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 - Review of the  
 Industry (2)  
 Report

PRIME MINISTER'S OFFICE  
 TANZANIA INVESTMENT CENTRE

FILE BEGINS	ENDS	PART
FILE TITLE	FILE NUMBER	TIC/
<b>CONFIDENTIAL</b>		PP-10
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TIC	INDEX HEADINGS	

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	en	5/3/09						
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DIF	F	en	29/5/09						

PART  
 FILE NUMBER  
 TIC  
 PP-10 0416663

AFRITEA & COFFEE  
BLENDERS (1963) LTD

**THE COMPANIES ACT  
(CAP. 212)**

**COMPANY LIMITED BY SHARES**

**Memorandum**

**and**

**Articles of Association**

**of**

**AFRI TEA AND COFFEE  
BLENDERS (1963) LIMITED**

**Drawn by:**

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**Dar Es Salaam**

**The Companies Act  
(Cap. 212)**

**A Private Company Limited by Shares**

**Memorandum of Association**

**Of**

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**Afri Tea and Coffee Blenders (1963) Limited**

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1. The name of the Company is **Afri Tea and Coffee Blenders (1963) Limited**.
2. The registered offices of the Company will be situated in the mainland Tanzania.
3. The objects for which the Company is established are **to carry on any trade or business whatsoever as a general commercial company without limitation** and including (but not limited to) the following:
  - 3.1 To carry on, engage, deal and invest in the business and projects for marketing, selling, developing, producing, manufacturing, packing, blending, distributing and supplying tea, coffee, cocoa and nuts;
  - 3.2 To invest, either on its own or through joint ventures or by subsidiaries, in the development projects relating to producing, processing, importing, exporting, manufacturing, packing, - blending, distribution, supply and marketing of tea, coffee, cocoa and other food beverages, and engage in the designing, planning, conception and development of tea, coffee, cocoa and other food beverages growing and producing projects.
  - 3.3 To carry on any business which may seem to the Company capable of being conveniently carried on in connection with any of the business of the Company or calculated directly or indirectly to enhance the value of or render profitable any of the Company's rights.
  - 3.4 To acquire and undertake the whole or any part of the business property and liabilities of any person, firm or Company carrying on any business which the Company is authorized to carry on, or possess property suitable for the purpose of this Company.
  - 3.5 To purchase, lease or otherwise acquire, and to hold, sell, improve, develop, exchange, mortgage or otherwise dispose of any lands, buildings, machinery or plants, mills, factories, warehouses or any hereditament in connection with the business of the Company.



- 3.6 To enter into any arrangements with any Government or authorities (supreme, municipal, local or otherwise) or any corporations, companies or persons having objects that may seem conducive to the Company's objects or any of them, and to obtain from any such Government, Authority, Corporation, Company or person, any franchise, characters, contracts, decrees, rights, privileges and concessions which the Company may think desirable, and to carry out, exercise and comply with any such characters, contracts, decrees, rights, privileges and concessions.
- 3.7 To enter into partnership or any arrangements for sharing profits, union or interests, co-operation, joint venture, reciprocal, concession, or otherwise with any persons, firm or Company carrying on or engaged in or about to carry on any business or transaction which this Company is authorised to carry on, or engage in, or any business or transaction capable of being conducted so as directly or indirectly to benefit this Company. And to lend money to, guarantee the contracts of, or otherwise assist any such shares and securities of any such Company, and to sell, hold, reissue with or without guarantee, or otherwise, deal with the same.
- 3.8 To promote any other Company for the purpose of acquiring all or any of the property and undertaking, or any of the liabilities of this Company of undertaking any business or operation which may appear likely to assist or benefit this Company, or to enhance the value of the property or business or this Company and to place or guarantee the placing of, underwrite, subscribe for or otherwise acquire all or any part of the shares or securities of each Company as aforesaid.
- 3.9 To lend and advance money or give credit to such persons, firm or companies and on such terms as may seem expedient, and in particular to customers and others having dealings with the Company, and to give guarantee to become surety for the due payment of money for the performance of any obligations or liabilities.
- 3.10 To raise and borrow money by the issue of shares, stocks, debentures, debenture stocks, bonds, obligations, deposit notes and otherwise howsoever, and to invest the money so raised and borrowed or any other moneys of the Company not immediately required upon each security and in such manner as may from time to time be determined, and to vary such investments of the Company as may be deemed reasonable.
- 3.11 To receive money or deposit or loan and borrow or raise money in such manner as the Company shall think fit, and in particular by the issue of debenture stock (perpetual or otherwise) and to secure the repayment of any money borrowed, raised or owing by mortgage, charge or lien and to secure and guarantee the performance by the Company or any other person or Company of any obligation undertaken by the Company or any other person or Company as the case may be.

- 3.12 To sell or otherwise dispose of the whole or any part of the business or property of the Company, either together or in portions, for such consideration as the Company thinks fit, and in particular for shares, debentures, or securities of any Company purchasing the same.
- 3.13 To purchase or otherwise acquire letters, patent, brevets d'invention, trade and service marks, intellectual property rights, concessions, licences, rights and privileges, subject to royalty or otherwise, and whether exclusive or non-exclusive or limited, or any part interest in such letters, marks, patent, brevet d'invention, concessions, licences, rights and privileges, whether in Tanzania or in any other part of the world.
- 3.14 To take all necessary and proper steps with the authorities, national, local, international, foreign, municipal, or otherwise, of any place in which the Company may have interests, and to carry on any negotiations or operations for the purpose off directly or indirectly carrying out the objects of the Company or effecting any modification in the constitution of the Company or furthering the interest of its members, and to oppose any steps taken by any other Company or persons which may be considered likely and directly, to prejudice the interest of the Company or its members.
- 3.15 To provide information, management, supervision or control of the business or operations of any Company, and for that purpose to act as directors, engineers, consultants, administrators, Managers, secretaries or any other capacity and to appoint and remunerate any directors, administrators, managers, accountants or other experts or agents.
- 3.16 To purchase, sell, subscribe for, underwrite, or otherwise acquire and hold shares, stocks or other interests in, or obligations of any other Company or corporation.
- 3.17 To distribute among the members of the Company in kind and property of the Company, and in particular any shares or securities of other companies belonging to this Company.
- 3.18 To act as agents or brokers and as trustees for any person or Company and undertake and perform subcontracts and to do all or any other the above business in any part of the world, and either as principals, agents, trustees contractors or otherwise, and either alone or jointly with others and either by or through agents, sub-contractors, trustees or otherwise.
- 3.19 To do all such other things as the Company believes to be incidental to or conducive to the attainment of all or any of the above objects.

And it is hereby declared that the word "**Company**" in this clause, except where used in reference to the Company herein formed, shall be deemed to include any partnership or other body of persons, whether corporate or unincorporated, and whether domiciled in the United Republic of Tanzania or elsewhere, and the objects specified in each of the paragraphs of this clause shall be regarded as independent objects, and accordingly shall in no way be

limited to or restricted (except where otherwise expressed in such paragraphs) by reference to or inference from the terms of any other paragraph or the name of the Company.


4. The liability of the Members is limited.
5. The share capital of the Company is Tanzania shillings Ten Billion (Tshs. 10,000,000,000/-), divided into 10,000,000 shares of Shillings 1,000 each. The Company shall have power to divide the original or any increased capital into several and to attach thereto any preferential, deferred, qualified or other special rights, privileges, restrictions or conditions. The Company shall by a resolution of members have the power to amend or modify any of the conditions contained in this Memorandum of Association.

Names, Address and Descriptions Of Subscribers	Number of Shares taken	Seal of Subscribers
<b>Furaha Trading Co. Limited</b> P O Box 9574 Dar es Salaam Tanzania	51	
<b>Kito General Trading Company Limited</b> P O Box 747 Dar es Salaam Tanzania	49	

Dated at Dar es Salaam this 02 day of Sept 2008.

**WITNESS to the above seals/signatures:**

**Signature:**

  
 .....  
 Notary Public & Commissioner for Oaths  
 P.O. Box 13148 - Dar es Salaam

**Postal Address:**

.....  
 .....

**Qualification:**

**Advocate/Notary Public**

The Companies Act  
(Cap. 212)

A Private Company Limited by Shares

Articles of Association

Of

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**Afri Tea and Coffee Blenders (1963) Limited**

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**Preliminary**

- 1 The regulations contained in Table A in the first schedule to the Companies Act Cap. 212 shall not apply to the Articles of this Company save as the same are hereby repeated or contained.
- 2 In these regulations the words standing in the first column of the table next following shall bear the meanings set opposite to them respectively in the second column thereof in so far as the same are not inconsistent with the subject or content:

<b>The Act</b>	-	means the Companies Act (Cap. 212) of the laws of Tanganyika or any replacement or amendment thereof.
<b>Associate</b>	-	means, in relation to a body corporate, any of its subsidiaries, any of its holding companies or any subsidiary of any of its holding companies.
<b>Auditors</b>	-	means the auditors of the Company from time to time appointed;
<b>Calendar</b>	-	means Calendar month
<b>Company</b>	-	means <b>Afri Tea and Coffee Blenders (1963) Limited</b> being a Company incorporated in Tanzania.
<b>The Directors</b>	-	means the Directors for the time being of the Company acting as a Board in proper meetings duly called and constituted.
<b>Fair Value</b>	-	means the transfer price of Shares in the Company to be determined by the external auditors of the Company as specified under these Articles.
<b>The Office</b>	-	means the registered office of the Company.

- Persons** - shall include Corporations
- Proxy** - shall include an attorney duly appointed under a power of Attorney.
- The Secretary** - means any person appointed to perform the duties of the Secretary of the Company.

**The United Republic of Tanzania** - means Tanzania Mainland

Words importing the singular shall mean plural and vice versa

Words importing the masculine gender shall include the feminine gender

Except as aforesaid, any words or expressions contained in these regulations, except where the subject or context forbids, shall bear the same meaning as in the Act or any statutory modification thereof in force at the date at which the regulations become binding on the Company.

### **Private Company**

- 3 The Company is a Private Company and accordingly:
  - 3.1 the right to transfer shares is restricted in the manner hereinafter prescribed;
  - 3.2 the number of members of the Company (exclusive of persons who are in the employment of the Company and of persons who having been formerly in the employment of the Company were, while in such employment of the Company, and have continued, after the termination of such employment, to be members of the Company) is limited to fifty.
 

**Provided that** where two or more persons hold one or more shares in the Company jointly they shall for the purpose of this Regulations be treated as a single member;
  - 3.3 the Company shall not have power to issue share warrants to bearer;
  - 3.4 any invitation to the public to subscribe for any shares or debenture of the Company is prohibited.

### **Share Capital**

- 4 The authorised share capital of the Company is Tanzania Shillings Ten Billion (TShs. 10,000,000,000) divided into Ten Million (10,000,000) Ordinary Shares of Tanzania Shillings One Thousand (TShs. 1,000) each.
- 5 The Shares are nominative, of one sole series, indivisible and of the same face value each, numbered consecutively, and grant all of them the same economic rights and obligations.

## **Share Title and Share Certificates**

- 6 The Shares may be represented by means of title thereto or certificates attesting ownership title to one, several or all of the Shares owned by each shareholder as such shareholder may request.
- 7 In the event of loss, theft or destruction of a title or certificate, at the request of the corresponding shareholder, the Company shall replace it and deliver a duplicate to the owner registered in the Book Registry of Shares, where it shall be stated its nature of duplicate and that will void the share or certificate replaced.
- 8 Both the titles to the Shares and the certificates shall contain the following information:
  - 8.1 the Company's name and registered address;
  - 8.2 Number of the share or of the certificate and, in the latter case, numbering and amount of the Shares represented thereby;
  - 8.3 The face value of each share and the face value of the Shares represented by the title or the certificate;
  - 8.4 The amount of the capital which has been paid up of their face value or that the Shares have been fully paid up;
  - 8.5 The full name or Company name of the holder of such share;
  - 8.6 When appropriate, its condition as a duplicate;
  - 8.7 Mention of any transfer of ownership title or any charge, pledge or encumbrance on the Shares.
- 9 The titles to the Shares or the certificates shall be issued under the signature of the Chairman and the Secretary of the Board of Directors and shall be sealed by the Company seal.

## **Rights of the Shareholders**

- 10 Each share grants to its holder the following rights:
  - 10.1 The right to attend and to vote at the General Shareholders Meetings; each share grants the right to one vote in the terms and conditions provided in the present Articles of Association;
  - 10.2 the right to participate, pro rata of its participation in the subscribed share capital, in the distribution of dividends after the balance done at the end of each fiscal year and provided all expenses and responsibilities are covered, as well as in the assets resulting from the liquidation of the Company;
  - 10.3 the pre-emptive right in the event of issuance of new Shares as provided for in these Articles of Association; and

- 10.4 the right to analyse within the thirty (30) days term prior to any Shareholders Meeting the profit and loss accounts, the balance sheet and the management report corresponding to the previous fiscal year and any other financial statements related thereto.

### **Indivisibility Of Shares**

- 11 The Shares are indivisible and, consequently, the Company shall acknowledge a sole holder of each share. In the event of joint owners of Shares, they shall jointly agree to designate which of them shall hold and exercise all the rights and shall assume all the obligations vis-à-vis the Company and until such designation is not made all the rights corresponding to such Shares shall be suspended.

### **Share Register**

- 12 The Company shall keep a Book called a Register of Members, under the control of the Board of Directors of the Company, where inscription of the Shares shall be recorded mentioning the name and registered address of each shareholder, the quantity of Shares held and the numbering thereof, date of issue and numbering of the respective titles or certificates to the Shares, the number of Shares represented by each multiple title or certificate to the Shares, the transfers of Shares and any limitations, pledges, charges, encumbrances or liabilities affecting the Shares.
- 13 The Shareholders of the Company shall have at anytime the right to claim their inscription in the Register of Members and to consult said Register.
- 14 The persons whose names are inscribed in the Register of Members as shareholders of the Company shall enjoy all such rights resulting from such capacity of shareholder. In consequence, the Company shall not recognize such rights to persons not registered in said Register.

### **Restrictions On Encumbrance Of Shares**

- 15 The Shares may not be pledged, endorsed, transferred, or given as guarantee or in any other way encumbered, except for a stipulation to the contrary by the General Meeting of the Company.
- 16 The Company shall not be entitled to lend money accepting as guarantee Shares of the Company itself..
- 17 The shareholders shall register at the Company's office the address of their registered address or business centres, or any change of the same, to which the information and notifications of the Company shall be delivered.

### **Preference Shares**

- 18 Subject to the provision of the Act, any preference shares may, with the sanction of an Ordinary Resolution, be issued on terms that they are, or at the option of the Company are, liable to be guided on such terms and in such manner as the Resolution may determine.

## Variations Of Rights

- 19 If at any time the share capital is divided into different classes of share the right attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, be varied with the consent in writing of the holders of three fourth of the issued shares of that class, or with the sanction of an extraordinary Resolution passed at a separate General Meeting of the holders of the shares of the class. To every such General meeting the provisions of these articles relating to General Meeting shall apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class but so that if at any adjourned meeting of such holder quorum as above defined is not present, those members who are present shall be a quorum and that any holder of shares of the class present in person or by proxy may demand a poll and, on a poll, shall have one vote for each share of the class of which he is the holder.
- 20 The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall unless otherwise expressly provided by the terms of issued shares of that class, be deemed not to be varied by the creation or issued of further shares ranking '*pari passu*' therewith.

## Share Subscription

- 21 At the appropriate time(s) as shall be determined by the Board of Directors the members of the Company shall subscribe for shares in the Company in the proportions of their shareholding.
- 22 The members shall at all the times assure that the Company has adequate funds and/or resources to fully and adequately discharge its obligations.
- 23 The Board of Directors shall from time to time determine the funding requirements of the Company, and shall notify each member of such requirement. Within 30 (thirty) days of said notification, or other such period as may be agreed by the Directors, each member shall pay into the Company's bank account if so required its Relevant Contribution.
- 24 For the funds required for the operations of the Company over and above that sourced from equity contributions from the members, the Company may obtain appropriate external funding to finance any such requirements, including but not limited to supplier financing, local or foreign currency denominated loans, bills, notes or bonds. The members shall establish guidelines for debt to equity ratios consistent with prudent and good business practice for companies similarly situated.
- 25 The members hereby agree that any costs agreed as being incurred by either member in connection with the projects undertaken by the Company may be capitalised as equity for Shares in the Company.

- 26 Unless otherwise agreed by the members each member shall be responsible for all costs of its Directors and/or their alternate in connection with the performance of their duties on the Board of Directors.

### **Increment of Share Capital**

- 27 The Company may by Special Resolution, whether or not all the shares for the time being authorised have been issued, increase its share capital by new shares of such number and class as the Special Resolution prescribes.
- 28 Except as provided in Articles 21 to 26 and Article 34, and any other regulation contained in these Articles, the directors shall have no power to issue unissued shares and shall not allot, grant options or subscription or conversion rights over or otherwise dispose of them unless conferred such rights by a Resolution passed at a General Meeting.

### **Commission**

- 29 The Company may exercise the powers of paying commissions conferred by Section 56 of the Act. Provided that the rate of per centum or the amount of the commission paid, or agreed to be paid, shall be disclosed in the manner required by the said section. The rate of the commission shall not exceed the rate of 10 per centum of the price at which the shares, in respect whereof the same is paid, are issued or an amount equal to 10 per centum of such price (as the case may be). Such commissions may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company shall not give, whether directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with, a purchase or subscription made or to be made by any person of or for any shares in the Company or in its holding Company, nor shall the Company, make a loan for any purpose whatsoever on the security of its shares or those of its holding Company, but nothing in these shall prohibit transactions mentioned in the proviso to section 57 (1) of the Act.

### **Lien**

- 30 The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of that share, and the Company shall also have a first and paramount lien on all shares (other than fully paid shares) standing registered in the name of a single person for all moneys presently payable by him or his estate to the Company; but Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article. The Company's lien (if any) on a share shall extend to all dividends payable thereon.

- 31 The Company may sell, in such manner as the Directors think fit, any shares on which the Company has a lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable, nor until the expiration of sixty days after a notice in writing, stating a demanding of such part of the amount in respect of which the lien exist as is presently payable, has been given to the registered holder for the time being of the share, or the person entitled thereto by a reason of his death or bankruptcy.
- 32 To give effect to any such sale the Directors may authorise some person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in any such transfer, and he shall not be bound to see the application of the purchase money, nor shall his title to the shares be effected by any irregularity or invalidity in the proceedings in reference to the sale.
- 33 The proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue (if any, shall subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.

#### **Calls On Shares**

- 34 Upon subscription of the shares by any member, the shares shall become immediately payable prior to the allotment thereof to the members.
- 35 The Directors may, if they think fit, receive from any member willing to advance the same, all or any part of the moneys uncalled and unpaid upon any shares held by him, and upon all or any of the moneys so advanced may (until the same would, but for such advance, become payable) pay interest at such rate not exceeding (unless the Company in General Meeting shall otherwise direct) 10 per centum per annum, as may be agreed upon between the Directors and the member paying such sum in advance. No members shall be entitled to receive any dividend or to exercise any privilege as a member, until he shall have paid all the calls for the time being due and payable on every shares held by him, whether alone or jointly with any other person together with interest and expenses thereon (if any).

#### **Transfer Of Shares**

- 36 No member shall be entitled to transfer any voting Share held by it/him in the Company or to alienate or dispose of the beneficial ownership of any voting Share otherwise than in accordance with the Articles of Association of the Company or in accordance with the provisions of any agreement of the members.

#### **Pre-Emptive Rights**

- 37 Any member maintaining a minimum of 30% (thirty percent) of the Shares of the Company, shall have the pre-emptive right to subscribe to any new or additional Shares that the Company may issue from time to time (including the authorised but un-issued shares), in proportion to the Shares held by such Shareholder at the time of such issue.

## Restrictions on Transfer

- 38 Notwithstanding any agreement to the contrary and, except as otherwise expressly provided for or when consented to in writing by all the members, or in the case of a pledge or other security given by a Member to secure finance for the activities of the Company or otherwise, the Members mutually covenant and agree not to sell, or assign, or in any other manner transfer title or right to, any of their respective Shares in the Company, or take any action leading to or likely to result in any such sale, assignment or transfer, whether voluntary or otherwise for a period of (unless agreed otherwise by the parties) ten (10) years from the date of adoption of these Articles unless such sale, assignment or transfer is between companies controlled by the Member wishing to take such action or is with the written agreement of the other Member. Following the aforementioned period, the provisions of the Articles below shall apply.
- 39 Where a sale, assignment or transfer of Shares takes place between companies controlled by a Member the transferor of the Shares shall cause the transferee of the Shares to be bound by the terms of any agreement entered between the members *inter se* or by the Company. Any such transfer shall not change or limit the obligations of the Members in respect to their obligations under the any agreement so reached. The sale, assignment or transfer shall not be effective until the transferee executes an agreement in form and substance acceptable to the other Members agreeing to be bound by the relevant terms of the agreement entered between members *inter se* or between the members and the Company affecting the members' rights under these Articles.

## Right of First Refusal

- 40 In the event either Member desires to sell or in any manner dispose of its Shares in the Company, whether in full or in part, the other Member (the "Non-Selling Member") shall have the right of first refusal subject always to the Non-Selling Member wishing to exercise this right maintaining a minimum of 30% (thirty percent) of the Shares of the Company.
- 41 Except for transfer of qualifying Shares to nominee directors of the Members or permitted transfers between companies controlled by a Member in accordance with these Articles, any proposed transfer, sale or assignment of Shares in the Company by a Member, whether in whole or in part, or for valuable consideration or by gratuitous title, shall be subject to the right of first refusal which any of the Members qualifying under these Articles may respectively exercise in the manner provided in these Articles.

### **Exercise Of Right Of First Refusal**

- 42 In the event either Member desires to sell or in any manner dispose of its Shares in the Company, whether in full or in part, either Member, as the case may be, shall first offer them, for a period of 45 (forty five) days, to the other Member, provided always that the Non-Selling Member fulfils the conditions of Article 40 above, at a Fair Value to be determined by the external auditors of the Company (and not the price offered by any third party). The Non-Selling Member on receiving certification from the external auditors of the Fair Value shall have a period of 30 (thirty) days from receipt of the valuation to confirm its acceptance of the resulting transfer price and a period of 60 (sixty) days from confirmation of acceptance to make payment for the Shares offered.

### **Assignment Of Right Of First Refusal**

- 43 Subject to any existing agreement(s) entered between the Members, the Right to first Refusal may not be assigned to any third party or parties without the agreement of all the other Members.

### **Permitted Transfers**

- 44 As provided under these Articles, any Member shall individually each have the right to sell, assign or transfer to third parties their Shares in the Company, whether in whole or in part, provided that the Non-Selling Member, holding a minimum of 35% (thirty five percent) of the Shares of the Company, shall retain the right to approval of the sale, assignment or transfer.

### **Right Of Acquisition Of Shares**

- 45 Any member shall have a preferential right of acquisition in the event of:
- 45.1 The sale by any of the shareholders of their Shares in the Company;
  - 45.2 In the event of the insolvency of any of the shareholders, revealed by the instigation of judicial or extra-judicial proceedings for this purpose.

### **Notice Of Transfer**

- 46 In the event that a shareholder (the "transferor") wishes to sell or transfer all or part of his Shares in the Company, the transferor will offer them to the other party hereto by a notice in writing to the Board of Directors of the Company, specifying the name of the proposed purchaser, the price, the number of Shares which the transferor wishes to sell and other conditions of the transaction proposed (the "notice of transfer").

- 47 Within fifteen (15) days from receipt of the transfer notice, the Board of Directors of the Company will notify the other party hereto in writing concerning the proposed transaction. The other party hereto will have fifteen (15) days from the date of this notice to decide:
- 47.1 Whether he buys the transferor's Shares in the Company, in accordance with the same terms and conditions as the proposed transaction, as described in the transfer notice; or
  - 47.2 Agrees to accept the proposed buyer.
- 48 After the non-transferring party receives the notice from the Board of Directors to which this paragraph refers, the non-transferring party shall choose between:
- 48.1 acquiring the Shares which the transferor proposes to transfer subject to the conditions established in the "transfer notice"; or
  - 48.2 authorise the transferor to transfer the Shares that he proposes to transfer subject to the conditions established in the "transfer notice";

Provided that the preferential acquisition rights above will only be valid if the purchaser exercises them in respect of all the Shares that are the subject of the transfer.

