANE AND TRAILER ATTACHMENT COMPLETE WITH ACCESSORIES	EA	10	7,750.00	77,500			
SAW SHARPENER	EA	4	555.00	2,220			
POWER GENERATOR ON OR OFF SANKEY TRAILER 27 - 200KVA	EA	5	650.00	3,250			
DUMPERS 1 TONNE - 9 TONNE CAPACITY COMPLETE WITH ACCESSORIES	EA	12	300.00	3,600			
DUST COLLECTOR WITH ACCESSORIES	EA	12	250.00	3,000			
WHEELED COMPACTOR WITH ACCESSORIES	EA	3	300.00	900			
KILN LINE WITH ACCESSORIES	EA	3	8,000.00	24,000			
TIMBER TREATMENT LINE WITH ACCESSORIES	EA	3	4,500.00	13,500			
EXCAVATOR WITH ACCESSORIES	EA	3	1,100.00	3,300			
CRANE WITH ACCESSORIES	EA	4	7,000.00	28,000			
FORKLIFTS WITH ACCESSORIES	EA	6	1,200.00	7,200			
CEMENTMIXERS WITH ACCESSORIES	EA	6	500.00	3,000			
BRICK MAKING MACHINES WITH ACCESSORIES	EA	6	500.00	3,000			
PNEUMATIC/HYDRAULIC CYLINDERS AND VALVES WITH ACCESSORIES LIKE MOUNTING AND FITTINGS	EA	1000	0.92	916			
PNEUMATIC/HYDRAULIC VALVE AND REGULATORS WITH ACCESSORIES	EA	1000	5.69	5,686			
CANTEEN REQUIREMENTS							
GALVANISED WIRE 6MM AND 8MM	100metres	24	73.00	1,752			
WELDMESH GALVANISED	EA	121	18.00	2,178			
POP RIVET AND POP RIVETTOR	EA	3	32.00	96			
CASTOR WHEELS	EA	500	3.00	1,500			
STAINLESS STEEL SHEETS 1MM TO 6MM	EA	30	214.00	6,420			
GALVANISED STEEL SHEETS	EA	30	54.00	1,620			
ANGLE IRON 1"-4"	EA	300	14.65	4,395			
OIL PAINTS, RED OXIDE AND THINNER PAINTS	EA	750	3.00	2,250			

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STRUCTURE/BUILDING/OFFICE

PRICE IN USD

PARTICULARS	UNIT	QTY	PRICE IN USD		QTY USED	REMAINS	REQUISITION NO
			UNIT PRICE	TOTAL PRICE			
FRIDGES, COOLERS AND FREEZERS	EA	12	770.00	9,240			
GRIDDLES FRYERS AND OVENS	EA	12	720.00	8,640			
CHAIRS AND TABLES FOR CANTEEN	EA	200	4.25	850			
COFFEE TRAY WIRE	100metres	35	53.00	1,855			
PLASTIC TRAYS, PLASTIC FOOD CONTAINERS (DISPOSABLES) PLASTIC UTENSILS (DISPOSABLE)	EA	50000	0.18	9,000			
CONDUIT PIPES	EA	500	1.50	750			
WATER QUICK FIT NIPPLES	EA	500	0.25	125			
WATER QUICK FIT CONNECTORS	EA	500	0.25	125			
WATER QUICK FIT PIPES	100metres	50	75.00	3,750			
GALVANISED PIPES 1"-3"	EA	100	14.00	1,400			
PLASTIC BAGS	EA	100000	0.01	1,000			
MEAT CLEAVERS, SLICERS, MINCERS, DOUGH MIXERS INDUSTRIAL	EA	6	1,500.00	9,000			
BAKING TRAYS	EA	24	12.00	288			
BUCKETS DRINKERS	EA	100	14.00	1,400			
FLOOR CARPETS	SQ METRES	1000	5.80	5,800			
WHEEL DUST BIN	EA	50	8.00	400			
FOOD CONTAINER AND SERVIETTES	EA	50000	0.20	10,000			
PLASTIC SHEETS	EA	1200	0.50	600			
PLASTIC APRONS	EA	10000	0.07	700			
GUMBOOTS AND BOOTS	PAIRS	500	3.40	1,700			
GLOVES, DISPOSABLE HEAD CAPS, OVERSHOE PROTECTORS, COATS	EA	10000	0.09	900			
CUTLERY AND SKEWERS	EA	1000	1.00	1,000			
BUCKETS AND PLASTIC BASINS	EA	200	1.00	200			
GAS AND ELECTRIC COOKERS	EA	12	150.00	1,800			
PLATES AND DISPOSABLE PLATES	EA	3500	2.10	7,350			
HAND DRYERS	EA	12	50.00	600			
SOAP DISPENSORS	EA	35	4.00	140			

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STRUCTURE/BUILDING/OFFICE

PRICE IN USD

PARTICULARS	UNIT	QTY	UNIT PRICE	TOTAL PRICE	QTY USED	REMAINS	REQUISITION NO
UNIFORMS AND CANTEEN STAFF WASTECOATS	EA	1000	7.00	7,000			
LOCKERS	EA	50	4.35	218			
DEEP PANS, FRYING PANS, SAUCEPANS	EA	50	5.00	250			
<u>PERSONAL PROTECTIVE EQUIPMENT</u>							
PPE GLOVES, EYE PROTECTORS, EAR PROTECTORS, RESPIRATORY PROTECTORS, HELMETS	10S	10000	0.29	2,904			
GLOVES AND BOOTS	10S	500	0.20	101			
<u>ENVIRONMENT AND SECURITY</u>							
INTERNET CONNECTIVE CCTV AND GPS SYSTEMS	EA	50	55.00	2,750			
				-			

TICC/PP.10/041603-01/8

16/01/2014

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

Dear Sir,

**RE: DUTY AND VAT REMISSIONS ON CAPITAL/ DEEMED
CAPITAL GOODS – CERTIFICATE OF INCENTIVES NO:
041603-01**

M/S Sandali Wood Industries Limited is a TIC registered company with certificate of incentives **No. 041603-01** which is valid up to **August 2016**

The company has been registered with objectives of expanding timber processing facility and sawmill Plant.

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

Yours sincerely

TANZANIA INVESTMENT CENTRE


N.A. Senzia

FOR: EXECUTIVE DIRECTOR