- 49 If the other, non-transferring party, fail to give written notice in time to the Board of Directors of the Company concerning his decision to exercise his preferential acquisition rights, it will be deemed that this other non-transferring party has renounced his preferential acquisition rights and the Board of Directors, will notify the transferor of this expiry within fifteen (15) days following the expiry of the period of fifteen (15) days which the buyer has and the transferor may sell his Shares to the buyer he proposed not later than sixty (60) days after the serving of the notice of transfer, provided that these Shares are sold at the same price and subject to the same conditions as established in the transfer notice. The above will not apply in the case that the buyer is a competitor in which case the non-transferring party will not be compelled to accept the proposed buyer. For these purposes, a competitor is deemed to be any person or Company that carries out, directly or indirectly, all or any of the same activities that are part of the corporate aim of the Company of any Shareholder.
- 50 In any case, it is a condition precedent for the transfer of any share that the buyer agree to be bound by the terms and conditions of the Association Agreement and these Articles of Association, with the amendments or changes which the parties have been able to agree in writing and that have been authorised by law or, where appropriate, as determined by current legislation at that time. The party who transfers his Shares will be jointly and severally liable with the buyer for meeting the provisions of the any Agreement between the members and these Articles of Association.

- 51 Where there is a change in control, when the term "control" means the possession, directly or indirectly, of the power to manage or cause the management of the administration and policies of the party concerned, either by means of ownership of the policy rights or by contractual means or in any other way, of either of the parties hereto, so that the party is not controlled by its current parent Company or by any of its subsidiaries or companies belonging to the same Group, this party must, before making this change, transfer his Shares in the Company to his parent Company or current shareholders.
- 52 If, as a result of any law of Tanzania, regulation of governmental policy, the non-selling party shall not be able to purchase such Shares offered by the other party, the non-selling party may assign its rights to purchase the said Shares to any third party permitted under the laws, regulations and Government policy of Tanzania.

### Procedure On Transfer

- 53 Where a member wishing to transfer the shares has complied with the provisions of these Articles he shall prepare and sign the transfer form in the usual/common form or in such other form as the Directors shall approve, and the same must be left at the registered office of the Company, accompanied by the certificate of the shares to be transferred and such other evidence as the Directors may require to prove the title of the intended transferor. Unless otherwise prescribed by the Directors the following will be the usual or common form of a transfer of shares:

*"I, A.B. of ..... (hereinafter called the "Transferor") in consideration of Shillings ..... paid to me by C.D. of ..... (hereinafter called the "Transferee") do hereby transfer into the said transferee the share or shares numbered ..... in the undertaking called ..... To hold unto the said transferee, his executors, administrators and assigns, subject to the several conditions on which I held the same at the time of execution hereof; and that I, the transferee do hereby agree to take the said share (or shares) subject to the conditions aforesaid.*

*As witness our hands this ..... day of ....., 20.....*

*Witness to the signature of, etc.*

- 54 The instrument of transfer of any share shall be executed by or on behalf of the transferor and transferee, and the transferee shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members in respect thereof.
- 55 Subject to the provision of these Articles the Directors shall decline to register any transfer of any share whether or not it is a fully paid share which has not complied with the above provisions of these Articles, and notwithstanding anything to the contrary as contained in these Articles, the Directors may also decline to register any transfer of shares on which the Company has lien.

- 56 The Directors may also suspend the registration of transfer during the fourteen days immediately preceding the ordinary general meeting in each year, and at such other time and for such periods as the Directors may from time to time determine provided always that registration shall not be suspended for more than thirty days in any year.
- 57 The Directors may also decline to recognise any instrument of transfer unless such instrument is accompanied by the certificate of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.
- 58 If the Directors refuse to register a transfer they shall within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal.

### **Alteration Of Capital**

- 59 The Company may from time to time by Special Resolution supported by the members holding 80% of the total issued shares of the Company increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe.
- 60 Subject to any direction to the contrary that may be given by agreement of members or by a Special Resolution passed at the meeting sanctioning any increase of capital as aforesaid, and subject to the provisions of these Articles, all new shares of whatever kind, shall be offered to the members in proportion to the nominal value of the existing shares held by them, and such offer be made by notice specifying the number of shares to which the member is entitled and stating a time limit of three months within which the offer is not accepted will be deemed to be declined. After the expiration of such time, or on the receipt of an intimation from the member to whom such notice is given that he declines to accept the shares so offered, any other member shall have the right to accept the offer so deemed to be declined within three months of it so declining the same failing which the Directors may dispose of the same in such manner as they may think most beneficial to the Company. If, owing to any inequality in the number of new shares to be issued and the number of shares held by members entitled to have the offer of such new shares, any difficulty shall arise in the allotment of any such new shares amongst the members, such difficulty shall in the absence of direction by the Company determined by the Directors.
- 61 The Company may by Special Resolution:-
- 61.1 Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- 61.2 Sub-divide its existing shares or any of them, into shares of smaller amount than is fixed by the Memorandum of Association subject, nevertheless, to the provisions of section 64 (1) (d) of the Act.

61.3 Cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person.

62 The Company may, by Special Resolution passed at a meeting duly called for the purpose and affirmed by the members representing at least fifty one percent (51%) of the total shares of the Company reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any incident authorised and consent required by law.

### **General Meetings**

63 The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year and shall specify the meetings as such in the notices calling it; and not more than fifteen months shall elapse between the date of one Annual General Meeting of the Company and that of the next. The Annual General Meeting shall be held at such time and place as the Directors shall appoint.

64 All General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings and the requirements herein shall apply to all general meetings of the Company.

65 Unless otherwise agreed by the Members, all General Meetings shall be held in such place as the Directors may decide.

66 The Directors may, whenever they think fit, convene an Extraordinary General Meeting, and Extraordinary General Meetings shall also be convened on such requisition, or, in default, may be convened by such requisitionists, as provided by Section 134 of the Act.

### **Notice Of General Meeting**

67 An Annual General Meeting and a meeting called for the passing of a Special Resolution shall be called by twenty-one days notice in writing at the least, and a meeting of the Company other than an Annual General Meeting or a meeting for the passing of a Special Resolution shall be called by fourteen days notice in writing at the least.

68 The notice shall be exclusive of the day on which it is served or deemed to be served but inclusive of the day for which it is given.

69 The notice shall specify the place, the day and the hour of meeting and in case of special business, the general nature of that business, and shall be given, in manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company.

70 A meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in these Articles, be deemed to have been duly called if it is so agreed:

70.1 in the case of a meeting called as the Annual General Meeting, aggregate of 80% of all the members entitled to attend and vote thereat; and

70.2 in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 80 per cent, in nominal value of the shares giving that right.

71 The accidental omission to give notice of a meeting to, or non-receipt of notice of a meeting by, any member shall not invalidate the proceedings at the meeting.

### **Proceedings At General Meeting**

72 All business shall be deemed special that is transacted at an extraordinary general meeting, and all that is transacted at an annual general meeting, with the exception of declaring a dividend, the consideration of the accounts, balance sheets, and the ordinary report of the Directors and Auditors the election of Directors and other Officer in place of those retiring and appointment of, and their fixing of the remuneration of the Auditors.

73 Subject to any agreement of the members, all Special Resolutions of the Company shall be passed if and when the members of the Company holding an equivalent of eighty percent (80%) of the total issued shares of the Company vote in favour of the resolution.

### **Quorum Of General Meeting**

74 No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business; save as otherwise agreed by all the members, the quorum at any general meeting shall be two thirds (2/3) of all the members of the Company present in person or by proxy, including one person representing each of the shareholders of the Company.

75 If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members, shall be dissolved, in any other case it shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such other time, and place as the Directors may determine.

76 If at an adjourned meeting a quorum is not present within half an hour from the time appointed for the adjourned meeting, the meeting shall be dissolved unless the meeting has been convened to consider a resolution or resolutions for the winding up of the Company (in circumstances comprising a creditor's voluntary winding-up). In this event, if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the members present in person or by proxy shall constitute a quorum for the purposes of considering and if thought fit passing the resolution or resolutions but no other business may be transacted.

- 77 A corporation which is a member of the Company may, by resolution of its directors or other governing body, authorise any person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting at any class of members of the Company. The person duly authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member.
- 78 Notice of an adjourned meeting shall be given to all members of the Company.

### **Chairman Of The General Meeting**

- 79 The Chairman, if any of the Board of Directors shall preside as Chairman at every General Meeting of the Company or, if there is no such Chairman, or, if he shall not be present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act, the Directors present shall choose one of their members to be Chairman of the meeting.
- 80 If at any meeting no Director is willing to act as Chairman or if no Director is present within half an hour after the time appointed for holding the meeting, the members present shall choose one of their members to be Chairman of meeting.
- 81 The Chairman may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for ten days or more, notice of the adjourned meeting shall be given as in the case of original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting, save for the meeting adjourned for the reason of lack of quorum.

### **Voting Of Members**

- 82 At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the show of hands) demanded:

82.1 by the Chairman of the meeting; or

82.2 by at least one member present in person or by proxy.

Unless a poll is so demanded, a declaration by the Chairman of the meeting that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect is entered in the minute book, shall be conclusive evidence of the fact without proof of the number, or proportion of the votes recorded in favour of, or against such resolution. The demand for a poll may be withdrawn.

- 83 If a poll is duly demanded it shall be taken in such manner as the Chairman directs and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

- 84 In the case of an equality of votes, whether on a show of hands or a poll, the Chairman of the meeting at which the show of hands takes place, or at which the poll is demanded, shall have a second or casting vote.
- 85 A poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the Chairman of the meeting directs.
- 86 An ordinary resolution in writing signed by all of the members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporation by their duly authorised representatives) shall be as valid and effectual as if the same had been passed at a general meeting of the Company duly convened and held.
- 87 Subject to any rights or restrictions for the time being attached to any shares or classes of shares, every member present in person or by proxy shall, on a show of hands, have one vote, and on a poll have one vote for each share of which he is the holder.
- 88 In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the inclusion of the votes of the other joint holders. For this purpose seniority shall be determined by the order in which the names stand in the register of members.
- 89 A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian appointed by that court, and any such committee or other legal guardian may vote by proxy.
- 90 No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.
- 91 No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting in which the vote objected to is given or tendered. Every vote not disallowed at such objection made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive.
- 92 On a poll votes may be given either personally or by proxy.
- 93 The instrument appointing a proxy shall be in writing under the hand of the appointor, or his attorney duly authorised in writing or, if the appointor is a corporation either under seal or under the hand of an officer or attorney duly authorized. A proxy need not be a member of the Company.
- 94 The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or authentically certified copy of that power or authority shall be submitted at the registered offices of the Company or such other place as is specified for that purpose in the notice convening the meeting, not less than forty hours before the time for holding the meeting or adjourned meeting, at which the person named in the instrument proposes to vote, and in default the instrument or proxy shall not be treated as valid.

- 95 The instrument appointing a proxy shall be in the following form or such form as the Directors may approve:

**Afri Tea and Coffee Blenders (1963) Limited**

I/WE ... .. of ... .. being a member/members of the above named Company, hereby appoint ... .. of ... .. or failing him ... .. of... .. as my/our proxy to vote for me/us on my/our behalf at the ordinary or extraordinary (as the case may be), general meeting of the Company, to be held on the ... .. day of ... .. 20 ... .. and at any adjournment thereof.

Signed this ... .. day of ... .., 20 ... ..

This form is to be used in favour of/against the resolution(s). Unless otherwise instructed the proxy shall vote, as he thinks fit.

- 96 A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the instrument of proxy or of the authority under which it was executed or the transfer of the share in respect of which the instrument of proxy is given, provided that, no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at the office before the commencement of the meeting at which the proxy is used.

**Directors**

- 97 Unless and until the Company shall otherwise determine by Special Resolution, the number of Directors shall not be less than five or more than seven.

**Appointment And Removal Of Directors**

- 98 Any member holding shares equivalent to fifteen percent (15%) of the total issued shares of the Company is entitled to nominate one director. All appointments, removals and replacements of directors shall be made by way of written notice given by the Appointing Member effecting the same and delivered to the Company at its registered office duly signed by the appointing member, and, in the case of a corporation, any document may be signed on its behalf by a director or the secretary or by its duly appointed attorney or duly authorised representative. The notice has to be served upon other members of the Board and the shareholders of the Company.
- 99 The Company by Special Resolution may appoint a person to be a Director either to fill a casual vacancy or as an additional to the existing Directors. No qualifying shares shall be necessary to enable a Director to hold office and a Director need not be a member.

- 100 The Company may by Special Resolution, passed at a meeting duly called and supported by the members holding eighty percent (80%) of the issued shares of the Company, remove any Director from office. Unless so removed, the Directors, appointed under these regulations, shall continue to be in office unless disqualified as hereinafter provided in these articles or unless removed by the member who appointed him and another person is appointed a Director in place of him.
- 101 Except for agreed and reasonable travelling, hotel and other expenses properly incurred by them in attending and returning from meeting of the Directors or any committee of the Directors or general meeting of the Company or in connection with business of the Company, the Directors shall not receive any remuneration unless otherwise agreed by unanimous decision of the members.
- 102 A Director of the Company may be or become a Director or other officer or otherwise interested in any Company promoted by the Company in which the Company may be interested as shareholder or otherwise. No such Director shall be accountable to the Company for any remuneration or other benefits received by him as a Director or officer or from his interest, in such other Company unless the Company otherwise directs.
- 103 The Directors may elect from the board members representing the majority shareholder a Chairman of its meetings and determine the period for which he is to hold office. If no such Chairman is present within fifteen minutes after the time appointed for holding the same, the Directors present may choose one of their member to be Chairman of the meeting.

### **Borrowing Powers**

- 104 Unless otherwise authorised by the unanimous decision of the Members, the Directors shall not have powers to exercise all or any of the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof and to mortgage whether outright or as security for any debt, liability or obligation of the Company or any third party.
- 105 The Directors shall cause a proper register of charge to be kept in accordance with section 108 of the Act and shall duly comply with the requirements of the Act in regard to the registration of charges therein specified and otherwise.

### **Powers And Duties Of Directors**

- 106 The business of the Company shall be managed by the Board of Directors, and may exercise all such powers of the Company, as are not, by the Act or by these Articles required to be exercised by the Company in general meeting, subject nevertheless to any regulation of the Articles, to the provisions of the Act and to such regulations, being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by the Company in general meeting, but no regulation made by the Company in the General meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.

- 107 No Director or alternate director nor any other person shall have any authority (whether express or implied) to bind the Company in any way nor to act on its behalf nor to execute or sign any document or instrument on behalf of the Company unless expressly authorised by resolution of the Directors.
- 108 The Directors may, from time to time, and at any time, by power of attorney, appoint any Company, firm of person or body of persons, whether nominated directly or indirectly by the Directors, to be attorney or attorneys of the Company for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such terms as the Directors shall think fit and the power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit and may also authorise any such attorney to delegate any of the powers, authorities and discretion vested in him.
- 109 The Company may exercise the powers conferred by Section 43 of the Act with regard to having an official seal for use abroad, and such powers shall be vested upon the Directors.
- 110 The Company may exercise the powers conferred upon the Company by Section 124 to 125 (both inclusive) of the Act with regard to the keeping of a branch register and the Directors may (subject to the provision of those sections) make and vary such regulations as they may think fit respecting the keeping of any such register.
- 111 A Director who is in any way, whether directly or indirectly interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with Section 209 of the Act.
- 112 A Director shall not vote in respect of any contract or arrangement in which he is interested or upon any matter arising there out and if he shall so vote, his vote shall not be counted and shall not be counted in the quorum present at the meeting at which such contract or arrangement is considered.
- 113 A Director may hold any other or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration or otherwise) as the Directors may determine and no Director/intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise
- 114 A Director may be counted in the quorum present at any meeting where he is appointed to hold any such office or place of profit under the Company, or whereat the terms of any such appointment are arranged, but he shall not vote on any such appointment or arrangement of the terms thereof.

- 115 Any Director may act by himself or by his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director provided that the terms of the agreement have been approved by the Board. Nothing herein contained shall authorise a Director or his firm to act as Auditor of the Company.
- 116 All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for moneys paid to the Company, shall be signed, drawn, accepted endorsed or otherwise executed, as the case may be in such manner as the Directors shall from time to time by resolution determine.

### **Minutes**

- 117 The Directors shall cause minutes to be in books provided for the purpose:
- 117.1 of all appointments of officers made by the Directors;
  - 117.2 of the names of the Directors present at each meeting of the Directors and of any committee of Directors;
  - 117.3 of all resolutions and proceedings at all meetings of the Company, and of the Directors and of committee of Directors, but it shall not be necessary for the Directors to sign their names in the minutes book.
- 118 The Directors on behalf of the Company may pay a gratuity or pension or allowance or retirement to any Directors who has held any other salaried office or place of profit with the Company or to his widow or dependants and may make contributions to any fund and pay premiums for the purchase of provisions of any such gratuity, pension or allowance.

### **Disqualification Of Directors**

- 119 The office of Director shall vacate if the Director:
- 119.1 ceases to be a Director by virtue of section 191 of the Act; or
  - 119.2 becomes bankrupt or makes any arrangement or composition or compensation with his creditors generally; or
  - 119.3 becomes prohibited from being a Director by reasons of any order made under any provisions of the Act; or
  - 119.4 becomes of unsound mind; or
  - 119.5 is dismissed or removed from office in accordance with these regulations; or
  - 119.6 resigns his office by notice in writing to the Company; or
  - 119.7 shall for more than six months have been absent without permission of the Directors, from meeting of the Directors held during that period.

### **Proceeding Of Directors**

- 120 The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings, as they think fit. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the Chairman shall have second or casting vote.
- 121 The Chairman or any Director shall at any time summon a meeting of the Directors by giving to all the other Directors a seven days' notice unless otherwise agreed by all the Directors in writing.

### **Quorum Of Directors' Meetings**

- 123 The presence or participation in meetings of three Members of the Board including at least one member, properly nominated and appointed by each of the Shareholders, shall be necessary to constitute a quorum of the Board for the transaction of the business of the Directors.

### **Vacancy**

- 124 The continuing Director may act, notwithstanding any vacancy in their body. But, if, and so long as their number is reduced below the number fixed by or pursuant to the articles as the necessary quorum of Directors, the continuing Directors or Director, may act for the purpose of increasing the number of Directors to that number, or of summoning a general meeting of the Company but for no other purpose.

### **Delegation Of Directors' Powers**

- 125 The Directors may delegate any of their powers to committees consisting of such members of their body as they think fit and committees so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.
- 126 A committee may elect a Chairman of its meetings from the members of the committee if no such Chairman is elected, or if at any meeting the Chairman is not present within five minutes after the time appointed for holding the same, the members may choose one of their member to be the Chairman of the meeting.
- 127 A committee may meet and adjourn, as it thinks proper. Question arising at any meeting shall be determined by a majority of votes of the members present and in the case of an equality of votes the Chairman shall have a second or casting vote.
- 128 All acts done by any meeting of the Directors or of a committee of Directors or by any person acting as a Director shall notwithstanding that it be afterward discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if such person had been duly appointed and was qualified to be a Director.

## **Circular Resolutions**

- 129 A resolution in writing, signed by all the Directors for the time being entitled to receive notice of a meeting of the Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors duly convened and held; such resolution may consist of two or more documents in like committee convened.
- 130 A meeting of the Directors may consist of a conference between Directors some or all of whom are in different places provided that each Director who participates is able to hear each of the other participating Directors addressing the meeting to address all of the other participating Directors simultaneously, whether directly, by conference telephone or by any other form of communications equipment or by a combination of them. A quorum shall be deemed to be present if those conditions are satisfied in respect of at least the number of Directors required to form a quorum under these Articles. A meeting held in this way shall be deemed to take place where the largest group of participating Directors is assembled or, if no group is readily identifiable, at the place from where the chairman of the meeting shall participate. Minutes of such meeting must be circulated within seven (7) days to all directors who participated and signed as per Article 129 above.

## **Managing Director**

- 131 The shareholders may from time to time appoint one of the Directors to the office of the Managing Director for such period and on such terms as they think fit, and subject to the terms of any agreement entered into any particular case, may revoke such appointment.
- 132 Managing Director shall receive such remuneration (whether by way of salary, commission or participation in profits or partly in one way and partly in another) as the shareholders may determine.
- 133 The Directors may entrust to and confer upon a Managing Director any of the powers exercisable by them upon such terms and condition and with such restrictions as they may think fit and whether collaterally with or to the exclusion of their own powers and may from time to time revoke, withdraw, alter or vary all or any of such powers.

## **Chief Executive Officer**

- 134 Directors may from time to time appoint a Chief Executive Officer or Senior Manager(s) of the business of the Company for such terms and on such remuneration (whether by way of salary or commission or participation in profits or partly in one and partly in another) as they may think fit and may remove and discharge any such person and appoint a substitute. The Director shall take such security if any, for the conduct and satisfactory discharge of the duties of any such Chief Executive Officer or Senior Manager(s) as they shall in their discretion, think sufficient.

## Alternate Director

- 135 Any member entitled to nominate and appoint a director may at any time appoint any person to be alternate Director of the Company in place of any director nominated or appointed by him and may at any time remove from office any such alternate appointed by him. An alternate Director shall not be entitled as such to receive any remuneration from the Company, but he shall be entitled to perform in the place the functions of his appointors' director in his absence. An alternate Director appointed for the purpose of attending and voting at meetings of Directors shall be entitled to receive notices of all such meetings and to attend and be counted in the quorum and vote at any such meeting at which his appointors' director is not present. An alternate Director shall have vote in respect of each appointor in whose place he is entitled to vote and (if himself and Director) may exercise such vote or votes in addition to his own vote at a meeting. **Provided always** that nothing in this regulation shall enable the members appointing or nominating the Chairman or Managing Director to delegate to an alternate Director any of the special powers of authorities vested in the Chairman or such Managing Director as the case may be by these regulations or by the Director or shall enable more than one vote to be cast at any meeting of the Directors on behalf of the same appointor.
- 136 All appointments and removals of alternate Directors shall be made by notice in writing, signed or on behalf of the member making or revoking such appointment; and every such notice shall be delivered or sent to the secretary or to the registered office of the Company and shall take effect from the time of receipt.

## Secretary

- 137 The Directors shall appoint the Secretary (ies) for such term, and at such remuneration and upon such terms and conditions as they may think fit, and they may remove any secretary (ies) so appointed.
- 138 No person shall be appointed or hold office as secretary who is:
- 138.1 the sole Director of the Company; or
  - 138.2 a corporation the sole Director of which he is the sole Director of the Company; or
  - 138.3 the sole Director of a corporation which is the sole Director of the Company.
- 139 A provision of the Act or these regulations requiring or authorising a thing to be done by Director and the secretary shall not be satisfied by its being done by the same person acting both as Director and as original place of the secretary.

## The Seal

- 140 The Directors shall provide for the safe custody a seal, which shall only be affixed to any instrument by the authority of the Directors or committee of the Directors authorised by the Directors in that behalf and every instrument to which the seal be affixed shall be signed by a Director and shall be counter signed by the secretary or by second Director or some other person appointed by the Directors for the purpose.

- 141 All deeds, contracts, power of attorney and the like to which the Company is a party shall be signed by one Director and the secretary of the Company, or a second Director and all deed shall in addition bear the seal of the Company.

### **Dividends and Reserve**

- 142 The Company at its general meeting may declare dividends but dividends shall not exceed the amount recommended by the Directors.
- 143 The Directors may from time to time pay to the members such interim dividends as appear to the Directors to be justified by the profits of the Company.
- 144 No dividends shall be paid otherwise than out of profits.
- 145 The Directors may, before recommending any dividend, set aside, out of the profits of the Company, such sums as they think proper as reserve(s). The reserve shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied. Pending such application, reserve(s) may at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit. The Directors may also, without placing the same to reserve, carry forward any profit which they may think prudent not to divide.
- 146 Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid. No amount paid or credited as paid on a share in advance of calls shall be treated for the purpose of this regulation as paid on the share.
- 147 The Directors may deduct from any dividend payable to any member all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.
- 148 Any general meeting declaring a dividend or bonus may direct payment of such dividend or bonus, wholly or partly, by the distribution of specified assets, and in particular of paid up shares, debentures or debenture stock of any other Company, or in any one or more of such ways, and the Directors shall give effect to such resolution. Where any difficulty arises in such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payment shall be made to any members upon the footing of the value so fixed in order to adjust the rights of the parties, and may vest any such specific assets in trustee as they may seem expedient.
- 149 Any dividend, interest or other moneys payable in cash in respect of shares, may be paid by cheque or warrant sent through the post directly to the registered address of the holder or in the case of joint holders who is first named on the Register of Members or such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of the two or more joint holders may give effectual receipt for any dividend, bonuses or other money payable in respect of the shares held by them as joint holders.

150 No dividend shall bear interest against the Company.

### Accounts

- 151 The Directors shall cause proper books of account to be kept with respect to:
- 151.1 all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure takes place;
  - 151.2 all sales and purchases of goods by the Company; and
  - 151.3 the assets and liabilities of the Company.
- 152 Proper books of accounts shall not be deemed to be kept if there are not kept such books of accounts as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.
- 153 The books of account shall be kept at the registered office of the Company, or at such other place, as the Directors think fit, and shall always be open to the inspection of the Directors.
- 154 The Directors shall from time to time determine whether and to what extent, and at what times and places, the books of the Company or any of them, shall be open to inspection of members not being Directors. No members (not being a Director) shall, without the consent or direction of the Directors, have any right to inspecting any account or book or document of the Company except as conferred by statute or by the Company in general meeting.
- 155 The Directors shall from time to time, in accordance with provisions of the Act cause to be prepared and to be laid before the Company in general meeting such profit and loss accounts, balance sheets, group accounts (if any) and report as referred to in those sections. In addition to this, the Directors shall prepare and submit an annual budget to the shareholders of the Company.
- 156 A copy of every balance sheet (including every document required by law to be annexed thereto) which is to be laid before the Company in general meeting, together with a copy of the Auditor's report, shall, in not less than twenty one days before the date of the meeting, be sent to every member and every holder of debentures of the Company and to every person registered under these regulations. Provided that this regulation shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any share or debentures.
- 157 The profit and loss account shall show, arranged under the most convenient heads, the amount of gross income, distinguishing the several sources from which it has been derived, and the amount of established salaries and other like matter. Every expenditure against the year's income shall be brought into account, so that a just balance of profit and loss may be laid before the meeting. In cases where any item of expenditure, which may in fairness, be distributed over several years has been incurred in any one year, the whole amount of such items shall be stated, with the addition of the reasons why only a portion of such expenditure is charged against the income of the year.

## Capitalisation Of Profit

- 158 The Company in general meeting, may, upon the recommendation of the Directors, resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts, or the credit of the profit and loss account or otherwise for distribution amongst the members who would have been entitled thereto if distributed by way of dividend, and in the same proportions, on conditions that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such members respectively or paying up in full un-issued shares or debentures for the Company to be allotted and distributed and credited as full paid up and amongst such members in the proportion aforesaid, or partly in the one way and partly in the other and the Directors shall give effect to such resolution.
- 159 Provided that a share premium account and a capital redemption reserve fund may, for the purpose of this regulation, only be applied in paying up of un-issued shares to be issued to members of the Company as full paid bonus shares.
- 160 Whenever such a resolution as aforesaid shall have been passed, the Directors shall make appropriations and applications of the undivided profits resolved to be capitalised, and all allotments and issues of fully-paid shares or debentures, if any, and generally shall do all acts and things required by such provisions by the issue of fractional certificates or by payment in cash or otherwise as they think fit for the case of shares or debentures becoming distributable in fractions. The Directors may authorise any person to enter on behalf of all the members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares or debentures to which they may be entitled upon such capitalisation, or (as the case may require) for the payment up by the Company on their behalf, by the application thereto of the respective proportions of the profits resolved to be capitalised, or the amounts or any part of the amounts remaining unpaid on their existing shares, and any agreement made under such authority shall be effective and binding on all such members subject to the provision of these articles or any special agreement.

## Audit

- 161 Auditors shall be appointed and their duties regulated in accordance with Section 170 and 163 of the Act.

## Notice

- 162 The Company may give a notice to any member either personally or by sending it by courier, telex, telegram, cable or electronic mail to be confirmed later in writing to him or to his registered address supplied by that member to the Company. Where a notice is sent by courier, service of the notice shall be deemed to be effected by properly addressing, prepaying and issuing the notice to a reputable courier Company, and unless the contrary is proved, to have been effected, in the case of a notice of meeting, at the expiration of 48 hours after the notice containing the same was issued, and in any other case at the time at which the notice would be delivered in the ordinary course of events.



- 163 The Company may give a notice to the joint holders of a share by giving the notice to the joint holder first named in the register of members in respect of the shares.
- 164 A notice, may be given by the Company, to the persons entitled to a share in consequence of the death or bankruptcy of a member, by sending it through the post in a prepaid letter addressed to them by name, or by the title of representative of the deceased, or trustee of the bankrupt, or by any like description, at the address, supplied for the purpose by the persons claiming to be so entitled, or until such address has been so supplied, by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.
- 165 Notice of every general meeting shall be given in any manner hereinbefore authorized to the following only:
- 165.1 every member;
- 165.2 every person upon whom the ownership of a share devolves by a reason of his being a legal personal representative or a trustee in bankruptcy of a member but for his death or bankruptcy would be entitled to receive notice of the meeting.

### **Winding Up**

- 166 If the Company shall be wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Act, divide amongst the members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for such purpose, set such value as he deems fair upon any property to be dividend as aforesaid and determine how such divisions shall be carried out between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trust for the benefit of the contributions as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or enter securities whereon there is any liability.

### **Indemnity**


- 167 Every Director or other officer of the Company, acting in good faith, shall be entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, including any liability incurred by him in which judgement is given in his favour or in which he is acquitted or in connection with any application under section 481 of the Act, in which relief is granted to him by the court. No Director or other officer shall be liable for any loss damage or misfortune, which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto. But these Articles shall only have effect in so far as its provisions are not avoided by any sections of the Act.

Names, Address and Descriptions Of Subscribers	Number of Shares taken	Seal of Subscribers
<b>Furaha Trading Co. Limited</b> P O Box 9574 Dar es Salaam Tanzania	51	
<b>Kito General Trading Company Limited</b> P O Box 747 Dar es Salaam Tanzania	49	

Dated at Dar es Salaam... this 02... day of Sept 2008.

**WITNESS to the above seals/signatures:**

**Signature:**

  
 .....  
 Notary Public & Commissioner for Oaths  
 P.O. Box 13148 Dar es Salaam

**Postal Address:**

.....  
 .....

**Qualification:**

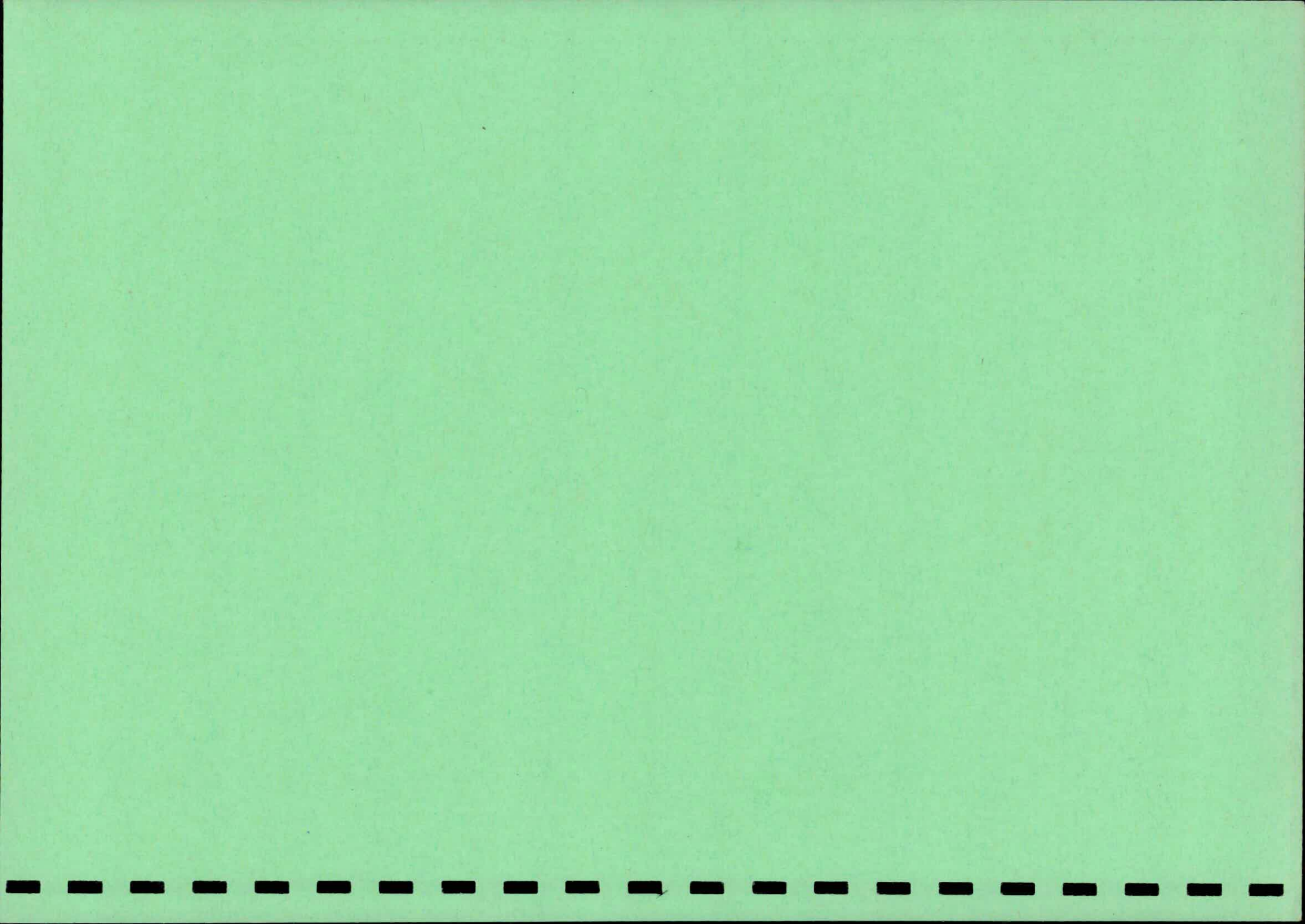
**Advocate/Notary Public**

**FEASIBILITY STUDY FOR THE EXPANSION  
PROGRAMME OF  
AFRI TEA AND COFFEE BLENDERS (1963) LTD**

**PROMOTER: M/S AFRITEA AND COFFEE BLENDERS (1963) LTD  
P. O. BOX 747  
DAR ES SALAAM.**

**PREPARED BY:  
RONDO CORRIDOR LTD,  
BUSINESS CONSULTANTS  
P. O. BOX 6632,  
TEL 0787-947684  
DAR ES SALAAM.**

**DECEMBER, 2008**



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**DECEMBER, 2008**

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## 1.0 EXECUTIVE SUMMARY:

**TANZANIA TEA BLENDERS (2002) LTD TTBL** has decided to change its name and transact the business under the name of **AFRI TEA AND COFFEE BLENDERS (1963) LTD**, a company recently registered and incorporated in Tanzania under **Certificate of Incorporation No. 67274** dated **September, 3<sup>rd</sup> 2008**. Under this move there will be an obvious case of expanding the present activities where a need for acquiring more machinery and vehicles will be an added advantage. It is on the basis of this reason that the company has thought it prudent to conceive an expansion programme aimed at improving the current quality of tea production, creating new markets and reducing the imports of Kenya tea products. All product brand names will remain the same with a provision for additional ones envisaged to reflect the present competitive market both local and export brands. This is where a need for obtaining a Certificate of Incentives from Tanzania Investment Centre comes in.

### 1.1 IMPORTANCE OF OWNING A TEA BLENDING PLANT:

- There are about seven (7) tea blending units in Tanzania and most of them cater for their respective tea factories with limited capacities;

With the Trade Liberalization, it is safe and advisable for tea producers to use in-house blending facilities rather than blending with their competitors. It is in line with this situation that Afri Tea and Coffee Blenders which markets tea and coffee will now have the capacity to blend its own product, thus adding value to their tea products.

- All the tea be produced by Afri Tea branches will mostly be blended by the company itself, which dominates the market share and its brands such as:
  - (i) African Pride
  - (ii) Kilimanjaro Tea
  - (iii) Green Label
  - (iv) Samba Chai
  - (v) Affricate
  - (vi) Safari Tea
  - (vii) Kilimanjaro Tea Bags
  - (viii) Maarufu
  - (ix) Shifting Tea
  - (x) Top Cup

These are the ones dominating the market and the most preferred brands compared to others.

### **1.2 THE SOCIAL, POLITICAL AND ECONOMIC ADVANTAGES:**

- A stable, democratically elected Government, which is committed to establishing a free market economy based on well worked out programmes of reforms agreed with the IMF and World Bank. Already the country qualified for enhanced Structural Adjustment Facility (ESAF);
- The Government's policy of structural reform programme is expected to result into improved economic rate of growth;
- The Tanzania shilling is convertible into the USD and other hard currencies for remittance of dividends and other profit without restriction;
- Numerous multilateral and bilateral funding institutions are active in Tanzania including the World Bank, the International Finance Corporation and the Common Wealth Development Cooperation;
- Tanzania Investment Centre (TIC) offers guidelines on investment and exemption on import duties for capital goods.

### 1.3 PROMOTORS/SPONSORS:

The following directors are the sponsors for acquiring Tanzania Tea Blenders:

	<b>Name of Shareholder</b>	<b>Shares</b>
1	Abdulahakim Mulla	50%
2	Yusuf Mulla	50%

Abdulahakim Mulla and Yusuf Mulla already own and manage the New Mponde Tea Factory in Lushoto. The Directors have long experience in marketing of tea from Mponde Tea Factory. Their strong management capability will greatly contribute to strengthen the existing domestic market of Afri Tea products. Both Directors have travelled extensively in tea world growing areas and have gained a lot of experience and expertise in the tea industry. They have also managed to establish market contact and established distribution network in Arab countries and elsewhere in Europe of their tea products. Therefore their expertise and experience is an added asset to enhance **AFRI TEA AND COFFEE BLENDERS** export products.

### 1.4 INVESTMENT AND FINANCING:

The cost of expansion stretched over a three (3) years period is about T.shs. 5.8 billion. The initial working capital requirement is T.shs. 700.0 million. A summary of this investment is shown in the next page:

T.SHS. (000's)

Item	Reh/Expansion	Total	
		T.SHS.	USD
1. Machinery and Equipment	12,000,000	12,000,000	9,230.77
2. Civil works and Buildings	3,000,000	3,000,000	2,308.00
3. Motor Vehicles	439,800	439,800	338.31
4. Furniture and Fittings	136,250	136,250	104.81
5. Pre-operational Expense	<u>35,000</u>	<u>35,000</u>	<u>29.17</u>
<b>Sub-Total</b>	<b>15,611,050</b>	<b>15,611,050</b>	<b>12,011.06</b>
<b>Add:</b> Working Capital	<u>700,000</u>	<u>700,000</u>	<u>538.46</u>
<b>GRAND-TOTAL</b>	<b>16,311,050</b>	<b>16,311,050</b>	<b>12,546.52</b>

#### 1.4.1 Proposed Financing Arrangements:

Sponsors of **AFRI TEA AND COFFEE BLENDERS** are to finance the investment through their own resources and bank loan. A total loan of **T.shs. 9.4 billion** sought from the bank for investing mainly in machinery/equipment for tea and coffee blending factory. Working capital amounting to **T.shs. 700.0 million** is financed through shareholders equity contribution.

**Table 1.2: Financing Arrangements:**

Value in T.shs. 000's

Items	Equity	Term Loan	Total
Land and Buildings	3,000,000	-	3,800,000
Machinery and Equipment	2,587,755	9,412,245	12,000,000
Motor Vehicles	439,800	-	439,800
Furniture and Fittings	136,250	-	136,250
Pre-operational Expenses	35,000	-	35,000
<b>Sub-Total</b>	<b>6,198,805</b>	<b>9,412,245</b>	<b>15,611,050</b>
<b>Add:</b> Working Capital	<u>700,000</u>	<u>-</u>	<u>700,000</u>
<b>Total Capital</b>	<b>6,898,805</b>	<b>9,412,245</b>	<b>16,311,050</b>

## **1.5 CONCLUSION AND RECOMMENDATION:**

### **1.5.1 Conclusion:**

Presentation of this project indicates that:

- (i) The project will help to preserve the high value of tea and revamp the production levels of AFRI TEA AND COFFEE BLENDERS (1963) LTD;
- (ii) There is still great potential demand, which is not met both in export and local market;
- (iii) Apart from having a heavy expansion capital outlay, this project is expected to be technically feasible.
- (iv) The financial viability of the project is illustrated by the Internal Rate of Return (IRR) of 33%;
- (v) Economic considerations show that:
  - The project will earn foreign proceeds through export of blended tea and coffee;
  - The project will create job opportunities of more than 129 people.
  - Will generate and contribute substantially to the Government revenue through direct and indirect taxes.

### **1.5.2 Recommendation:**

The project as analysed and presented in this report has a heavy capital outlay period. However, it is able to benefit and able to finance its financial obligations during the projected period. AFRI TEA is a viable business entity and has bright future prospects especially knowing that it still dominates the domestic market in most of its products produced.

## 2.0 PROJECT DESCRIPTION:

The plan calls for an extensive expansion programme of the existing company by acquisition of new essential machinery for the purpose of increasing production and enable the company to sustain its own operations in the years ahead.

### 2.1. THE TEA INDUSTRY IN TANZANIA:

Tea was first introduced in the Tanganyika at the Agricultural Research Station, **Amani** in **Tanga** in **1902** by the German colonial rulers. Commercial planting was not done until after the First World War. Commercial plantations were established in **Rungwe, Njombe, Mufindi, Korogwe, Lushoto, Amani** and **Bukoba**.

Tea grows well at altitudes between **1,200** and **1,600** metres above sea level with heavy rainfalls and temperatures ranging between **23°C** and **35°C**. Tea cultivation was essentially an estate activity undertaken by foreign companies. Indigenous were not allowed to grow tea until after independence in **1961**. Small holders have since increased in number to the extent that to-date their combined green leaf production accounts for about **8%** of the total national production.

In the late **1980's** and early **1990's** their output accounted for about **30%** but this has declined over a time on account of relatively higher yields and expansions in the estates as shown in the table overleaf:-

Year	Production in		Total
	Estate	Kgs (000's) Smallholder	
1975/76	10,890	2,614	13,504
1980/81	12,864	2,469	15,333
1985/86	12,050	4,900	16,950
1990/91	13,695	4,397	18,092
1995/96	18,037	1,730	19,767
1998/99	22,473	1,207	23,680
1999/00	20,074	1,806	21,880
2000/01	26,057	2,328	28,385
2001/02	22,716	2,016	24,732
2002/03	25,056	2,620	27,676
2003/04	21,716	1,850	23,566

**Source: Tanzania Smallholders Tea Development Agency.**

The poor performance by the smallholders is to a large extent attributable to lack of proper financial support from the defunct Tanzania Tea Authority **(TTA)**. The parastatal body had the responsibility of developing smallholders, TTA was also the regulator of the entire tea industry. In addition, TTA also owned and managed some tea estates and factories and marketed the products.

Following the reforms, two new organizations namely the Tea Board of Tanzania (TBT) and Tanzania Smallholders Tea Development Agency (TSHTDA) were formed under the Tea Act of 1997, for the purpose of regulating and developing the tea industry. Under the Act, the two bodies are charged with the following responsibilities.

**(i) Tea Board of Tanzania:**

- Licensing of tea factories
- Licensing of tea blenders and packers.
- Regulation, control of improvement of the cultivation and processing.
- Control of tea pests and diseases.
- Licensing and control of export and import of tea.
- Assist in the investigation of and research into matters related to the tea industry.
- Collection, keeping and maintaining statistics relating to the tea industry.
- Represent the government in international meetings relating to the development of tea industry

**(ii) Tanzania Smallholders Tea Development Agency:**

- Promotion and development of tea industry,
- Advise and recommend to the Ministry of Agriculture as the Agency may think fit regarding the development of tea industry in Tanzania.
- In collaboration with the Ministry or on its own behalf, conduct and provide finance for tea research and extension services directly or through agents.

## 2.2. TEA PRODUCTION PROCESS:

The process of tea manufacturing starts with the plucking of the two top tender leaves and the bud the routine of plucking is done at intervals of **5-10 days** depending entirely on the growth vigour of the tea bushes. The plucked leaves must never be compressed in the basket as this will cause bruising which will in turn initiate or trigger uncontrolled fermentation process. After plucking, the green leaf is inspected and weighed at the estate before it is transported to the Factory.

Pluckers are paid **T.shs. 32/=** for each Kilograms of green tea plucked.

From the estate, the leaf is then inspected and weighed again at the factory's receiving platform before it is put into the withering troughs. The basic principle is to manage the oxidation of chemicals (*antioxidants*) present in the leaf known as poly phenols. The process follows the sequence of withering, cutting and rolling, fermentation, drying, sorting and packing.

## 3.0 ENVIRONMENTAL ASPECTS OF TEA PRODUCTION AND PROCESSING:

Tea production and processing is environmentally friendly. Tea, which is a perennial estate crop, is grown on slopes. Even though it is grown on slopes, there is very minimum risk of soil erosion as the slopes are well terraced. This is due to the fact that fully grown tea holds the soil firmly and inter-cropping is not advisable. Firewood used in the boiler is harvested from the existing gum tree forest. The gum trees are properly spaced and routinely pruned. Gum trees are ready for harvest every five to six years after planting. The harvested trees regenerate naturally and

therefore do not require any replanting. For every tree felled, two new trees regenerate per every stump, thus doubling tree population after every harvest. At the factory, tea processing entails a systematic reduction of moisture from about **70%** in green leaf to **3%** in the made tea. The process neither uses chemicals nor emits fumes. There are also no effluents discharged from tea processing. All solid matter in the leaf is converted into tea of one grade or the other. Any other extraneous materials from tealeaf are biodegradable and harmless.

#### **4.0 THE MARKET AND MARKETING:**

##### **4.1 PRODUCT:**

The principal product is "*made tea*" or black tea of various grades. The installed plant capacity at New Mponde Estate for example is **21,600,000kg** of green leaf per annum based on a single eight - hour shift per day by working **240** days per year. The estate can produce **4,695,652kg** or **4,696** tons of made tea per annum at the assumed yield or conversion rate of **4.6:1**.

##### **4.2 THE MARKET AND MARKETING:**

More than **80%** of the tea produced in Tanzania is exported. The traditional major importers of Tanzania tea are Pakistan and the United Kingdom. The table overleaf illustrates the tonnage of export and local consumption of tea from **1976** to **2002**.

## Tea Sales Trend

Year	Sales		Total Sales	% of Exports
	Export	Local		
1976	11,829	2,954	14,783	80
1980	15,023	3,754	18,777	80
1985	16,000	4,037	20,037	80
1990	14,908	3,150	18,058	83
1995	20,511	2,979	23,490	87
1998	22,213	1,963	24,176	92
1999	21,363	2,011	23,374	91
2000	20,141	4,591	24,732	81
2001	22,500	3,800	26,300	86
2002	20,600	4,000	24,600	84

Among the four major African producers, Tanzania is third after Kenya and Malawi. On the world scale Tanzania production accounts for less than **1%**. In **1998** world production was the highest recorded in the last decade having peaked at **2,962,590 tonnes**. **Kenya** and **Sri Lanka** continued to lead in the export market. Their export tonnages in 1998 were **263,402** and **265,308** tonnes respectively. The U.K. Tea Council members currently account for **67.2%** of the world exports and **75%** of all the imports into the U.K.

### 4.3 COMPETITIVE ADVANTAGE:

In order to maintain proper human body function, a minimum level of water must be maintained, as the body water is lost through evaporation, urine, and lungs perspiration etc. A number of medical conditions can be caused or antagonized by low fluid intake. These include constipation, cystitis and dehydration. The choice of appropriate fluid to perform this function is, therefore, very important. Apart from water, which is regarded as the best, (*but perceived by many as somewhat "unpalatable"*) there are many other good fluids but they have their disadvantages as well. For example:-

- (a) Milk-although a good source of calcium which, is essential for healthy bones and teeth, whole milk contains large quantities of fat.
- (b) Soft drinks – contain more than 70% water but also contain high levels of sugar, which is detrimental to dental health and contributes to obesity.
- (c) Fruit juices like soft drinks contain large quantities of sugars.
- (d) Alcohol – most alcohol drinks contain sugar albeit in small quantities. In addition to the effects alcohol has on the brain, it has a dehydrating effect on human bodies.
- (e) Coffee – this beverage contains caffeine, a substance that has side effects to the human body.
- (f) Tea – this is considered to be the healthiest of all the human body fluid replicants and drinks. Research has revealed that black tea is a good source of calcium, vitamins, and minerals and has natural antioxidant properties that help reduce the risk of heart diseases such as high blood cholesterol and high blood pressure. There is scientific evidence that the ployphenols in tea have the beneficial effect on heart ailments. Tea popularity and acceptance as a refreshing health drink is growing day by day.

Internationally, the tea industry has initiated numerous research projects to determine inter alia the apparent positive values of the beverage to human health. Third party researches have simultaneously been carried out resulting in the publication of about 200 scientific papers.

Now that it has been established that modest intake of caffeine is harmless to human health, tea will continue to lead as the healthiest beverage available and consumed extensively all over the world. Tanzania tea is grown under what can be considered "*chemical free*" atmosphere in that minimal quantities of chemicals are applied as fertilizers or pesticides. For all - purposes, Tanzania tea is sold as a world of health conscious consumers.

Some of the internationally recognized grades of CTC manufactured teas are:

- (i) Broken Pekoe One (BP1)
- (ii) Broken Pekoe (BP)
- (iii) Pekoe fannings One (PF1)
- (iv) Pekoe fannings (PF1)
- (v) Pekoe Dust One (PD)
- (vi) Pekoe Dust (PD)
- (vii) Dust One (D1)
- (viii) Dust (D)

Apart from the Fannings Grade, which is picked at the pre-sorters, the rest are considered high –grade teas. It can be noted the main names and grades of tea are of Chinese origin because tea was first cultivated and processed in China. The same applies to most of the tea –associated terminologies. Pekoe for instance is Chinese word for “*white hair*”.

#### **5.0 THE ROLE OF SMALLHOLDERS IN TEA PRODUCTION:**

Over the years, tea production by smallholders has suffered several setbacks mainly due to the following reasons:-

- Assistance to smallholders in terms of finance and extension services has been poor.
- Poor farming practices and sustenance of tea farms.
- Poor feeder roads to factories.
- Poor transportation of green leaf to factories.
- Late payments to farmers/smallholders.

The above have constrained growth of the tea industry in Tanzania and also resulted in poor yields and quality of the products. Recognizing these constraints and shortfalls TSHTDA has conceived an expansion programme which is expected to increase green leaf production. The programme will include:-

- Provision for agricultural inputs.
- Improvement of social infrastructure
- Improvement of access roads.

- Development of communication system.
- Provision for direct credits to farmers in Growers Association.
- Capacity Building to TSHTDA
- Provision for extension services.

Under the scheme, nurseries will be developed to enable an expansion of tea acreage by **10,300** hectares for smallholders in the next ten years or so. The above expansion programme is vital and is expected to increase green leaf production by **10 million kilogrammes** per annum. The assistance to smallholders is of a paramount importance for growth of Tea Industry in Tanzania as can be demonstrated by the following example.

The Rungwe Smallholders Tea Association (**RSTGA**) has plans to export its teas to member states of the Southern Africa Development Community (**SADC**) beginning October – November next year.

The move to sell tea in the **SADC** area has been prompted as a result of a diligent research made by experts in Pretoria, South Africa. The research which cost £ **47,000** was funded by the Department for International Development of the United Kingdom (**DID**)

Having succeeded in selling their tea to the Fair trade Labelling Organization (FLO), they decided to stretch their wings and expand the market to SADC countries. Apart from that the RSTGA is also selling

50% of its tea to the UK since **September, 2002**. The research findings have further revealed that the Association working in collaboration with Chai Bora TATEPA, could sell made tea and herbs infusion to the SADC countries. During the second forum of the FLO Fair trade in London in **September, 9 - 12, 2002**, it was agreed that tea specifically from the RSTGA and Kibena be sold at not less than **US\$ 1.95** per Kilogramme.

The Cafe direct purchases Tanzanian tea directly from the Rungwe Association, or at the world's tea auctions. Café Direct introduced a pricing model in 2002. This offers farmers a guaranteed minimum price for their tea, no matter how low the auction prices fall. Therefore, such an arrangement will help the producers to receive a decent income and enable them to build their businesses and strengthen their capital bases.

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- (xii) Pekoe fannings (PF1)
- (xiii) Pekoe Dust One (PD)
- (xiv) Pekoe Dust (PD)
- (xv) Dust One (D1)
- (xvi) Dust (D)

Apart from the Fannings Grade, which is picked at the pre-sorters, the rest are considered high -grade teas. It can be noted the main names and grades of tea are of Chinese origin because tea was first cultivated and processed in China. The same applies to most of the tea -associated terminologies. Pekoe for instance is Chinese word for "*white hair*".

#### **6.0 ASSUMPTIONS FOR OPERATING EXPENSES:**

The main operating expenses for this project will be salaries & wages, overheads and fixed costs such as motor vehicle running expenses and maintenance, maintenance of buildings and roads, printing and stationery, postage and telephones, insurance as percentage of fixed assets, directors fees, Audit and Legal Fees, etc. In monetary terms these expenses have been shown as follows:

(i) **Salaries and Wages:**

These are based on labour laws and legislation with an incentive package included in order to motivate the workers for higher labour productivity. The current wage bill at the estate stands at **USD 93,000**. This means that the firm is spending **USD 8,000** a month on salaries and wages. This figure is likely to increase up to **USD 100,000** by the beginning of the sixth year as plans are in hand for the recruitment of additional personnel during this time in order to cope with the implementation activities of the expansion programme.

(ii) **Direct Production Costs of Green Leaf:**

These include weeding, pruning, skiffing pluckers, packing materials:

	<b>T.SHS. (000'S)</b>		
(a) Weeding 20 x 1,500 x ha:	20	1,500	6,360
(b) Pruning 35 x 1,500 x ha	35	25%	1,628
(c) Skiffing 12 x 1,500 x ha	12	50%	1,116
(d) Pluckers labour T.shs. 32/=	@ kg.32		23,808
(e) Packing Materials (cost per 50kg bag)			<u>18,600</u>
<b>TOTAL DIRECT FIELD COSTS</b>			<b><u>51,512</u></b>

(iii) **Manufacturing Costs:**

(a) Fuel	38	6,146
(b) Electricity	210	33,965
(c) Manufacturing Labour	17	2,750
(d) Packing Materials	25	4,043
(e) Other Variables	20	<u>3,235</u>
<b>Total Manufacturing Costs:</b>		<b><u>50,139</u></b>

(iv) **Other Overheads/Fixed Costs:**

(a)	Vehicle Running Expenses & Maintenance % at cost	38	9,000
(b)	Maintenance of Buildings and Roads	2%	3,534
(c)	Printing and Stationery		600
(d)	Postage & Telephones:		3,000
(e)	Insurance as % of fixed assets:	0.5%	5,016
(f)	Directors Fees		2,000
(g)	Audit and Legal Fees		500
(h)	Others: n.e.s.		<u>100</u>
<b>Total Overheads</b>			<b><u>23,750</u></b>

**N:B:** The above expenses refer to the first year of the operations only. Commencing the second year up to the end of the projected period. Please refer to the projected Profit and Loss Statement. (Annex 1).

**6.1 DIRECT PRODUCTION COSTS:**

Direct costs consist mostly of made tea, raw coffee, packing materials transport costs, *etc.* Total direct costs increases up to sustainable production from **USD 3.9 million** in year 5 to **USD 4.1 million** in sixth year.

**6.2 SALARIES AND WAGES:**

About 120 people have been employed at different positions in the organization structure. Salaries of the employees are consolidated and include all other social benefits. Total annual salary bill for all employees is estimated at USD 93,000.

**6.3 UTILITIES:**

The use of water for both production and human hygiene is estimated at 120,000 gallons per annum. Electricity consumption through the use of the generator is estimated on a monthly demand load of 145kVA with monthly consumption units of 20,240 kWh. Monthly tariff is T.shs. 5,000 per kVA. Total cost utilities including fuel and lubricants increase from T.shs. 45.9 million in year one reaching at 65.0 million by the year 2014.

**6.4 ADMINISTRATIVE COSTS:**

This cost item includes insurance on fixed assets, marketing/selling expenses, clearing and forwarding, audit fees, training expenses, selling and distribution expenses, *etc.* The cost ranges between USD 130,000 and USD 142,000 over a five period.

**6.5 REPAIRS AND MAINTENANCE:**

Repairs and maintenance on fixed assets are calculated as follows:

- Machinery and Equipment	5%
- Land and Buildings	1%
- Motor Vehicles	10%
- Office Equipment/Furniture	5%

The above cost will also cater for the cost of spare parts, which is estimated at 80% of repairs and maintenance cost while the remaining 20% is for labour, *etc.* Annual cost is estimated at USD 210,000 in the year 2009, increasing up to USD 285,000 in the year 2012.

## **7.0 WORKING CAPITAL:**

The total initial working capital of **T.shs. 700.0 million** will be made available through bank overdraft.

The working capital ratio is (*current assets to current liabilities*) which shows positive cash indicating that the project will be free from unnecessary burden in the day to day liquidity problems. It will have sufficient cash to carry out its daily cash operations smoothly.

## **8.0 FINANCIAL ANALYSIS:**

### **8.1 PROJECTED PROFIT AND LOSS STATEMENT:**

This financial statement shows that the project will made a net profit after tax of USD 1.1 million starting the first year and thereafter increasing up to USD 2.8 million in the seventh year. Revenue reserve would have accumulated up to USD 23.3 million towards the end of the tenth year.

### **8.2 PROJECTED CASHFLOW:**

The projected Cashflow Statement in (Annex 2) indicates that the project has a healthy cash net flows for the first six years despite the heavy capital outlay. The netflows increase from USD 932,000 starting in year one, increasing up to USD 3.1 million towards the end of the eighth year. The cumulative cash-cash in hand would have accumulated up to USD 22.6 million towards the end of the tenth year.

**8.3 PAYBACK PERIOD:**

The original investment is USD 12.5 MILLION. The analysis in (Annex: 3) suggests payback period to be around the sixth year of the useful economic lifetime of the project. This simple means that it will take about six years for the project owners to recoup the initial capital funds of USD 12.5 million. Considering the size and magnitude of the project this period is relatively short.

ANNEX: 1

**AFRI TEA AND COFFEE BLENDERS (1963) (LTD)**  
**PROJECTED PROFIT AND LOSS STATEMENT**

FIGURES IN USD (000'S)

ITEM/YEAR	1	2	3	4	5	6	7	8	9	10
SALES REVENUE	7,322	8,210	8,482	8,604	9,895	9,895	10,885	10,885	10,885	10,885
<b>LESS: OPERATING EXPENSES</b>										
1. Production Salaries	93	93	93	93	93	100	100	100	100	100
2. Direct Production costs	4,272	4,272	4,272	4,272	4,272	5,175	5,175	5,175	5,175	5,175
3. Administration and Marketing Salaries	76	76	76	76	76	76	97	97	97	97
4. General Operating Expenses	440	440	440	440	440	675	675	675	675	675
5. Utilities	45	45	45	55	55	55	65	65	65	65
6. Loan Interest	80	49	15	0	0	0	0	0	0	0
7. Economic Depreciation	383	383	383	383	383	383	383	383	383	383
8. Travelling Expenses	73	82	74	60	60	60	60	60	60	60
9. Maintenance and Repairs	263	263	263	263	263	315	315	315	315	315
<b>TOTAL EXPENDITURE</b>	<b>5,727</b>	<b>5,460</b>	<b>5,689</b>	<b>6,169</b>	<b>6,457</b>	<b>6,853</b>	<b>6,871</b>	<b>6,871</b>	<b>6,871</b>	<b>6,871</b>
PROFIT BEFORE TAX	1,594	2,740	2,792	2,434	3,437	3,041	4,013	4,013	4,013	4,013
COMPANY TAX (30%)	478	822	837	730	1,031	912	1,204	1,204	1,204	1,204
PROFIT AFTER TAX	1,116	1,918	1,954	1,704	2,406	2,129	2,809	2,809	2,809	3,692
<b>REVENUE RESERVE</b>	<b>1,116</b>	<b>3,034</b>	<b>4,989</b>	<b>6,693</b>	<b>9,100</b>	<b>11,229</b>	<b>14,038</b>	<b>16,848</b>	<b>19,657</b>	<b>23,349</b>

**AFRI TEA AND COFFEE BLENDERS (1963) (LTD)**

**PROJECTED CASH FLOW STATEMENT**

**FIGURES IN USD (000'S)**

ITEM/YEAR	0	1	2	3	4	5	6	7	8	9	10
<b>INFLOWS:</b>											
Bank Loan	9,587	-	-	-	-	-	-	-	-	-	-
Equity	2,959	-	-	-	-	-	-	-	-	-	-
Profit after Tax	-	1,116	1,918	1,954	1,704	2,406	2,129	2,809	2,809	2,809	2,809
Economic Depreciation	-	383	383	383	383	383	383	383	383	383	383
<b>TOTAL INFLOWS</b>	<b>12,546</b>	<b>1,499</b>	<b>2,301</b>	<b>2,337</b>	<b>2,087</b>	<b>2,789</b>	<b>2,512</b>	<b>3,192</b>	<b>3,192</b>	<b>3,192</b>	<b>3,192</b>
<b>CAPITAL OUTFLOWS:</b>											
Investment and Re-investment	12,546	0	0	0	0	220	0	0	0	0	0
Loan Repayment	0	567	567	567	567	567	564	0	0	0	0
<b>TOTAL OUTFLOWS</b>	<b>12,546</b>	<b>567</b>	<b>567</b>	<b>567</b>	<b>567</b>	<b>567</b>	<b>564</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET FLOWS</b>	<b>(12,545)</b>	<b>932</b>	<b>1,734</b>	<b>1,770</b>	<b>1,520</b>	<b>2,002</b>	<b>1,948</b>	<b>3,192</b>	<b>3,192</b>	<b>3,192</b>	<b>3,192</b>
<b>CUMULATIVE CASH</b>	<b>0</b>	<b>932</b>	<b>2,666</b>	<b>4,436</b>	<b>5,956</b>	<b>7,958</b>	<b>9,906</b>	<b>13,098</b>	<b>16,290</b>	<b>19,482</b>	<b>22,674</b>

**AFRI TEA AND COFFEE BLENDERS (1963) LTD**  
**PAYBACK PERIOD**

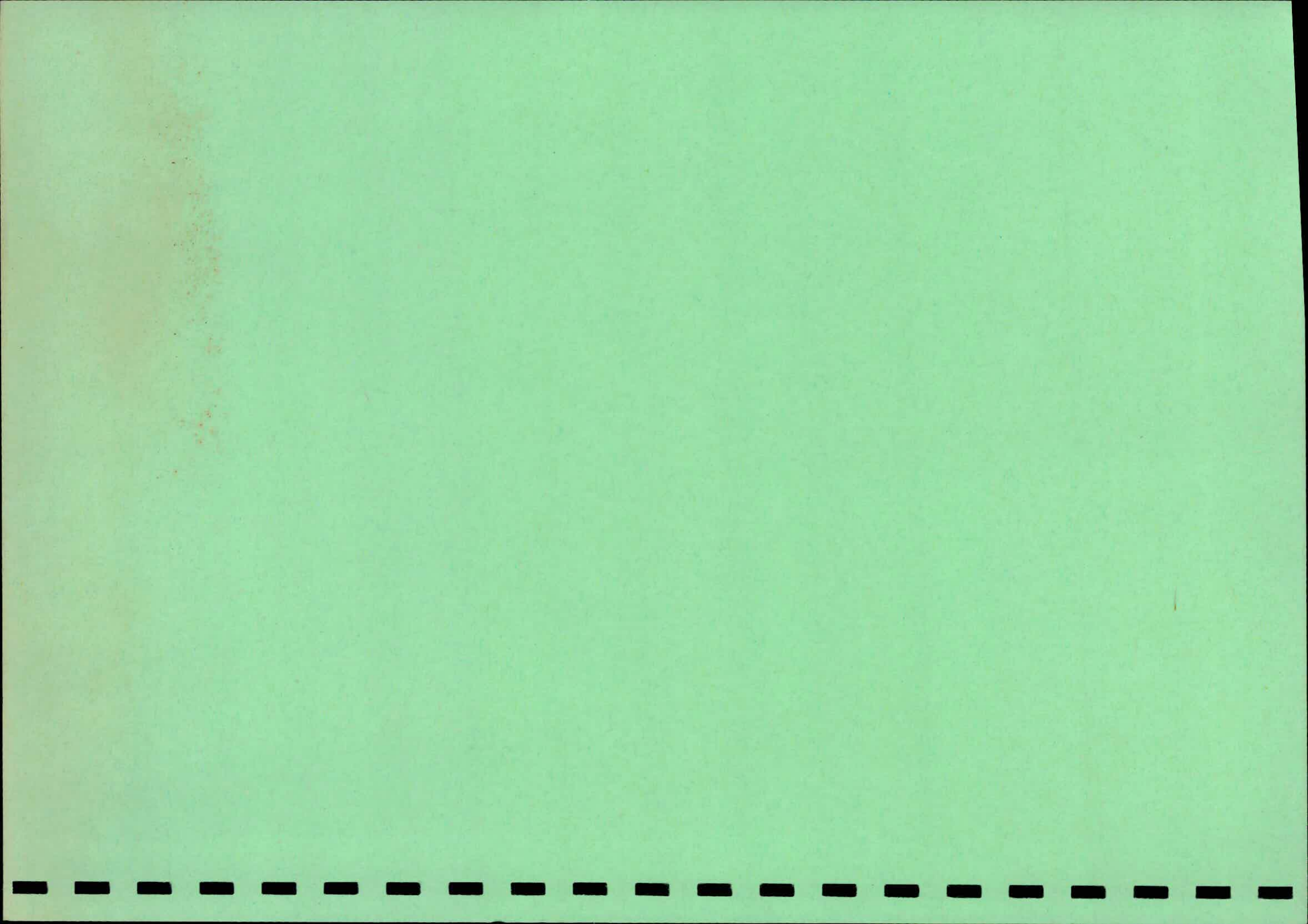
ANNEX: 3

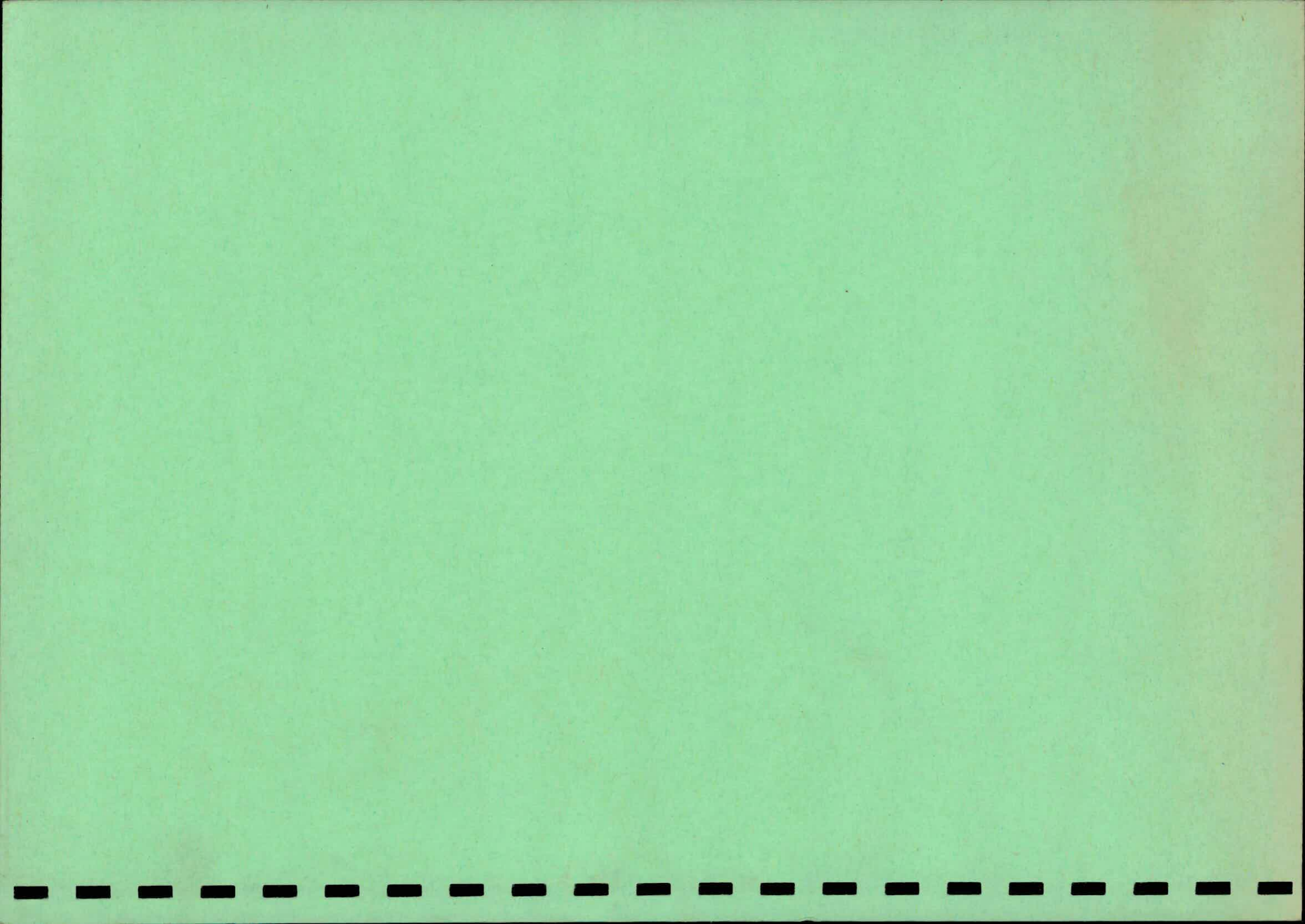
FIGURES IN USD (000'S)

YEAR	PROFIT AFTER TAX	ECONOMIC DEPRECIATION	TOTAL CASHFLOW	CUMULATIVE CASHFLOW
1.	1,116	383	1,499	1,499
2.	1,918	383	2,301	3,800
3.	1,954	383	2,337	6,137
4.	1,704	383	2,087	8,224
5.	2,406	383	2,789	11,015
6.	2,129	383	2,512	13,525
7.	2,809	383	3,192	16,717
8.	2,809	383	3,192	19,919
9.	2,809	383	3,192	23,101
10.	2,809	383	3,192	26,293

**FOOTNOTE:**

The original investment is **USD 12.5 million**. The analysis in the above table suggests payback period to be in the sixth year. This simply means that it will take six years for the project to recoup its initial investment of **USD 12.5 million**. Considering the size and magnitude of the project this period is relatively short.



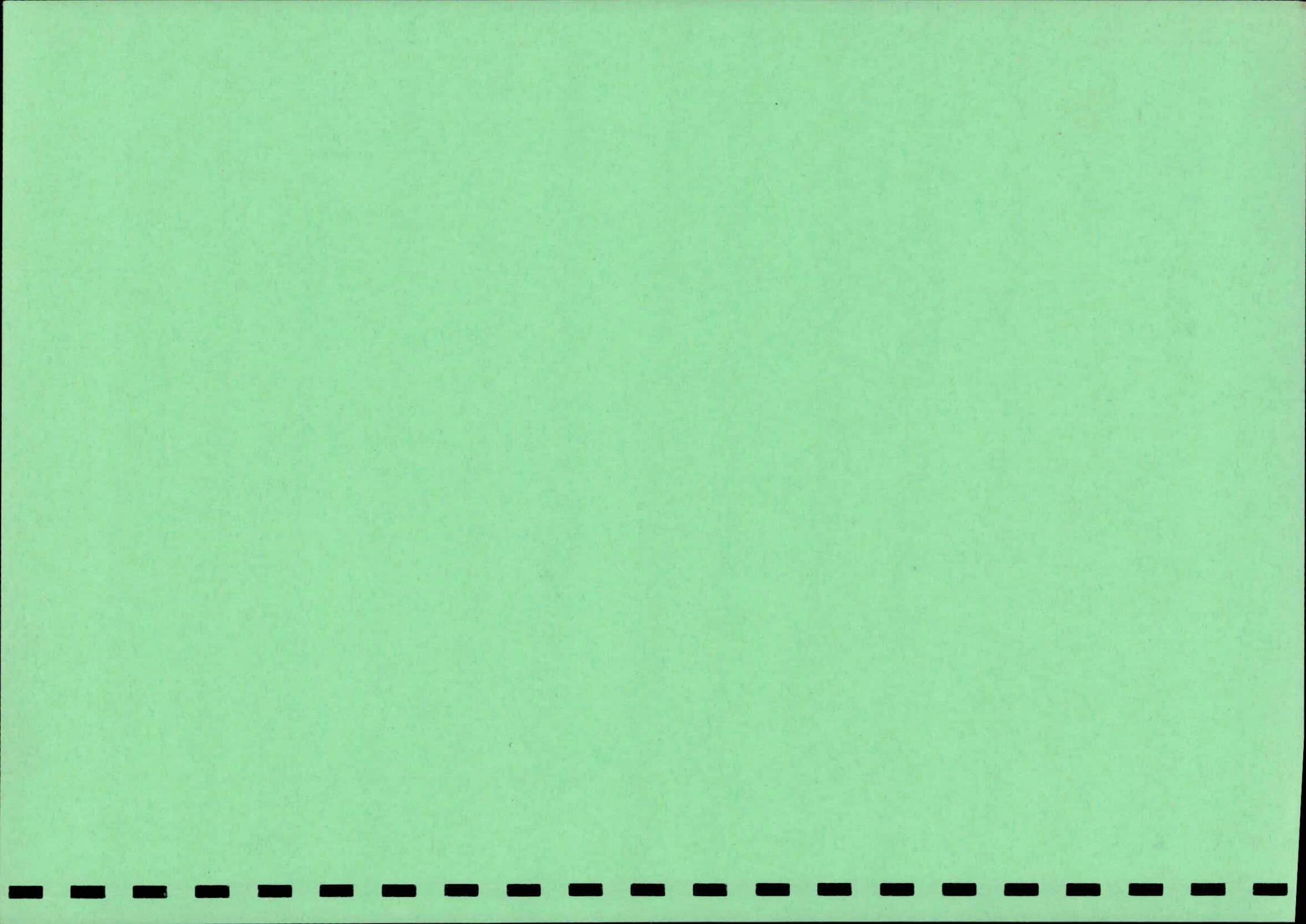


**FEASIBILITY STUDY FOR THE EXPANSION  
PROGRAMME OF  
AFRI TEA AND COFFEE BLENDERS (1963) LTD**

**PROMOTER: M/S AFRITEA AND COFFEE BLENDERS (1963) LTD  
P. O. BOX 747  
DAR ES SALAAM.**

**PREPARED BY:  
RONDO CORRIDOR LTD,  
BUSINESS CONSULTANTS  
P. O. BOX 6632,  
TEL 0787-947684  
DAR ES SALAAM.**

**DECEMBER, 2008**



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## **1.0 EXECUTIVE SUMMARY:**

**TANZANIA TEA BLENDERS (2002) LTD TTBL** has decided to change its name and transact the business under the name of **AFRI TEA AND COFFEE BLENDERS (1963) LTD**, a company recently registered and incorporated in Tanzania under **Certificate of Incorporation No. 67274** dated **September, 3<sup>rd</sup> 2008**. Under this move there will be an obvious case of expanding the present activities where a need for acquiring more machinery and vehicles will be an added advantage. It is on the basis of this reason that the company has thought it prudent to conceive an expansion programme aimed at improving the current quality of tea production, creating new markets and reducing the imports of Kenya tea products. All product brand names will remain the same with a provision for additional ones envisaged to reflect the present competitive market both local and export brands. This is where a need for obtaining a Certificate of Incentives from Tanzania Investment Centre comes in.

### **1.1 IMPORTANCE OF OWNING A TEA BLENDING PLANT:**

- There are about seven (7) tea blending units in Tanzania and most of them cater for their respective tea factories with limited capacities;

With the Trade Liberalization, it is safe and advisable for tea producers to use in-house blending facilities rather than blending with their competitors. It is in line with this situation that Afri Tea and Coffee Blenders which markets tea and coffee will now have the capacity to blend its own product, thus adding value to their tea products.

- All the tea be produced by Afri Tea branches will mostly be blended by the company itself, which dominates the market share and its brands such as:

- |                      |                            |
|----------------------|----------------------------|
| (i) African Pride    | (vi) Safari Tea            |
| (ii) Kilimanjaro Tea | (vii) Kilimanjaro Tea Bags |
| (iii) Green Label    | (viii) Maarufu             |
| (iv) Samba Chai      | (ix) Shifting Tea          |
| (v) Affricate        | (x) Top Cup                |

These are the ones dominating the market and the most preferred brands compared to others.

### **1.2 THE SOCIAL, POLITICAL AND ECONOMIC ADVANTAGES:**

- A stable, democratically elected Government, which is committed to establishing a free market economy based on well worked out programmes of reforms agreed with the IMF and World Bank. Already the country qualified for enhanced Structural Adjustment Facility (ESAF);
- The Government's policy of structural reform programme is expected to result into improved economic rate of growth;
- The Tanzania shilling is convertible into the USD and other hard currencies for remittance of dividends and other profit without restriction;
- Numerous multilateral and bilateral funding institutions are active in Tanzania including the World Bank, the International Finance Corporation and the Common Wealth Development Cooperation;
- Tanzania Investment Centre (TIC) offers guidelines on investment and exemption on import duties for capital goods.

### 1.3 PROMOTORS/SPONSORS:

The following directors are the sponsors for acquiring Tanzania Tea Blenders:

	<b>Name of Shareholder</b>	<b>Shares</b>
1	Abdulahakim Mulla	50%
2	Yusuf Mulla	50%

Abdulahakim Mulla and Yusuf Mulla already own and manage the New Mponde Tea Factory in Lushoto. The Directors have long experience in marketing of tea from Mponde Tea Factory. Their strong management capability will greatly contribute to strengthen the existing domestic market of Afri Tea products. Both Directors have travelled extensively in tea world growing areas and have gained a lot of experience and expertise in the tea industry. They have also managed to establish market contact and established distribution network in Arab countries and elsewhere in Europe of their tea products. Therefore their expertise and experience is an added asset to enhance **AFRI TEA AND COFFEE BLENDERS** export products.

### 1.4 INVESTMENT AND FINANCING:

The cost of expansion stretched over a three (3) years period is about T.shs. 5.8 billion. The initial working capital requirement is T.shs. 700.0 million. A summary of this investment is shown in the next page:

T.SHS. (000's)

Item	Reh/Expansion	Total	
		T.SHS.	USD
1. Machinery and Equipment	12,000,000	12,000,000	9,230.77
2. Civil works and Buildings	3,000,000	3,000,000	2,308.00
3. Motor Vehicles	439,800	439,800	338.31
4. Furniture and Fittings	136,250	136,250	104.81
5. Pre-operational Expense	<u>35,000</u>	<u>35,000</u>	<u>29.17</u>
<b>Sub-Total</b>	<b>15,611,050</b>	<b>15,611,050</b>	<b>12,011.06</b>
<b>Add:</b> Working Capital	<u>700,000</u>	<u>700,000</u>	<u>538.46</u>
<b>GRAND-TOTAL</b>	<b>16,311,050</b>	<b>16,311,050</b>	<b>12,546.52</b>

#### 1.4.1 Proposed Financing Arrangements:

Sponsors of **AFRI TEA AND COFFEE BLENDERS** are to finance the investment through their own resources and bank loan. A total loan of **T.shs. 9.4 billion** sought from the bank for investing mainly in machinery/equipment for tea and coffee blending factory. Working capital amounting to **T.shs. 700.0 million** is financed through shareholders equity contribution.

**Table 1.2: Financing Arrangements:**

Value in T.shs. 000's

Items	Equity	Term Loan	Total
Land and Buildings	3,000,000	-	3,800,000
Machinery and Equipment	2,587,755	9,412,245	12,000,000
Motor Vehicles	439,800	-	439,800
Furniture and Fittings	136,250	-	136,250
Pre-operational Expenses	35,000	-	35,000
<b>Sub-Total</b>	<b>6,198,805</b>	<b>9,412,245</b>	<b>15,611,050</b>
<b>Add:</b> Working Capital	<u>700,000</u>	-	<u>700,000</u>
<b>Total Capital</b>	<b>6,898,805</b>	<b>9,412,245</b>	<b>16,311,050</b>

## **1.5 CONCLUSION AND RECOMMENDATION:**

### **1.5.1 Conclusion:**

Presentation of this project indicates that:

- (i) The project will help to preserve the high value of tea and revamp the production levels of AFRI TEA AND COFFEE BLENDERS (1963) LTD;
- (ii) There is still great potential demand, which is not met both in export and local market;
- (iii) Apart from having a heavy expansion capital outlay, this project is expected to be technically feasible.
- (iv) The financial viability of the project is illustrated by the Internal Rate of Return (IRR) of 33%;
- (v) Economic considerations show that:
  - The project will earn foreign proceeds through export of blended tea and coffee;
  - The project will create job opportunities of more than 129 people.
  - Will generate and contribute substantially to the Government revenue through direct and indirect taxes.

### **1.5.2 Recommendation:**

The project as analysed and presented in this report has a heavy capital outlay period. However, it is able to benefit and able to finance its financial obligations during the projected period. AFRI TEA is a viable business entity and has bright future prospects especially knowing that it still dominates the domestic market in most of its products produced.

## 2.0 PROJECT DESCRIPTION:

The plan calls for an extensive expansion programme of the existing company by acquisition of new essential machinery for the purpose of increasing production and enable the company to sustain its own operations in the years ahead.

### 2.1. THE TEA INDUSTRY IN TANZANIA:

Tea was first introduced in the Tanganyika at the Agricultural Research Station, **Amani** in **Tanga** in **1902** by the German colonial rulers. Commercial planting was not done until after the First World War. Commercial plantations were established in **Rungwe, Njombe, Mufindi, Korogwe, Lushoto, Amani** and **Bukoba**.

Tea grows well at altitudes between **1,200** and **1,600** metres above sea level with heavy rainfalls and temperatures ranging between **23°C** and **35°C**. Tea cultivation was essentially an estate activity undertaken by foreign companies. Indigenous were not allowed to grow tea until after independence in **1961**. Small holders have since increased in number to the extent that to-date their combined green leaf production accounts for about **8%** of the total national production.

In the late **1980's** and early **1990's** their output accounted for about **30%** but this has declined over a time on account of relatively higher yields and expansions in the estates as shown in the table overleaf:-

Year	Production in		Total
	Estate	Kgs (000's) Smallholder	
1975/76	10,890	2,614	13,504
1980/81	12,864	2,469	15,333
1985/86	12,050	4,900	16,950
1990/91	13,695	4,397	18,092
1995/96	18,037	1,730	19,767
1998/99	22,473	1,207	23,680
1999/00	20,074	1,806	21,880
2000/01	26,057	2,328	28,385
2001/02	22,716	2,016	24,732
2002/03	25,056	2,620	27,676
2003/04	21,716	1,850	23,566

**Source: Tanzania Smallholders Tea Development Agency.**

The poor performance by the smallholders is to a large extent attributable to lack of proper financial support from the defunct Tanzania Tea Authority **(TTA)**. The parastatal body had the responsibility of developing smallholders, TTA was also the regulator of the entire tea industry. In addition, TTA also owned and managed some tea estates and factories and marketed the products.

Following the reforms, two new organizations namely the Tea Board of Tanzania (TBT) and Tanzania Smallholders Tea Development Agency (TSHTDA) were formed under the Tea Act of 1997, for the purpose of regulating and developing the tea industry. Under the Act, the two bodies are charged with the following responsibilities.

**(i) Tea Board of Tanzania:**

- Licensing of tea factories
- Licensing of tea blenders and packers.
- Regulation, control of improvement of the cultivation and processing.
- Control of tea pests and diseases.
- Licensing and control of export and import of tea.
- Assist in the investigation of and research into matters related to the tea industry.
- Collection, keeping and maintaining statistics relating to the tea industry.
- Represent the government in international meetings relating to the development of tea industry

**(ii) Tanzania Smallholders Tea Development Agency:**

- Promotion and development of tea industry,
- Advise and recommend to the Ministry of Agriculture as the Agency may think fit regarding the development of tea industry in Tanzania.
- In collaboration with the Ministry or on its own behalf, conduct and provide finance for tea research and extension services directly or through agents.

## **2.2. TEA PRODUCTION PROCESS:**

The process of tea manufacturing starts with the plucking of the two top tender leaves and the bud the routine of plucking is done at intervals of **5-10 days** depending entirely on the growth vigour of the tea bushes. The plucked leaves must never be compressed in the basket as this will cause bruising which will in turn initiate or trigger uncontrolled fermentation process. After plucking, the green leaf is inspected and weighed at the estate before it is transported to the Factory.

Pluckers are paid **T.shs. 32/=** for each Kilograms of green tea plucked.

From the estate, the leaf is then inspected and weighed again at the factory's receiving platform before it is put into the withering troughs. The basic principle is to manage the oxidation of chemicals (*antioxidants*) present in the leaf known as poly phenols. The process follows the sequence of withering, cutting and rolling, fermentation, drying, sorting and packing.

## **3.0 ENVIRONMENTAL ASPECTS OF TEA PRODUCTION AND PROCESSING:**

Tea production and processing is environmentally friendly. Tea, which is a perennial estate crop, is grown on slopes. Even though it is grown on slopes, there is very minimum risk of soil erosion as the slopes are well terraced. This is due to the fact that fully grown tea holds the soil firmly and inter-cropping is not advisable. Firewood used in the boiler is harvested from the existing gum tree forest. The gum trees are properly spaced and routinely pruned. Gum trees are ready for harvest every five to six years after planting. The harvested trees regenerate naturally and

therefore do not require any replanting. For every tree felled, two new trees regenerate per every stump, thus doubling tree population after every harvest. At the factory, tea processing entails a systematic reduction of moisture from about **70%** in green leaf to **3%** in the made tea. The process neither uses chemicals nor emits fumes. There are also no effluents discharged from tea processing. All solid matter in the leaf is converted into tea of one grade or the other. Any other extraneous materials from tealeaf are biodegradable and harmless.

#### **4.0 THE MARKET AND MARKETING:**

##### **4.1 PRODUCT:**

The principal product is "*made tea*" or black tea of various grades. The installed plant capacity at New Mponde Estate for example is **21,600,000kg** of green leaf per annum based on a single eight - hour shift per day by working **240** days per year. The estate can produce **4,695,652kg** or **4,696** tons of made tea per annum at the assumed yield or conversion rate of **4.6:1**.

##### **4.2 THE MARKET AND MARKETING:**

More than **80%** of the tea produced in Tanzania is exported. The traditional major importers of Tanzania tea are Pakistan and the United Kingdom. The table overleaf illustrates the tonnage of export and local consumption of tea from **1976** to **2002**.

---

## Tea Sales Trend

Year	Sales		Total Sales	% of Exports
	Export	Local		
1976	11,829	2,954	14,783	80
1980	15,023	3,754	18,777	80
1985	16,000	4,037	20,037	80
1990	14,908	3,150	18,058	83
1995	20,511	2,979	23,490	87
1998	22,213	1,963	24,176	92
1999	21,363	2,011	23,374	91
2000	20,141	4,591	24,732	81
2001	22,500	3,800	26,300	86
2002	20,600	4,000	24,600	84

2009

Among the four major African producers, Tanzania is third after Kenya and Malawi. On the world scale Tanzania production accounts for less than **1%**. In **1998** world production was the highest recorded in the last decade having peaked at **2,962,590 tonnes**. **Kenya** and **Sri Lanka** continued to lead in the export market. Their export tonnages in 1998 were **263,402** and **265,308** tonnes respectively. The U.K. Tea Council members currently account for **67.2%** of the world exports and **75%** of all the imports into the U.K.

### 4.3 COMPETITIVE ADVANTAGE:

In order to maintain proper human body function, a minimum level of water must be maintained, as the body water is lost through evaporation, urine, and lungs perspiration etc. A number of medical conditions can be caused or antagonized by low fluid intake. These include constipation, cystitis and dehydration. The choice of appropriate fluid to perform this function is, therefore, very important. Apart from water, which is regarded as the best, (*but perceived by many as somewhat "unpalatable"*) there are many other good fluids but they have their disadvantages as well. For example:-

- (a) Milk-although a good source of calcium which, is essential for healthy bones and teeth, whole milk contains large quantities of fat.
- (b) Soft drinks – contain more than 70% water but also contain high levels of sugar, which is detrimental to dental health and contributes to obesity.
- (c) Fruit juices like soft drinks contain large quantities of sugars.
- (d) Alcohol – most alcohol drinks contain sugar albeit in small quantities. In addition to the effects alcohol has on the brain, it has a dehydrating effect on human bodies.
- (e) Coffee – this beverage contains caffeine, a substance that has side effects to the human body.
- (f) Tea – this is considered to be the healthiest of all the human body fluid replicants and drinks. Research has revealed that black tea is a good source of calcium, vitamins, and minerals and has natural antioxidant properties that help reduce the risk of heart diseases such as high blood cholesterol and high blood pressure. There is scientific evidence that the ployphenols in tea have the beneficial effect on heart ailments. Tea popularity and acceptance as a refreshing health drink is growing day by day.

Internationally, the tea industry has initiated numerous research projects to determine inter alia the apparent positive values of the beverage to human health. Third party researches have simultaneously been carried out resulting in the publication of about 200 scientific papers.

Now that it has been established that modest intake of caffeine is harmless to human health, tea will continue to lead as the healthiest beverage available and consumed extensively all over the world. Tanzania tea is grown under what can be considered "*chemical free*" atmosphere in that minimal quantities of chemicals are applied as fertilizers or pesticides. For all - purposes, Tanzania tea is sold as a world of health conscious consumers.

Some of the internationally recognized grades of CTC manufactured teas are:

- (i) Broken Pekoe One (BP1)
- (ii) Broken Pekoe (BP)
- (iii) Pekoe fannings One (PF1)
- (iv) Pekoe fannings (PF1)
- (v) Pekoe Dust One (PD)
- (vi) Pekoe Dust (PD)
- (vii) Dust One (D1)
- (viii) Dust (D)

Apart from the Fannings Grade, which is picked at the pre-sorters, the rest are considered high -grade teas. It can be noted the main names and grades of tea are of Chinese origin because tea was first cultivated and processed in China. The same applies to most of the tea -associated terminologies. Pekoe for instance is Chinese word for "*white hair*".

#### **5.0 THE ROLE OF SMALLHOLDERS IN TEA PRODUCTION:**

Over the years, tea production by smallholders has suffered several setbacks mainly due to the following reasons:-

- Assistance to smallholders in terms of finance and extension services has been poor.
- Poor farming practices and sustenance of tea farms.
- Poor feeder roads to factories.
- Poor transportation of green leaf to factories.
- Late payments to farmers/smallholders.

The above have constrained growth of the tea industry in Tanzania and also resulted in poor yields and quality of the products. Recognizing these constraints and shortfalls TSHTDA has conceived an expansion programme which is expected to increase green leaf production. The programme will include:-

- Provision for agricultural inputs.
- Improvement of social infrastructure
- Improvement of access roads.

- Development of communication system.
- Provision for direct credits to farmers in Growers Association.
- Capacity Building to TSHTDA
- Provision for extension services.

Under the scheme, nurseries will be developed to enable an expansion of tea acreage by **10,300** hectares for smallholders in the next ten years or so. The above expansion programme is vital and is expected to increase green leaf production by **10 million kilogrammes** per annum. The assistance to smallholders is of a paramount importance for growth of Tea Industry in Tanzania as can be demonstrated by the following example.

The Rungwe Smallholders Tea Association (**RSTGA**) has plans to export its teas to member states of the Southern Africa Development Community (**SADC**) beginning October – November next year.

The move to sell tea in the **SADC** area has been prompted as a result of a diligent research made by experts in Pretoria, South Africa. The research which cost £ **47,000** was funded by the Department for International Development of the United Kingdom (**DID**)

Having succeeded in selling their tea to the Fair trade Labelling Organization (FLO), they decided to stretch their wings and expand the market to SADC countries. Apart from that the RSTGA is also selling

50% of its tea to the UK since **September, 2002**. The research findings have further revealed that the Association working in collaboration with Chai Bora TATEPA, could sell made tea and herbs infusion to the SADC countries. During the second forum of the FLO Fair trade in London in **September, 9 - 12, 2002**, it was agreed that tea specifically from the RSTGA and Kibena be sold at not less than **US\$ 1.95** per Kilogramme.

The Cafe direct purchases Tanzanian tea directly from the Rungwe Association, or at the world's tea auctions. Café Direct introduced a pricing model in 2002. This offers farmers a guaranteed minimum price for their tea, no matter how low the auction prices fall. Therefore, such an arrangement will help the producers to receive a decent income and enable them to build their businesses and strengthen their capital bases.

collaboration with Chai Bora TATEPA, could sell made tea and herbs infusion to the SADC countries. During the second forum of the FLO Fair trade in London in **September, 9 -12, 2002**, it was agreed that tea specifically from the RSTGA and Kibena be sold at not less than **US\$ 1.95** per Kilogramme.

Now that it has been established that modest intake of caffeine is harmless to human health, tea will continue to lead as the healthiest beverage available and consumed extensively all over the world. Tanzania tea is grown under what can be considered "*chemical free*" atmosphere in that minimal quantities of chemicals are applied as fertilizers or pesticides. For all-purposes, Tanzania tea is sold as a world of health conscious consumers.

Some of the internationally recognized grades of CTC manufactured teas are:

- (ix) Broken Pekoe One (BP1)
- (x) Broken Pekoe (BP)
- (xi) Pekoe fannings One (PF1)
- (xii) Pekoe fannings (PF1)
- (xiii) Pekoe Dust One (PD)
- (xiv) Pekoe Dust (PD)
- (xv) Dust One (D1)
- (xvi) Dust (D)

Apart from the Fannings Grade, which is picked at the pre-sorters, the rest are considered high -grade teas. It can be noted the main names and grades of tea are of Chinese origin because tea was first cultivated and processed in China. The same applies to most of the tea -associated terminologies. Pekoe for instance is Chinese word for "*white hair*".

#### **6.0 ASSUMPTIONS FOR OPERATING EXPENSES:**

The main operating expenses for this project will be salaries & wages, overheads and fixed costs such as motor vehicle running expenses and maintenance, maintenance of buildings and roads, printing and stationery, postage and telephones, insurance as percentage of fixed assets, directors fees, Audit and Legal Fees, etc. In monetary terms these expenses have been shown as follows:

(i) **Salaries and Wages:**

These are based on labour laws and legislation with an incentive package included in order to motivate the workers for higher labour productivity. The current wage bill at the estate stands at **USD 93,000**. This means that the firm is spending **USD 8,000** a month on salaries and wages. This figure is likely to increase up to **USD 100,000** by the beginning of the sixth year as plans are in hand for the recruitment of additional personnel during this time in order to cope with the implementation activities of the expansion programme.

(ii) **Direct Production Costs of Green Leaf:**

These include weeding, pruning, skiffing pluckers, packing materials:

			<b>T.SHS. (000'S)</b>	
(a)	Weeding 20 x 1,500 x ha:	20	1,500	6,360
(b)	Prunning 35 x 1,500 x ha	35	25%	1,628
(c)	Skiffing 12 x 1,500 x ha	12	50%	1,116
(d)	Pluckers labour T.shs. 32/=	@ kg.32		23,808
(e)	Packing Materials (cost per 50kg bag)			<u>18,600</u>
	<b>TOTAL DIRECT FIELD COSTS</b>			<b><u>51,512</u></b>

(iii) **Manufacturing Costs:**

(a)	Fuel	38	6,146
(b)	Electricity	210	33,965
(c)	Manufacturing Labour	17	2,750
(d)	Packing Materials	25	4,043
(e)	Other Variables	20	<u>3,235</u>
	<b>Total Manufacturing Costs:</b>		<b><u>50,139</u></b>

**(iv) Other Overheads/Fixed Costs:**

(a)	Vehicle Running Expenses & Maintenance % at cost	38	9,000
(b)	Maintenance of Buildings and Roads	2%	3,534
(c)	Printing and Stationery		600
(d)	Postage & Telephones:		3,000
(e)	Insurance as % of fixed assets:	0.5%	5,016
(f)	Directors Fees		2,000
(g)	Audit and Legal Fees		500
(h)	Others: n.e.s.		<u>100</u>
	<b>Total Overheads</b>		<b><u>23,750</u></b>

**N:B:** The above expenses refer to the first year of the operations only. Commencing the second year up to the end of the projected period. Please refer to the projected Profit and Loss Statement. (Annex 1).

**6.1 DIRECT PRODUCTION COSTS:**

Direct costs consist mostly of made tea, raw coffee, packing materials transport costs, *etc.* Total direct costs increases up to sustainable production from **USD 3.9 million** in year 5 to **USD 4.1 million** in sixth year.

**6.2 SALARIES AND WAGES:**

About 120 people have been employed at different positions in the organization structure. Salaries of the employees are consolidated and include all other social benefits. Total annual salary bill for all employees is estimated at USD 93,000.

**6.3 UTILITIES:**

The use of water for both production and human hygiene is estimated at 120,000 gallons per annum. Electricity consumption through the use of the generator is estimated on a monthly demand load of 145kVA with monthly consumption units of 20,240 kWh. Monthly tariff is T.shs. 5,000 per kVA. Total cost utilities including fuel and lubricants increase from T.shs. 45.9 million in year one reaching at 65.0 million by the year 2014.

**6.4 ADMINISTRATIVE COSTS:**

This cost item includes insurance on fixed assets, marketing/selling expenses, clearing and forwarding, audit fees, training expenses, selling and distribution expenses, *etc.* The cost ranges between USD 130,000 and USD 142,000 over a five period.

**6.5 REPAIRS AND MAINTENANCE:**

Repairs and maintenance on fixed assets are calculated as follows:

- Machinery and Equipment	5%
- Land and Buildings	1%
- Motor Vehicles	10%
- Office Equipment/Furniture	5%

The above cost will also cater for the cost of spare parts, which is estimated at 80% of repairs and maintenance cost while the remaining 20% is for labour, *etc.* Annual cost is estimated at USD 210,000 in the year 2009, increasing up to USD 285,000 in the year 2012.

## **7.0 WORKING CAPITAL:**

The total initial working capital of **T.shs. 700.0 million** will be made available through bank overdraft.

The working capital ratio is (*current assets to current liabilities*) which shows positive cash indicating that the project will be free from unnecessary burden in the day to day liquidity problems. It will have sufficient cash to carry out its daily cash operations smoothly.

## **8.0 FINANCIAL ANALYSIS:**

### **8.1 PROJECTED PROFIT AND LOSS STATEMENT:**

This financial statement shows that the project will made a net profit after tax of USD 1.1 million starting the first year and thereafter increasing up to USD 2.8 million in the seventh year. Revenue reserve would have accumulated up to USD 23.3 million towards the end of the tenth year.

### **8.2 PROJECTED CASHFLOW:**

The projected Cashflow Statement in (Annex 2) indicates that the project has a healthy cash net flows for the first six years despite the heavy capital outlay. The netflows increase from USD 932,000 starting in year one, increasing up to USD 3.1 million towards the end of the eighth year. The cumulative cash-cash in hand would have accumulated up to USD 22.6 million towards the end of the tenth year.

**8.3 PAYBACK PERIOD:**

The original investment is USD 12.5 MILLION. The analysis in (Annex: 3) suggests payback period to be around the sixth year of the useful economic lifetime of the project. This simple means that it will take about six years for the project owners to recoup the initial capital funds of USD 12.5 million. Considering the size and magnitude of the project this period is relatively short.

ANNEX: 1

**AFRI TEA AND COFFEE BLENDERS (1963) (LTD)**  
**PROJECTED PROFIT AND LOSS STATEMENT**

FIGURES IN USD (000'S)

ITEM/YEAR	1	2	3	4	5	6	7	8	9	10
SALES REVENUE	7,322	8,210	8,482	8,604	9,895	9,895	10,885	10,885	10,885	10,885
<b>LESS:</b> OPERATING EXPENSES										
1. Production Salaries	93	93	93	93	93	100	100	100	100	100
2. Direct Production costs	4,272	4,272	4,272	4,272	4,272	5,175	5,175	5,175	5,175	5,175
3. Administration and Marketing Salaries	76	76	76	76	76	76	97	97	97	97
4. General Operating Expenses	440	440	440	440	440	675	675	675	675	675
5. Utilities	45	45	45	55	55	55	65	65	65	65
6. Loan Interest	80	49	15	0	0	0	0	0	0	0
7. Economic Depreciation	383	383	383	383	383	383	383	383	383	383
8. Travelling Expenses	73	82	74	60	60	60	60	60	60	60
9. Maintenance and Repairs	263	263	263	263	263	315	315	315	315	315
<b>TOTAL EXPENDITURE</b>	<b>5,727</b>	<b>5,460</b>	<b>5,689</b>	<b>6,169</b>	<b>6,457</b>	<b>6,853</b>	<b>6,871</b>	<b>6,871</b>	<b>6,871</b>	<b>6,871</b>
PROFIT BEFORE TAX	1,594	2,740	2,792	2,434	3,437	3,041	4,013	4,013	4,013	4,013
COMPANY TAX (30%)	478	822	837	730	1,031	912	1,204	1,204	1,204	1,204
PROFIT AFTER TAX	1,116	1,918	1,954	1,704	2,406	2,129	2,809	2,809	2,809	3,692
<b>REVENUE RESERVE</b>	<b>1,116</b>	<b>3,034</b>	<b>4,989</b>	<b>6,693</b>	<b>9,100</b>	<b>11,229</b>	<b>14,038</b>	<b>16,848</b>	<b>19,657</b>	<b>23,349</b>

**AFRI TEA AND COFFEE BLENDERS (1963) (LTD)**

**PROJECTED CASH FLOW STATEMENT**

**FIGURES IN USD (000'S)**

ITEM/YEAR	0	1	2	3	4	5	6	7	8	9	10
<b>INFLOWS:</b>											
Bank Loan	9,587	-	-	-	-	-	-	-	-	-	-
Equity	2,959	-	-	-	-	-	-	-	-	-	-
Profit after Tax	-	1,116	1,918	1,954	1,704	2,406	2,129	2,809	2,809	2,809	2,809
Economic Depreciation	-	383	383	383	383	383	383	383	383	383	383
<b>TOTAL INFLOWS</b>	<b>12,546</b>	<b>1,499</b>	<b>2,301</b>	<b>2,337</b>	<b>2,087</b>	<b>2,789</b>	<b>2,512</b>	<b>3,192</b>	<b>3,192</b>	<b>3,192</b>	<b>3,192</b>
<b>CAPITAL OUTFLOWS:</b>											
Investment and Re-investment	12,546	0	0	0	0	220	0	0	0	0	0
Loan Repayment	0	567	567	567	567	567	564	0	0	0	0
<b>TOTAL OUTFLOWS</b>	<b>12,546</b>	<b>567</b>	<b>567</b>	<b>567</b>	<b>567</b>	<b>567</b>	<b>564</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET FLOWS</b>	<b>(12,545)</b>	<b>932</b>	<b>1,734</b>	<b>1,770</b>	<b>1,520</b>	<b>2,002</b>	<b>1,948</b>	<b>3,192</b>	<b>3,192</b>	<b>3,192</b>	<b>3,192</b>
<b>CUMULATIVE CASH</b>	<b>0</b>	<b>932</b>	<b>2,666</b>	<b>4,436</b>	<b>5,956</b>	<b>7,958</b>	<b>9,906</b>	<b>13,098</b>	<b>16,290</b>	<b>19,482</b>	<b>22,674</b>

**AFRI TEA AND COFFEE BLENDERS (1963) LTD**  
**PAYBACK PERIOD**

ANNEX: 3

FIGURES IN USD (000'S)

YEAR	PROFIT AFTER TAX	ECONOMIC DEPRECIATION	TOTAL CASHFLOW	CUMULATIVE CASHFLOW
1.	1,116	383	1,499	1,499
2.	1,918	383	2,301	3,800
3.	1,954	383	2,337	6,137
4.	1,704	383	2,087	8,224
5.	2,406	383	2,789	11,015
6.	2,129	383	2,512	13,525
7.	2,809	383	3,192	16,717
8.	2,809	383	3,192	19,919
9.	2,809	383	3,192	23,101
10.	2,809	383	3,192	26,293

**FOOTNOTE:**

The original investment is **USD 12.5 million**. The analysis in the above table suggests payback period to be in the sixth year. This simply means that it will take six years for the project to recoup its initial investment of **USD 12.5 million**. Considering the size and magnitude of the project this period is relatively short.



P.O. BOX 747  
DAR ES SALAAM  
TELEPHONE: 22-2131145/2112430

CABLE: "BLENDERS"  
FAX: 22-2115347  
EMAIL: [teablend@ttb.co.tz](mailto:teablend@ttb.co.tz)

## **Afri Tea & Coffee Blenders (1963) Limited**

Registered Office & Factory, Lugoda Street Dar es Salaam

Ref. No. ATCB/TIC/2/2009

24<sup>th</sup> January, 2009

The Executive Director,  
Tanzania Investment Centre,  
P.O. Box 938,  
**DAR ES SALAAM.**



Dear Sir,

### **RE: APPLICATION FOR A CERTIFICATE OF INCENTIVES:**

We are submitting this application requesting your office to grant us the above mentioned document for the purpose of implementing the rehabilitation and development of the Afri Tea & Coffee Blenders (1963) Ltd programme which is scheduled to be in the offing in the near future.

As essential machinery and equipment for this project is already on its way to Tanzania, we kindly request you to give us priority in issuing the Certificate at the earliest date possible in the national interest.

Enclosed please find herewith the following documents in support of our application:

1. Three (3) copies of a complete feasibility study.
2. Three (3) copies of TIC Forms duly signed by a responsible Company Director.
3. One (1) Photostat copy of Memorandum and Articles of Association
4. One (1) Photostat copy of Certificate of Incorporation.
5. One copy of a Title Deed – The same premises where Tanzania Tea Blenders (2002) were operating.
6. A copy of a Board Resolution.

Thanking you in advance

Yours sincerely,

**AFRI TEA & COFFEE BLENDERS (1963) LTD**

S. N. Datta

**GENERAL MANAGER**

TANZANIA



# Certificate of Incorporation

Section 15

No 67274

## I HEREBY CERTIFY THAT

**AFRI TEA AND COFFEE BLENDERS (1963)**


**LIMITED =====**

is this day incorporated under the Companies Act, 2002 and that the Company is Limited

Given under my hand at Dar es salaam

this **3RD** day of **SEPTEMBER**

**TWO THOUSAND AND EIGHT**

  
Assist. Registrar of Companies

**AFRI TEA & COFFEE BLENDERS (1963) LTD**

**CERTIFICATE OF INCORPORATION**  
**NO. 67274**


**EXTRACT OF MINUTES OF EXTRAORDINARY BOARD MEETING**  
**HELD AT COMPANY'S REGISTERED HEAD OFFICE IN DARE S**  
**SALAAM, ON THE 05<sup>TH</sup> JANUARY, 2009**

**“SPECIAL RESOLUTION”**

Resolved that company be authorized to undertake a rehabilitation and development programme of Afri Tea & Coffee Blenders (1963) Ltd at a total investment cost of T.Shs.16.3b and that management should apply for Certificate of Incentives from Tanzania Investment Centre.



**DIRECTOR**



**SECRETARY**



# 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](mailto:information@tic.co.tz)  
Website: [www.tic.co.tz](http://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 ..... **DIRECTORS** .....

(director/directors/agent of **AFRI TEA & COFFEE BLENDERS (1963) LTD** .....

(name of business enterprise) apply for registration of .....

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 **LUGODA STREET** .....

**GEREZANI AREA** .....

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 **LUGODA STREET - GEREZANI AREA** .....

4. The Principal Officers of the Company are **MR. ALI ALBAWARDY,** .....

**MR. ANTHONY FERNANDES, MR. ABDULHAKIM MULLA,** .....

**MR. YUSUF MULLA AND MR. D. RAVI KUMAR** .....

5. Auditors of the Company are **ERNST & YOUNG** .....

6. The authorized share capital of the Company is Tshs./US\$ **10 billion** .....

7. The intended capital investment of the Company in terms of Section 2(2) of the Act is Tshs./US\$ .....

8. The month and day of the financial year end is 31ST DECEMBER .....

Note: *failure to provide all the required information will result in the return of the application by the Centre.*

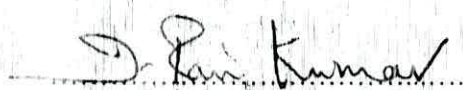
I/We enclose a cheque/cash made payable to the **Tanzania Investment Centre** for Tshs./US\$ 130,000/= ..... Being the Registration Fees. *In the event this application is unsuccessful we understand that this fee will not be refunded.*

I, **D. RAVI KUMAR** ..... of Post Office Number 747 DAR ES SALAAM .

..... do solemnly and sincerely declare that I am a director/duly authorized agent of **AFRI TEA AND COFFEE BLENDERS (1963) LTD** .....

**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 Dar es Salaam )



Applicant

The ...18 day of ...DECEMBER 2008) 2008

Before me:

.....  
Commissioner for Oaths

## APPLICATION SUMMARY

Company Name: AFRI TEA AND COFFEE BLENDERS (1963) LTD

Certificate of Incorporation Number: 67274 Status:

Certificate of Incorporation Date: 3RD SEPTEMBER, 2008

Post Box: 747

Town: DAR ES SALAAM.

Sector: AGRICULTURE

Sub-Sector: MANUFACTURING

### Investment Financing Plan in Million US\$/Tshs.

Foreign Equity	Local Equity	Foreign Loan	Local Loan
	6,898,805	5,101,195	4,311,050

Project Objectives: EXPANSION PROGRAMME ON BUILDING

PURCHASE OF MORE MACHINERIES AND MOTOR VEHICLES

IMPROVE PRODUCTION AND QUALITY OF TEAS AND COFFEE

Capacity:

Employment: Foreign: 4 Local: 175 Total: 179

Implementation Period: 3 YEARS

### Project Location

Site/Plot/Block No.:

Street: District: Region:  
(Attach sketch map showing project location)

Shareholders	Nationality	%
URAHA TRADING CO. LTD	UAE	51
TO GENERAL TRADING CO. LTD	TANZANIAN	49

**Investment Breakdown US\$/Tshs.M**

Land/Building	3,000,000,000
Plant	12,000,000,000
Vehicles	439,800
Furniture & Fittings	136,250
Pre-expenses	35,000
Others	-
Working Capital	700,000
<b>TOTAL</b>	

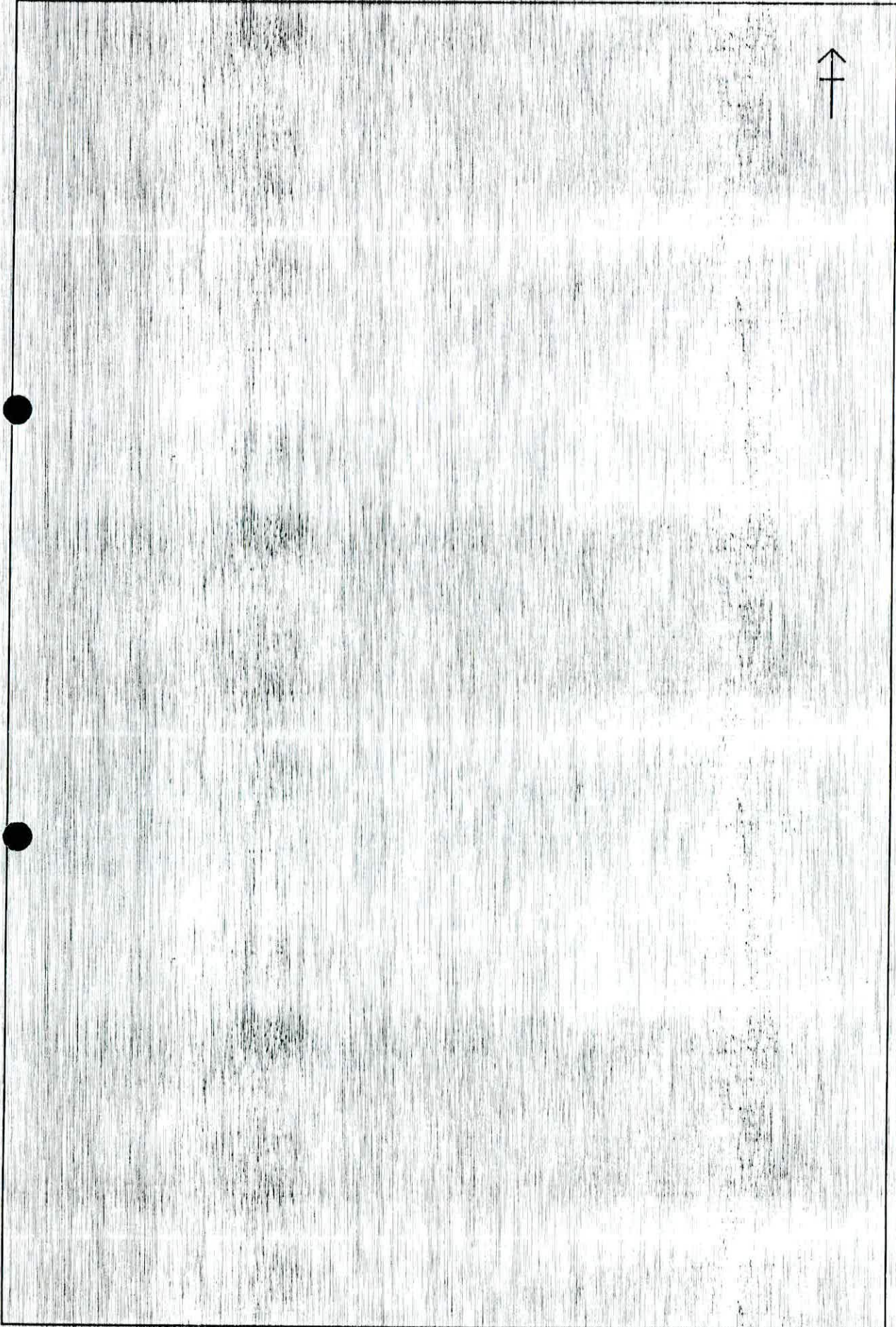
**Contact Details:**

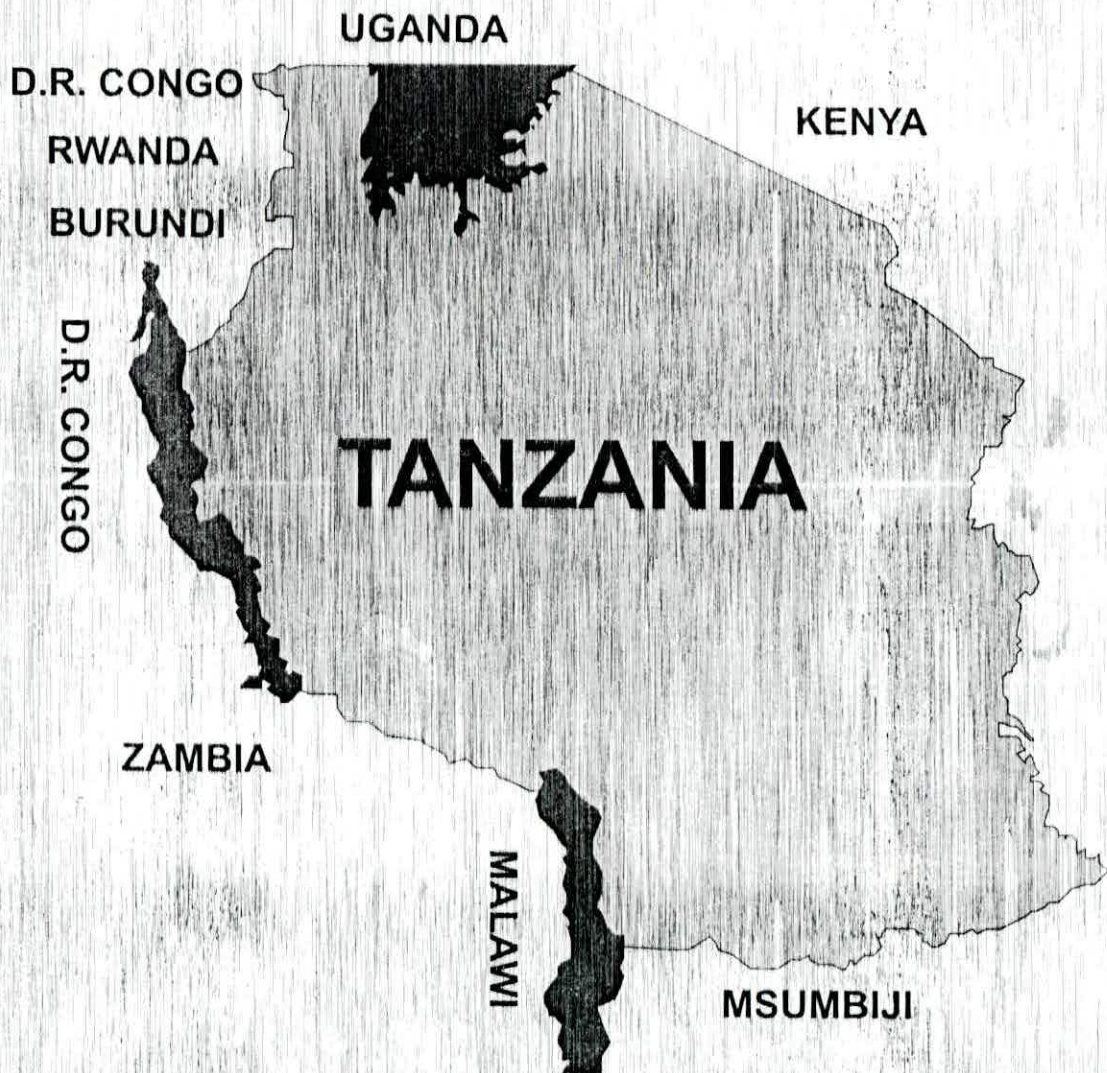
Name: **D. RAVI KUMAR** Title: **FINANCIAL CONTROLLER**  
Telephone: **2111145/2112430** Fax: **2115347**  
Email: **teablend@ttb.co.tz**

**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





**FEASIBILITY STUDY FOR THE EXPANSION  
PROGRAMME OF  
AFRI TEA AND COFFEE BLENDERS (1963) LTD**

**PREPARED BY:  
B.T. & SONS LTD,  
BUSINESS CONSULTANTS,  
P. O. BOX 5509,  
TEL. 0787-947684,  
DAR ES SALAAM.**

**APRIL, 2009**

**FEASIBILITY STUDY FOR THE EXPANSION  
PROGRAMME OF  
AFRI TEA AND COFFEE BLENDERS (1963) LTD**

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## **1.0 EXECUTIVE SUMMARY:**

Tanzania Tea Blenders (2002) Ltd TTBL has decided to change its name and transact the business under the name of AFRI TEA AND COFFEE BLENDERS (1963) LTD, a company recently registered and incorporated in Tanzania under Certificate of Incorporation No. 67274 dated September, 3<sup>rd</sup> 2008. Under this move there will be an obvious case of expanding the present activities where a need for acquiring more machinery and vehicles will be an added advantage. It is on the basis of this reason that the company has thought it prudent to conceive an expansion programme aimed at improving the current quality of tea production, creating new markets and reducing the imports of Kenya tea products. All product brand names will remain the same with a provision for additional ones envisaged to reflect the present competitive market both local and export brands. This is where a need for obtaining a Certificate of Incentives from Tanzania Investment Centre comes in..

### **1.1 IMPORTANCE OF OWNING A TEA BLENDING PLANT:**

- There are about seven (7) tea blending units in Tanzania and most of them cater for their respective tea factories with limited capacities;

With the Trade Liberalization, it is safe and advisable for tea producers to use in-house blending facilities rather than blending with their competitors. It is in line with this situation that Afri Tea and Coffee Blenders which markets tea and coffee will now have the capacity to blend its own product, thus adding value to their the tea products.

- All the tea to be produced by Afri Tea branches will mostly be blended by the company itself, which dominates the market share and its brands such as:

- |                      |                            |
|----------------------|----------------------------|
| (i) African Pride    | (vi) Safari Tea            |
| (ii) Kilimanjaro Tea | (vii) Kilimanjaro Tea Bags |
| (iii) Green Label    | (viii) Maarufu             |
| (iv) Samba Chai      | (ix) Shifting Tea          |
| (v) Affricate        | (x) Top Cup.               |

These are the ones dominating the market and the most preferred brands compared to others.

#### **1.2 THE SOCIAL, POLITICAL AND ECONOMIC ADVANTAGES:**

- A stable, democratically elected Government, which is committed to establishing a free market economy based on well worked out programmes of reforms agreed with the IMF and World Bank. Already the country qualified for enhanced structural Adjustment Facility (ESAF);
- The Government's policy of structural reform programme is expected to result into improved economic rate of growth;
- The Tanzania shilling is convertible into the USD and other hard currencies for remittance of dividends and other profit without restriction;

- Numerous multilateral and bilateral funding institutions are active in Tanzania including the World Bank, the International Finance Corporation and the Common Wealth Development Cooperation;
- Tanzania Investment Centre (TIC) offers guidelines on investment and exemption on import duties for capital goods.

### 1.3 PROMOTERS/SPONSORS:

The following directors are the sponsors for acquiring Tanzania Tea Blenders:

	<b>Name of Shareholder</b>	<b>Shares</b>
1	Abdulahkim Mulla	50%
2	Yusuf Mulla	50%

Abdulahkim Mulla and Yusuf Mulla already own and manage the New Mponde Tea Factory in Lushoto. The Directors have long experience in marketing of tea from Mponde tea Factory. Their strong management capability will greatly contribute to strengthen the existing domestic market of Afri Tea products. Both Directors have travelled extensively in tea world growing areas and have gained a lot of experience and expertise in the tea industry. They have also managed to establish market contact of their tea products and established distribution network in Arab countries and elsewhere in Europe of their tea products. Therefore their expertise and experience is an added asset to enhance **AFRI TEA AND COFFEE BLENDERS** export products.

#### 1.4 INVESTMENT AND FINACING:

The cost of expansion stretched over a three (3) years period is about T.shs. 16.3 billion. The initial working capital requirement is T.shs. 700.0 million. A summary of this investment is shown in the table below.

T.SHS. (000's)

Item	Reh/Expansion	Total	
		T.SHS.	USD
1. Machinery and Equipment	12,000,000	12,000,000	9,230.77
2. Civil works and Buildings	3,000,000	3,000,000	2,308.00
3. Motor Vehicles	439,800	439,800	338.31
4. Furniture and Fittings	136,250	136,250	104.81
5. Pre-operational Expense	<u>35,000</u>	<u>35,000</u>	<u>29.17</u>
<b>Sub-Total</b>	<b>15,611,050</b>	<b>15,611,050</b>	<b>12,011.06</b>
<b>Add:</b> Working Capital	<u>700,000</u>	<u>700,000</u>	<u>538.46</u>
<b>GRAND-TOTAL</b>	<b>16,311,050</b>	<b>16,311,050</b>	<b>12,546.52</b>

##### 1.4.1 Proposed Financing Arrangements:

Sponsors of **AFRI TEA AND COFFEE BLENDERS** are to finance the investment through their own resources and bank loan. A total loan of **T.shs. 9.4 billion** is being sought from the bank for investing mainly in machinery/equipment for tea and coffee blending factory. Working capital amounting to **T.shs. 700.0 million** is financed through shareholders equity contribution.

**Table 1.2: Financing Arrangements:****Value in T.shs. 000's**

Items	Equity	Term Loan	Total
Land and Buildings	3,000,000	-	3,000,000
Machinery and Equipment	2,587,755	9,412,245	12,000,000
Motor Vehicles	439,800	-	439,800
Furniture and Fittings	136,250	-	136,250
Pre-operational Expenses	35,000	-	35,000
<b>Sub-Total</b>	<b>6,198,805</b>	<b>9,412,245</b>	<b>15,611,050</b>
<b>Add:</b> Working Capital	<u>700,000</u>	<u>-</u>	<u>700,000</u>
<b>Total Capital</b>	<b>6,898,805</b>	<b>9,412,245</b>	<b>16,311,050</b>

**1.5 CONCLUSION AND RECOMMENDATION:****1.5.1 Conclusion:**

Presentation of this project indicates that:

- (i) The project will help to preserve the high value of tea and revamp the production levels of AFRI TEA AND COFFEE BLENDERS (1963) LTD;
- (ii) There is still great potential demand, which is not yet met both in export and local market;
- (iii) Apart from having a heavy expansion capital outlay, this project is expected to be technically feasible.
- (iv) Economic considerations show that:-
  - The project will earn foreign proceeds through export of blended tea and coffee;
  - The project will create job opportunities of more than 120 people.

- Will generate and contribute substantially to the Government revenue through direct and indirect taxes.

### **1.5.2 Recommendation:**

The project as analysed and presented in this report has a heavy capital investment outlay during the planned period. However, it is able to benefit and able to finance its financial obligations during the projected period. AFRI TEA is a viable business entity and has bright future prospects especially knowing that it still dominates the domestic market in most of its products produced. Therefore it is highly recommended that the firm be granted with the requested Certificate of Incentives.

## **2.0 PROJECT DESCRIPTION:**

The plan calls for an extensive expansion programme of the existing company by acquisition of new essential machinery for the purpose of increasing production and enable the company to sustain its own operations in the years ahead.

### **2.1 THE TEA INDUSTRY IN TANZANIA:**

Tea was first introduced in the Tanganyika at the Agricultural Research Station, Amani in Tanga in 1902 by the German colonial rulers. Commercial planting was not done until after the First World War. Commercial plantations were established in Rungwe, Njombe, Mufind, Korogwe, Lushoto, Amani and Bukoba.

Tea grows well at altitudes between 1,200 and 1,600 metres above sea level with heavy rainfalls and temperatures ranging between 23 C and 35 C. Tea cultivation was essentially an estate activity undertaken by foreign companies. Indigenous were not allowed to grow tea until after independence in 1961. Small holders have since increased in number to the extent that to-date their combined green leaf production accounts for about 8% of the total national production.

Following the reforms, two new organizations namely the Tea Board of Tanzania (TBT) and Tanzania Smallholders Tea Development Agency (TSHTDA) were formed under the Tea Act of 1997, for the purpose of regulating and developing the tea industry. Under the Act, the two bodies are charged with the following responsibilities.

(i) Tea Board of Tanzania:

- Licensing of tea factories.
- Licensing of tea blenders and packers.
- Regulation, control of improvement of the cultivation and processing.
- Control of tea pests and diseases.
- Licensing and control of export and import of tea.
- Assist in the investigation of and research into matters related to the tea industry.

- Collection, keeping and maintaining statistics relating to the tea industry.
- Represent the government in international meetings relating to the development of tea industry.

**(ii) Tanzania Smallholders Tea Development Agency:**

- Promotion and development of tea industry.
- Advise and recommend to the Ministry of Agriculture as the Agency may think fit regarding the development of tea industry in Tanzania.
- In collaboration with the Ministry or on its own behalf, conduct and provide finance for tea research and extension services directly or through agents.

**2.2 TEA PRODUCTION PROCESS:**

The process of tea manufacturing starts with the plucking of the two top tender leaves and the bud the routine of plucking is done at intervals of **5-10 days** depending entirely on the growth vigour of the tea bushes. The plucked leaves must never be compressed in the basket as this will cause bruising which will in turn initiate or trigger uncontrolled fermentation process. After plucking, the green leaf is inspected and weighed at the estate before it is transported to the Factory.

### **3.0 ENVIRONMENTAL ASPECTS OF TEA PRODUCTION AND PROCESSING:**

Tea production and processing is environmentally friendly. Tea, which is a perennial estate crop, is grown on slopes. Even though it is grown on slopes, there is very minimum risk of soil erosion as the slopes are well terraced. This is due to the fact that fully grown tea holds the soil firmly and inter-cropping is not advisable. Firewood used in the boiler is harvested from the existing gum tree forest. The gum trees are properly spaced and routinely pruned. Gum trees are ready for harvest every five to six years after planting. The harvested trees regenerate naturally and therefore do not require any replanting. For every tree felled, two new trees regenerate per every stump, thus doubling tree population after every harvest. At the factory, tea processing entails a systematic reduction of moisture from about 70% in green leaf to 3% in the made tea. The process neither uses chemicals nor emits fumes. There are also no effluents discharged from tea processing. All solid matter in the leaf is converted into tea of one grade or the other. Any other extraneous materials from tealeaf are biodegradable and harmless.

### **4.0 THE MARKET:**

#### **4.1 PRODUCT:**

The principal product is "made tea" or black tea of various grades. The installed plant capacity at **New Mponde Estate** for example is 21,600,000 kg of green leaf per annum based on a single eight-hour shift per day by working 240 days per year. The estate can produce 4,695,652 kg or 4,696 tons of made tea per annum at the assumed yield or conversion rate of **4.6:1**.

#### 4.2 THE MARKET AND MARKETING:

More than 80% of the tea produced in Tanzania is exported. The traditional major importers of Tanzania tea are Pakistan and the United Kingdom. The table below illustrates the tonnage of export and local consumption of tea from 2002 to 2008.

**Tea Sales Trend:**

<b>Year</b>	<b>Export</b>	<b>Local</b>	<b>Total Sales</b>
2002	232,430	125,155 kgs	357,585 kgs
2003	453,339	244,106 kgs	697,445 kgs
2004	1,102,304	593,549 kgs	1,695,853 kgs
2005	892,843	480,762 kgs	1,373,605 kgs
2006	1,076,491	579,649 kgs	1,656,140 kgs
2007	1,114,510	600,122 kgs	1,714,632 kgs
2008	1,281,056	689,900 kgs	1,970,856 kgs

**SOURCE: TANZANIA TEA BLENDERS LTD**

**Footnote:** It is befitting to note from the above statistics that sales increased relatively from 1.6 million kgs in the year 2006 to 1.9 million kgs towards the end of 2008. Hence, there is a strong justification for conceiving this expansion programme, at the moment.

#### 4.3 COMPETITIVE ADVANTAGE:

In order to maintain proper human body function, a minimum level of water must be maintained, as the body water is lost through evaporation, urine, and lungs perspiration etc. A number of medical conditions can be caused or antagonized by low fluid intake. These include constipations, cystitis and dehydration. The choice of appropriate fluid to perform this function is, therefore, very important. Apart from water, which is regarded as the best, (*but perceived by many as somewhat "unpalatable"*) there are many other good fluids but they have their disadvantages as well. For example:-

- (a) Milk-although a good source of calcium which, is essential for healthy bones and teeth, whole milk contains large quantities of fat.
- (b) Soft drinks-contain more than 70% water but also contain high levels of sugar, which is detrimental to dental health and contributes to obesity.
- (c) Fruit juices like soft drinks contain large quantities of sugars.
- (d) Alcohol-most alcohol drinks contain sugar albeit in small quantities. In addition to the effects alcohol has on the brain, it has a dehydrating effect on human bodies.
- (e) Coffee – this beverage contains caffeine, a substance that has side effects to the human body.

- (f) Tea- this is considered to be the healthiest of all the human body fluid replicants and drinks. Research has revealed that black tea is a good source of calcium, vitamins, and minerals and has natural antioxidant properties that help reduce the risk of heart diseases such as high blood cholesterol and high blood pressure. There is scientific evidence that the polyphenols in tea have the beneficial effect on heart ailments. Tea popularity and acceptance as a refreshing health drink is growing day by day.

Internationally, the tea industry has initiated numerous research projects to determine inter lia the apparent positive values of the beverage to human health. Third party researches have simultaneously been carried out resulting in the publication of about 200 scientific papers.

Now that it has been established that modest intake of caffeine is harmless to human health, tea will continue to lead as the healthiest beverage available and consumed extensively all over the world. Tanzania tea is grown under what can be considered "*chemical free*" atmosphere in that minimal quantities of chemicals are applied as fertilizers or pesticides. For all – purposes, Tanzania tea is sold as a world of health conscious consumers.

Some of the internationally recognized grades of CTC manufactured teas are:-

- (i) Broken Pekoe One (BPI)
- (ii) Broken Pekoe (BP)
- (iii) Pekoe fannings One (PFI)
- (iv) Pekoe fannings (PF10)
- (v) Pekoe Dust One (PD)
- (vi) Pekoe Dust (PD)
- (vii) Dust One (DI)
- (viii) Dust (D)

Apart from the Fannings Grade, which is picked at the pre-sorters, the rest are considered high-grade teas. It can be noted the main names and grades of tea are of Chinese origin because teas was first cultivated and processed in China. The same applies to most of the tea-associated terminologies. Pekoe for instance is Chinese word for "white hair".

## **5.0 THE ROLE OF SMALLHOLDERS IN TEA PRODUCTION:**

Over the years, tea production by smallholders has suffered several setbacks mainly due to the following reasons:-

- Assistance to smallholders in terms of finance and extension services has been poor.
- Poor farming practices and sustenance of tea farms.
- Poor feeder roads to factories.

- Poor transportation of green leaf to factories.
- Poor transportation of green leaf to factories.
- Late payments to farmers/smallholders.

The above have constrained growth of the tea industry in Tanzania and also resulted in poor yields and quality of the products. Recognizing these constraints and shortfalls TSHTDA has conceived an expansion programme which is expected to increase green leaf production. The programme will include:-

- Provision for agricultural inputs.
- Improvement of social infrastructure.
- Improvement of access roads.
- Development of communication system.
- Provision for direct credits to farmers in Growers Association.
- Capacity Building to TSHITDA.
- Provision for extension services.

Under the scheme, nurseries will be developed to enable an expansion of tea acreage by 10,300 hectares for smallholders in the next ten years or so. The above expansion programme is vital and is expected to increase green leaf production by 10 million kilogrammes per annum. The assistance to smallholders is of a paramount importance for growth of Tea Industry in Tanzania as can be demonstrated by the following example.

The Rungwe smallholders tea Association (**RSTGA**) has already started exporting its teas to member states of the Southern Africa Development Community (SADC) beginning October-November next year.

The move to sell tea in the **SADC** area has been prompted as a result of a diligent research made by experts in Pretoria, South Africa. The research which cost £ 47,000 was funded by the Department for International Development of the United Kingdom (**DID**).

Having succeeded in selling their tea to the Fair trade Labelling Organization (FLO), they decided to stretch their wings and expand the market to SADC countries. Apart from that the RSTGA is also selling 50% of its tea to the UK since September, 2002. The research findings have further revealed that the Association working in collaboration with Chai Bora TATEPA, could sell made tea and herbs infusion to the SADC countries. During the second forum of the FLO Fair trade in London in September, 9 – 12, 2002, it was agreed that tea specifically from the RSTGA and Kibena be sold at not less than US\$ 1.95 per Kilogramme.

The Café direct purchases Tanzanian tea directly from the Rungwe Association, or at the world's tea auctions. Café Direct introduced a pricing model in 2002. This offers farmers a guaranteed minimum price for their tea, no matter how low the auction prices fall. Therefore, such an arrangement will help the producers to receive a decent income and enable them build their businesses and strengthen their capital basis.

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- (x) Broken Pekoe (BP)
- (xi) Pekoe fannings One (PF1)
- (xii) Peoe fannings (PFI)
- (xiii) Pekoe Dust One (PD)
- (xiv) Pekoe Dust (PD)
- (xv) Dust One (DI)
- (xvi) Dust (D)

Apart from the Fannings Grade, which is picked at the pre-sorters, the rest are considered high -grade teas. It can be noted the main names and grades of tea are of Chinese origin because tea was first cultivated and processed in China. The same applies to most of the tea-associated terminologies. Pekoe for instance is Chinese word for "white hair".

## **6.0 ASSUMPTIONS FOR OPERATING EXPENSES:**

The main operating expenses for this project will be salaries & wages, overheads and fixed costs such as motor vehicle running expenses and maintenance, maintenance of buildings and roads, printing and stationery, postage and telephones, insurance as percentage of fixed assets, directors fees, Audit and Legal Fees, etc. In monetary terms these expenses have been shown as follows:-

### **(i) Salaries and Wages:**

These are based on labour laws and legislation with an incentive package included in order to motivate the workers for higher labour productivity. The current wage bill at the estate stands at **USD 93,000**. This means that the firm is spending **USD 8,000** a month on salaries and wages. This figure is likely to increase up to USD 100,000 by the beginning of the sixth year as plans are in hand for the recruitment of additional personnel during this time in order to cope with the implementation activities of the expansion programme.

**(ii) Direct Production Costs of Green Leaf:**

These include weeding, pruning, skiffing pluckers, packing materials:-

	<b>T.SHS. (000'S)</b>		
(a) Weeding 20 x 1,500 x ha	20	1,500	6,360
(b) Prunning 35 x 1,500 x ha	35	25%	1,628
(c) Skiffing 12 x 1,500 x ha	12	50%	1,116
(d) Pluckers labour T.shs. 32/=	@ kg.32		23,808
(e) Packing Materials ( <i>cost per 50kg bag</i> )			<u>18,600</u>
<b>TOTAL DIRECT FIELD COSTS</b>			<b><u>51,512</u></b>

**(iii) Manufacturing Costs:**

(a) Fuel	28	6,146
(b) Electricity	210	33,965
(c) Manufacturing Labour	17	2,750
(d) Packing Materials	25	4,043
(e) Other Variables	20	<u>3,235</u>
<b>Total Manufacturing Costs:</b>		<b><u>50,139</u></b>

**(iv) Other Overheads/Fixed Costs:**

(a) Vehicle Running Expenses & Maintenance % at cost	38	9,000
(b) Maintenance of Buildings and Roads	2%	3,534
(c) Printing and Stationery		600
(d) Postage & Telephones		3,000
(e) Insurance as % of fixed assets	0.5%	5,016
(f) Directors Fees		2,000
(g) Audit and Legal Fees		500
(h) Others: n.e.s.		<u>100</u>
<b>Total Overheads</b>		<b><u>23,750</u></b>

**N: B:** The above expenses refer to the first year of the operations only. Commencing the second year up to the end of the projected period, please refer to the projected Profit and Loss Statement. (*Annex 1*).

#### **6.1 DIRECT PRODUCTION COSTS:**

Direct costs consist mostly of made tea, raw coffee, packing materials transport costs, etc. Total direct costs increases up to sustainable production from USD 3.9 million in year 5 to USD 4.1 million in sixth year.

#### **6.2 SALARIES AND WAGES:**

About 120 people have been employed t different positions in the organization structure. Salaries of the employees are consolidated and include all other social benefits. Total annual salary bill for all employees is estimated at USD 93,000.

#### **6.3 UTILITIES:**

The use of water for both production and human hygiene is estimated at 120,000 gallons per annum. Electricity consumption through the use of the generator is estimated on a monthly demand load of 145kVA with monthly consumption units of 20,240 kWh. Monthly tariff is T.shs. 5,000 per kVA. Total cost utilities including fuel and lubricants increase from T.shs. 45.9 million in year one reaching at 65.0 million by the year 2014.

#### **6.4 ADMINISTRATIVE COSTS:**

These costs item includes insurance on fixed assets, marketing/selling expenses, clearing and forwarding, audit fees, training expenses, selling and distribution expenses, etc. The cost ranges between USD 130,000 and USD 142,000 over a five period.

#### **6.5 REPAIRS AND MAINTENANCE:**

Repairs and maintenance on fixed assets are calculated as follows:-

- |                              |     |
|------------------------------|-----|
| - Machinery and Equipment    | 5%  |
| - Land and Buildings         | 1%  |
| - Motor Vehicles             | 10% |
| - Office Equipment/Furniture | 5%  |

The above cost will also cater for the cost of spare parts, which is estimated at 80% of repairs and maintenance cost while the remaining 20% is for labour, etc. Annual cost is estimated at USD 210,000 in the year 2009, increasing up to USD 285,000 in the year 2012.

#### **7.0 WORKING CAPITAL REQUIREMENTS:**

The total initial working capital of T.shs. 700.0 million will be made available through bank overdraft.

The working capital ratio is (*current assets to current liabilities*) which shows positive cash indicating that the project will be free from unnecessary burden in the day to day liquidity problems. It will have sufficient cash to carry out its daily cash operations smoothly.

## **8.0 FINANCIAL ANALYSIS:**

### **8.1 PROJECTED PROFIT AND LOSS STATEMENT:**

This financial statement shows that the project will made a net profit after tax of USD 1.1 million starting the first year and thereafter increasing up to USD 2.8 million in the seventh year. Revenue reserve would have accumulated up to USD 23.3 million towards the end of the tenth year.

### **8.2 PROJECTED CASHFLOW STATEMENT:**

The projected Cashflow Statement in (*Annex 2*) indicates that the project has a healthy cash net flows for the first six years despite the heavy capital outlay. The netflows increase from USD 932,000 starting in year one, increasing up to USD 3.1 million towards the end of the eighth year. The cumulative cash-cash in hand would have accumulated up to USD 22.6 million towards the end of the tenth year.

### **8.3 PROJECTED BALANCE SHEET:**

The projected Balance Sheet in (Annex 3) shows favorable net assets condition of the business throughout the planned period of operations. The assets are well covered by all maturing obligations and that net worth increases steadily from USD 1.1. million in the first year to USD 23.3 million towards the end of the tenth year.

### **8.4 PAYBACK PERIOD:**

The original investment is USD 12.5 million. The analysis in (*Annex 4*) suggests payback period to be around the sixth year of the useful economic lifetime of the project. This simple means that it will take about six years for the project owners to recoup the initial capital funds of USD 12.5 million. Considering the size and magnitude of the project this period is relatively short.

### **8.5 DISCOUNTED CASHFLOW:**

The after tax Internal Rate of return (IRR) on total investment when discounted over a period of ten years gives a return of 14.19%.

Since the return is slightly lower than the present cost of capital of 19% which is nowadays being charged by most local commercial banks, it is advisable for the company to borrow funds from international financial institutions which charge the average rate of 12% The low return of 14.19% on investment is due to the fact that

the programme has a heavy capital investment outlay, in comparison with expected future net flows.

The programme is still economically a viable proposition.

Detailed calculations are provided in *(Annex 5)* attached to this Business Plan.

**AFRI TEA AND COFFEE BLENDERS (1963) (LTD):**  
**PROJECTED PROFIT AND LOSS STATEMENT:**

**FIGURES IN USD (000's)**

Item/Year	1	2	3	4	5	6	7	8	8	10
Sales Revenue	7,322	8,210	8,482	8,604	9,895	9,895	10,885	10,885	10,885	10,885
<b>Less: OPERATING EXPENSES:</b>										
1. Production Salaries	93	93	93	93	93	100	100	100	100	100
2. Direct Production costs	4,272	4,272	4,272	4,272	4,272	5,175	5,175	5,175	5,175	5,175
3. Administration and Marketing Salaries	76	76	78	76	76	76	97	97	97	97
4. General Operating Expenses	440	440	440	440	440	675	675	675	675	675
5. Utilities	45	45	45	55	55	55	85	85	85	85
6. Loan Interest	80	49	15	0	0	0	0	0	0	0
7. Economic Depreciation	383	383	383	383	383	383	383	383	383	383
8. Travelling Expenses	73	82	74	60	60	60	60	60	60	60
9. Maintenance and Repairs	263	263	263	263	263	315	315	315	315	315
<b>TOTAL EXPENDITURE</b>	<b>5,727</b>	<b>5,460</b>	<b>5,689</b>	<b>6,169</b>	<b>6,457</b>	<b>6,853</b>	<b>6,871</b>	<b>6,871</b>	<b>6,871</b>	<b>6,871</b>
PROFIT BEFORE TAX	1,594	2,740	2,792	2,434	3,437	3,041	4,013	4,013	4,013	4,013
COMPANY TAX: (30%)	478	822	837	730	1,031	912	1,204	1,204	1,204	1,204
PROFIT AFTER TAX	1,116	1,916	1,954	1,704	2,406	2,129	2,809	2,809	2,809	3,692
<b>REVENUE RESERVE</b>	<b>1,116</b>	<b>3,034</b>	<b>4,989</b>	<b>6,693</b>	<b>9,100</b>	<b>11,229</b>	<b>14,038</b>	<b>16,848</b>	<b>19,657</b>	<b>23,349</b>

## AFRI TEA AND COFFEE BLENDERS (1963) (LTD)

## PROJECTED CASH FLOW STATEMENT

FIGURES IN USED (000' S)

ITEM/YEAR	0	1	2	3	4	5	6	7	8	9	10
<b>INFLOWS:</b>											
Bank Loan	9,587	-	-	-	-	-	-	-	-	-	-
Equity	2,960	-	-	-	-	-	-	-	-	-	-
Profit after Tax	-	1,116	1,918	1,954	1,704	2,406	2,129	2,809	2,809	2,809	2,809
Economic Depreciation	-	383	383	383	383	383	383	383	383	383	383
<b>TOTAL INFLOWS</b>	<b>12,547</b>	<b>1,499</b>	<b>2,301</b>	<b>2,337</b>	<b>2,087</b>	<b>2,789</b>	<b>2,512</b>	<b>3,192</b>	<b>3,192</b>	<b>3,192</b>	<b>3,192</b>
<b>CAPITAL OUTFLOWS:</b>											
Investment and Re-investment	12,547	0	0	0	0	220	0	0	0	0	0
Loan Repayment	0	567	567	567	567	567	564	0	0	0	0
<b>TOTAL OUTFLOWS</b>	<b>12,547</b>	<b>567</b>	<b>567</b>	<b>567</b>	<b>567</b>	<b>567</b>	<b>564</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET FLOWS</b>	<b>(12,547)</b>	<b>932</b>	<b>1,734</b>	<b>1,770</b>	<b>1,520</b>	<b>2,002</b>	<b>1,948</b>	<b>3,192</b>	<b>3,192</b>	<b>3,192</b>	<b>3,192</b>
<b>CUMULATIVE CASH</b>	<b>0</b>	<b>932</b>	<b>2,666</b>	<b>4,436</b>	<b>5,956</b>	<b>7,958</b>	<b>9,906</b>	<b>13,098</b>	<b>16,290</b>	<b>19,482</b>	<b>22,674</b>

**AFRI TEA AND COFFEE BLENDERS (1963) LTD:  
PROJECTED BALANCE SHEET**

**FIGURES IN T.SHS. (000'S)**

Item/Year	1	2	3	4	5	6	7	8	9	10
Fixed Assets at Cost	12,547	12,547	12,547	12,547	12,547	12,547	12,547	12,547	12,547	12,547
<b>Less:</b> Accumulated Depreciation	383	766	1,149	1,532	1,570	1,953	2,336	2,719	3,102	3,485
<b>NET FIXED ASSETS:</b>	<b>12,164</b>	<b>11,808</b>	<b>11,398</b>	<b>11,015</b>	<b>10,977</b>	<b>10,594</b>	<b>10,211</b>	<b>9,828</b>	<b>9,445</b>	<b>9,062</b>
<b>ADD: CURRENT ASSETS:</b>										
Cash in Hand/Bank	932	2,666	4,436	5,956	7,958	9,906	13,098	16,290	19,482	22,674
Debtors	336	431	444	415	468	431	349	349	349	349
Stocks	784	1,006	1,036	968	1,092	1,007	814	1,036	1,036	1,036
<b>LESS: CURRENT LIABILITIES:</b>										
Creditors	75	75	75	85	85	85	85	6,491	6,491	5,608
Taxation	478	822	837	730	1,031	912	1,204	1,204	1,204	1,204
<b>TOTAL ASSETS</b>	<b>13,663</b>	<b>15,014</b>	<b>16,402</b>	<b>17,539</b>	<b>19,379</b>	<b>20,941</b>	<b>23,183</b>	<b>19,808</b>	<b>22,617</b>	<b>26,309</b>
<b>REPRESENTED BY:</b>										
Equity	2,960	2,960	2,960	2,960	2,960	2,960	2,960	2,960	2,960	2,960
Bank Loan	9,587	9,020	8,453	7,886	7,319	6,752	6,185	-	-	-
Revenue Reserve	1,116	3,034	4,989	6,693	9,100	11,229	14,038	16,848	19,657	23,349
<b>TOTAL CAPITAL</b>	<b>13,663</b>	<b>15,014</b>	<b>16,402</b>	<b>17,539</b>	<b>19,379</b>	<b>20,941</b>	<b>23,183</b>	<b>19,808</b>	<b>22,617</b>	<b>26,309</b>

## AFRI TEA AND COFFEE BLENDERS (1963) LTD

## PAYBACK PERIOD

FIGURES IN USD (OOO'S)

YEAR	PROFIT AFTER TAX	ECONOMIC DEPRECIATION	TOTAL CASHFLOW	CUMULATIVE CASHFLOW
1.	1,116	383	1,499	1,499
2.	1,918	383	2,301	3,800
3.	1,954	383	2,337	6,137
4.	1,704	383	2,087	8,224
5.	2,406	383	2,789	11,015
6.	2,129	383	2,512	13,525
7.	2,809	383	3,192	16,717
8.	2,809	383	3,192	19,919
9.	2,809	383	3,192	23,100
10.	2,809	383	3,192	26,293

**FOOTNOTE:**

The original investment is **USD 12.5 million**. The analysis in the above table suggests payback period to be in the sixth year. This simply means that it will take six years for the project to recoup its initial investment of **USD 12.5 million**. Considering the size and magnitude of the project this period is relatively short.

## ANNEX 5

**AFRI TEA AND COFFEE BLENDERS (1963) LTD:  
DISCOUNTED CASHFLOW**

**FIGURES IN USED (000'S)**

ITEM/YEAR	0	1	2	3	4	5	6	7	8	9	10
TOTAL INFLOWS:	(12,547)	1,499	2,301	2,337	2,087	2,789	2,512	3,192	3,192	3,192	3,192
DF at 10%		0.90	0.82	0.75	0.68	0.62	0.56	0.51	0.46	0.42	0.38
15,194 - 12,547 = NPF + 2,647		1,349	1,887	1,753	1,419	1,729	1,407	1,628	1,468	1,341	1,213
DF at 15%:		0.86	0.75	0.65	0.57	0.49	0.43	0.37	0.32	0.28	0.24
12,033 - 12,547 = NPV (514)		1,289	1,726	1,519	1,190	1,367	1,080	1,181	1,021	894	766

$$10\% + 5 \frac{2,647}{12,647 + 514} = \frac{2,647}{3,161} = 0.837: 0.837 \times 5 = 4.1850$$

$$10\% + 4.1850 = 14.185\% \quad = \underline{\underline{14.19\%}}$$

**Therefore IRR is 14.19% ANSWER**



# 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](mailto:information@tic.co.tz)  
Website: [www.tic.co.tz](http://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 DIRECTORS  
.....  
(director/directors/agent of AFRI TEA & COFFEE BLENDERS (1963) LTD  
.....

(name of business enterprise) apply for registration of .....

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 LUGODA STREET  
.....  
GEREZANI AREA  
.....

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 LUGODA STREET - GEREZANI AREA

4. The Principal Officers of the Company are MR. ALI ALBAWARDY,  
.....  
MR. ANTHONY FERNANDES, MR. ABDULHAKIM MULLA,  
.....  
MR. YUSUF MULLA AND MR. D.RAVI KUMAR  
.....

5. Auditors of the Company are ERNST & YOUNG  
.....

6. The authorized share capital of the Company is Tshs./US\$ 10 billion  
.....

*Confirmed as the true copy of the original*  


7. The intended capital investment of the Company in terms of Section 2(2) of the Act  
is Tshs./~~US\$~~ .....
8. The month and day of the financial year end is ..... **31ST DECEMBER** .....

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\$~~  
**130,000/=** ..... Being the Registration Fees. **In the event this application is unsuccessful we understand that this fee will not be refunded.**

I, **D. RAVI KUMAR** ..... of Post Office Number ..... **747 DAR ES SALAAM** .

..... do solemnly and sincerely declare that I am a director/duly  
authorized agent of .... **AFRI TEA AND COFFEE BLENDERS (1963) LTD** .....

**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.

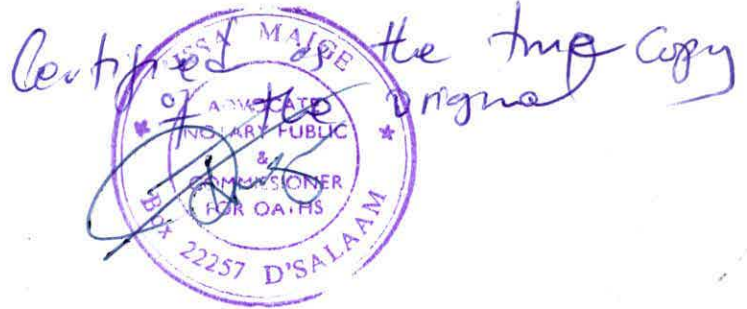
Declared at Dar es Salaam .....

*D. Ravi Kumar*  
.....  
**Applicant**

The ... **18** day of ... **DECEMBER 2008** 2008

Before me:

.....  
**Commissioner for Oaths**



**APPLICATION SUMMARY**

**Company Name:** AFRI TEA AND COFFEE BLENDERS (1963) LTD .....

Certificate of Incorporation Number: ..67274..... Status: .....

Certificate of Incorporation Date: ..... 3RD SEPTEMBER, 2008 .....

Post Box: ..... 747 .....

Town: DAR ES SALAAM .....

Sector: AGRICULTURE .....

Sub-Sector: MANUFACTURING .....

**Investment Financing Plan in Million US\$/Tshs.**

Foreign Equity	Local Equity	Foreign Loan	Local Loan
.....	6,898,805,000	5,101,195,000	4,311,050,000
.....	.....	.....	.....

**Project Objectives:** EXPANSION PROGRAMME ON BUILDING .....

PURCHASE OF MORE MACHINERIES AND MOTOR VEHICLES .....

IMPROVE PRODUCTION AND QUALITY OF TEAS AND COFFEE .....

Capacity: .....

Employment: Foreign: ..... 4 ..... Local: ..... 175 ..... Total: ..... 179 .....

Implementation Period: 3 YEARS .....

**Project Location**

Site/Plot/Block No.: .....

Street: ..... District: ..... Region: .....

(Attach sketch map showing project location)

Shareholders	Nationality	%
--------------	-------------	---

FURAHA TRADING CO. LTD .....	UAE .....	51 .....
------------------------------	-----------	----------

KITO GENERAL TRADING CO. LTD .....	TANZANIAN .....	49 .....
------------------------------------	-----------------	----------

.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

*Copy of the true original*

**Investment Breakdown US\$/Tshs.M**

Land/Building	3,000,000,000
Plant	12,000,000,000
Vehicles	439,800,000
Furniture & Fittings	136,250,000
Pre-expenses	35,000,000
Others	-
Working Capital	700,000,000
<b>TOTAL</b>	<b>16,511,050,000</b>


**Contact Details:**

Name: **D. RAVI KUMAR** Title: **FINANCIAL CONTROLLER**  
Telephone: **2131145/2112430** Fax: **2115347**  
Email: **teablend@ttb.co.tz**

**Payments to be made payable to:**

TANZANIA INVESTMENT CENTRE  
STANDARD CHARTERED BANK TANZANIA LTD.  
SWIFT ADDRESS: **SCBLTZTX**  
ACCOUNT NO.: **8702006002000**

*Certified to be the true copy of the original*

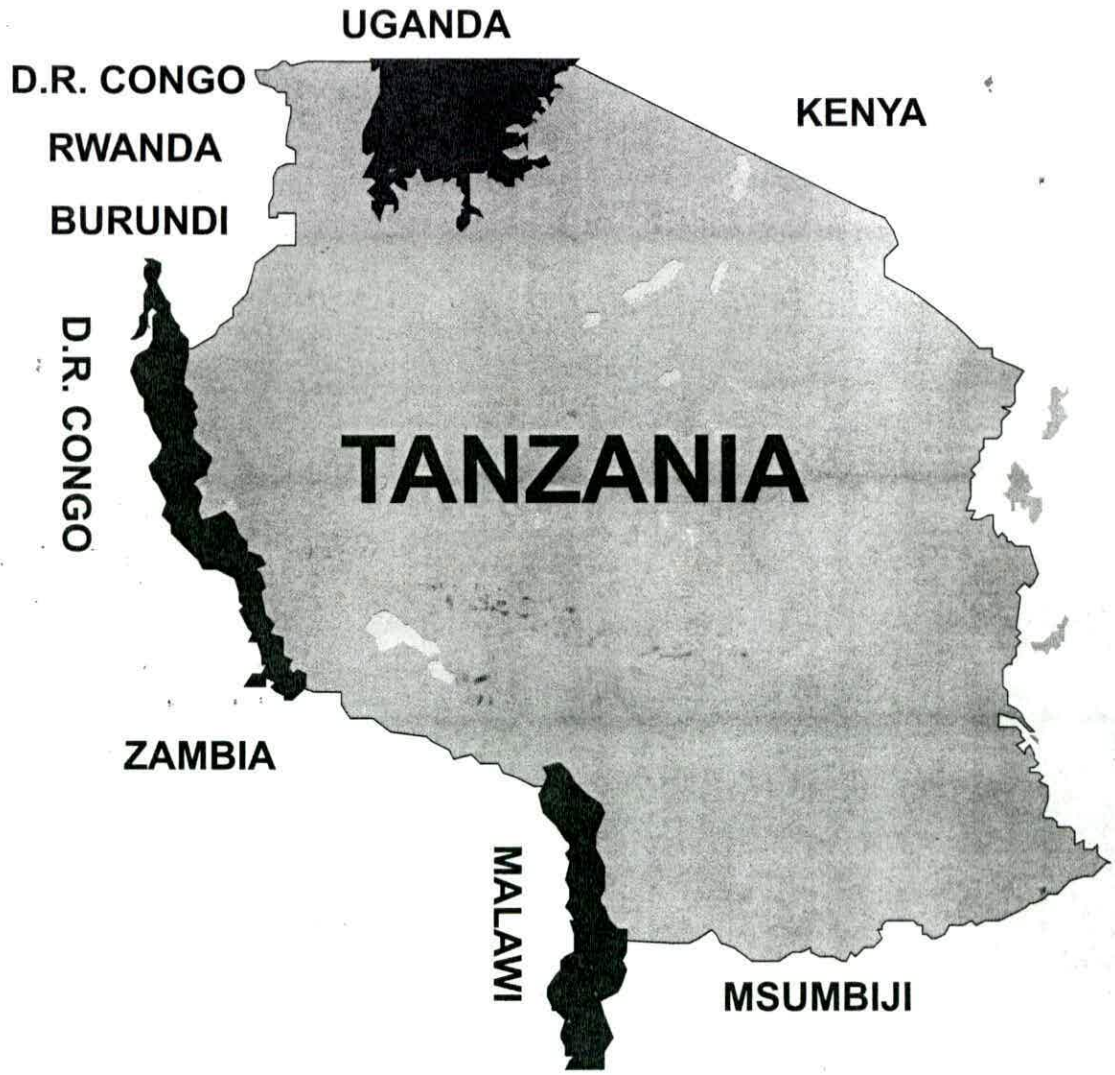


# SKETCH MAP SHOWING PROJECT LOCATION



*Verified as the true copy  
of the original*





*Certified as the true  
Copy of the original*

NOTARIAL PUBLIC  
&  
COMMISSIONER  
FOR OATHS  
D'SALAAM



# TANZANIA INVESTMENT CENTRE

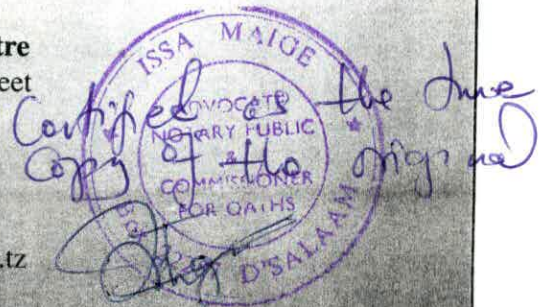
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**MR. ANTHONY FERNANDES, MR. ABDULHAKIM MULLA,** .....  
**MR. YUSUF MULLA AND MR. D.RAVI KUMAR** .....

5. Auditors of the Company are **ERNST & YOUNG** .....

6. The authorized share capital of the Company is Tshs./US\$ **10 billion** .....

*Copy of the original*  
  
A circular purple notary seal for **ASSA MAIGE**, Advocate, Notary Public, Commissioner for Oaths. The seal includes the number **22157** and the year **2002**. A signature is written across the seal.

The intended capital investment of the Company in terms of Section 2(2) of the Act

is Tshs./US\$ .....

8. The month and day of the financial year end is 31ST DECEMBER .....

Note: *failure to provide all the required information will result in the return of the application by the Centre.*

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Declared at Dar es Salaam )

D. Ravi Kumar  
Applicant

The ...18 day of DECEMBER 2008 2008

Before me:

.....  
Commissioner for Oaths

*Copy*  *the true original*

APPLICATION SUMMARY

Company Name: AFRI TEA AND COFFEE BLENDERS (1963) LTD

Certificate of Incorporation Number: 67274 Status:

Certificate of Incorporation Date: 3RD SEPTEMBER, 2008

Post Box: 747

Town: DAR ES SALAAM

Sector: AGRICULTURE Sub-Sector: MANUFACTURING

Investment Financing Plan in Million US\$/Tshs.

Foreign Equity	Local Equity	Foreign Loan	Local Loan
	6,898,805,000	5,101,195,000	4,311,050,000

Project Objectives: EXPANSION PROGRAMME ON BUILDING

PURCHASE OF MORE MACHINERIES AND MOTOR VEHICLES

IMPROVE PRODUCTION AND QUALITY OF TEAS AND COFFEE

Capacity:

Employment: Foreign: 4 Local: 175 Total: 179

Implementation Period: 3 YEARS

Project Location

Site/Plot/Block No.:

Street: District: Region:

(Attach sketch map show

Shareholders

MURAHA TRADING CO. LTD

5.307

3.924

KITO GENERAL TRADING CO.

3.316

12.547



**Investment Breakdown US\$/Tshs.M**

Land/Building	3,000,000,000
Plant	12,000,000,000
Vehicles	439,800,000
Furniture & Fittings	136,250,000
Pre-expenses	35,000,000
Others	-
Working Capital	700,000,000
<b>TOTAL</b>	<b>16,311,050,000</b>

2.308  
9.231  
0.338  
0.105  
0.027  
0.538

**Contact Details:**

Name: **D. RAVI KUMAR** Title: **FINANCIAL CONTROLLER**  
Telephone: **2131145/2112430** Fax: **2115347**  
Email: **teablend@ttb.co.tz**

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ACCOUNT NO.: **8702006002000**

*certified as the true copy of the original*



ISSA MAIGE  
NOTARY PUBLIC  
&  
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FOR OATHS  
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SKETCH MAP SHOWING PROJECT LOCATION

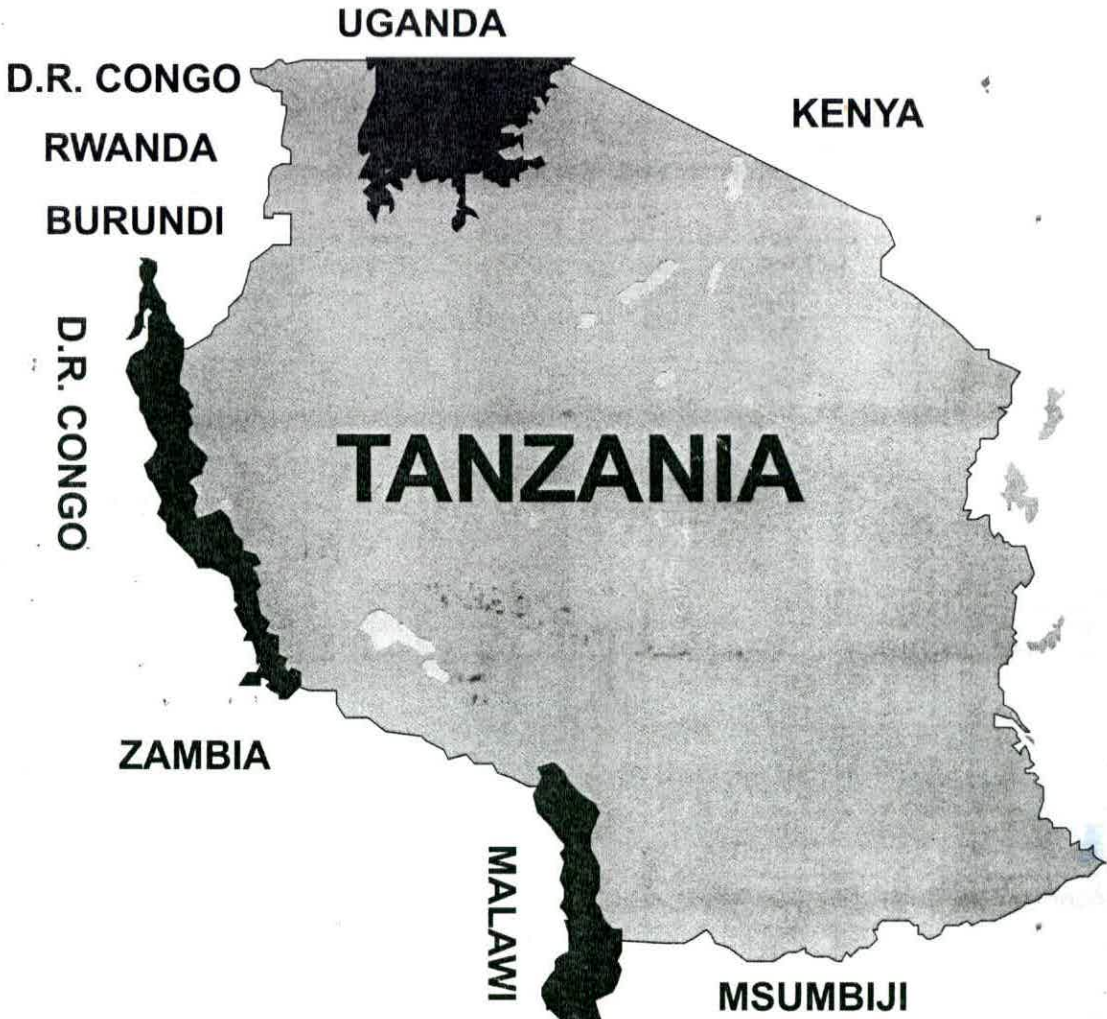


*certified as the true  
copy of the original*



ISSA MAIGE  
ADVOCATE  
NOTARY PUBLIC  
&  
COMMISSIONER  
FOR QALHS  
D'SALAAM

*[Handwritten signature]*



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*Copy of the original*

ISSA MALIJE  
ADVOCATE  
GENERAL PUBLIC  
COMMISSIONER  
FOR OATHS  
D'SALAAM



# TANZANIA INVESTMENT CENTRE

## REGISTRATION FORM

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(Please fill the form in duplicate)

SKETCH MAP SHOWING PROJECT LOCATION



*[Handwritten signature]*

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I/We enclose a cheque/cash made payable to the **Tanzania Investment Centre** for Tshs./US\$ 130,000/= Being the Registration Fees. *In the event this application is unsuccessful we understand that this fee will not be refunded.*

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Declared at Dar es Salaam }  
The 18 day of DECEMBER 2008 }  
2008

  
Applicant

Before me:

.....  
Commissioner for Oaths

APPLICATION SUMMARY

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Site/Plot/Block No.:

Street: District: Region:

(Attach sketch map showing project location)

Shareholders	Nationality	%
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KITO GENERAL TRADING CO. LTD	TANZANIAN	49

Signature

## Investment Breakdown US\$/Tshs.M

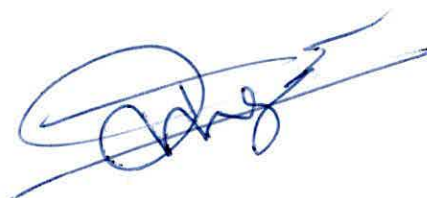
Land/Building	3,000,000,000
Plant	12,000,000,000
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Furniture & Fittings	136,250,000
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Working Capital	700,000,000
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Telephone: 2131145/2112430 Fax: 2115347  
Email: teablend@ttb.co.tz

### Payments to be made payable to:

TANZANIA INVESTMENT CENTRE  
STANDARD CHARTERED BANK TANZANIA LTD.  
SWIFT ADDRESS: **SCBLTZTX**  
ACCOUNT NO.: **8702006002000**



TICC/PP.10/041663/3

15 June 2009

Managing Director,  
Afri Tea and Coffee Blenders (1963) Ltd,  
P.O. Box 747,  
**DAR ES SALAAM**

**RE: CERTIFICATE OF INCENTIVES FOR INVESTMENT IN THE EXPANSION  
FACILITIES FOR PROCESSING OF TEA AND COFFEE**

We wish to acknowledge receipt of your project proposal to expand tea and coffee processing facilities as presented in the TIC P.A. 1 Form No. 07603 and Feasibility Study with a projected investment of USD 12.547 m.

We have studied your project proposal and are pleased to inform you that your investment proposal is now officially registered and therefore your project will be granted a CERTIFICATE OF INCENTIVES, given under authority conferred upon TIC under Part III, Section 17 (1-8) of the Tanzania Investment Act, 1997. In order to enable TIC prepare your Certificate of Incentives you will be required to submit the following:

- Bank Reference for equity funding or a letter from Bank/Financial Institution indicating that a loan is granted or is under consideration as required by Section 17 (3) (f) of Tanzania Investment Act, 1997.
- Certified document showing evidence of Land ownership for the location of the project.

You will also be required to submit to the Centre a Progress Report on the implementation of the project after every six months for our information and review. Guidelines for the preparation of the report are contained in annexure 2 also attached to this letter. Please do not hesitate to contact the Centre for any clarification if the need arises. Please also note that a facilitation fee equivalent to US\$ 750.00 is payable at the ruling exchange rate before your Certificate of Incentives is prepared. 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.10/041663/3

15 June 2009

We wish you every success in the implementation of the project.

Yours sincerely,

**Tanzania Investment Centre**



**E. D. Ole Naiko**

Executive Director

Copy to: Permanent Secretary,  
Ministry of Finance and Economic Affairs,  
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**



**Name of the Company**  
**Afri Tea And Coffee Blanders (1963) Ltd**

Post Box	-	COI Number	67274	Contact	Ravi Kumar
Post Office	747	COI Date	03/12/2008	Designation	Financial Controller
Region	Dar Es Salaam	Application F. No	07603	Phone	2131145
Country	Tanzania	Status	New	Direct Phone	2112430
		Sector	Manufacturing	Cell Phone	0
		Sub Sector	Tea And Coffee Processing	Fax	2115347
		File No	041663	E-Mail Address	Teablender@Ttb.Co.Tz

Project Location		Investment Finance Plan in Millions USD										
Plot/Block	-	<table border="1"> <tr> <th>Foreign Equity</th> <th>Local Equity</th> <th>Foreign Loan</th> <th>Local Loan</th> </tr> <tr> <td>0</td> <td>5.307</td> <td>3.924</td> <td>3.316</td> </tr> </table>	Foreign Equity	Local Equity	Foreign Loan	Local Loan	0	5.307	3.924	3.316		
Foreign Equity	Local Equity		Foreign Loan	Local Loan								
0	5.307		3.924	3.316								
Street	-											
District	Ilala											
Region	Dar es Salaam											

Shareholders Detail			Investment Breakdown (USD Million)	
<b>Name</b>	<b>Nationality</b>	<b>(%)</b>	<b>Land/Building</b>	2.308
Kito general Trading Co Ltd	Tanzanian	49	<b>Plant</b>	9.231
Furaha Trading Co Ltd	UAE	51	<b>Vehicles</b>	0.338
			<b>Furniture &amp; Fittings</b>	0.105
			<b>Pre-expenses</b>	0.027
			<b>Others</b>	0
			<b>Working Capital</b>	0.538
			<b>Total</b>	12.547

Employment	179	Evaluated By	Zakaria kingu
Capacity	xxxx	Drawn By	Sarah Registry
Project Turn Over			

**Description**

To expand facilities for processing of Tea and Coffee

**Recomendations**

Be approved subject to providing evidence as required by section 17 of Tanzania Investmnet Act,1997

**Decision**

*Approved*  
*R. B. Mwangi*  
*10/8/09*

**FEASIBILITY STUDY FOR THE EXPANSION  
PROGRAMME OF  
AFRI TEA AND COFFEE BLENDERS (1963) LTD**

**PREPARED BY:  
B.T. & SONS LTD,  
BUSINESS CONSULTANTS,  
P. O. BOX 5509,  
TEL. 0787-947684,  
DAR ES SALAAM.**

**APRIL, 2009**

**FEASIBILITY STUDY FOR THE EXPANSION  
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**APRIL, 2009**

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## **1.0 EXECUTIVE SUMMARY:**

Tanzania Tea Blenders (2002) Ltd TTBL has decided to change its name and transact the business under the name of AFRI TEA AND COFFEE BLENDERS (1963) LTD, a company recently registered and incorporated in Tanzania under Certificate of Incorporation No. 67274 dated September, 3<sup>rd</sup> 2008. Under this move there will be an obvious case of expanding the present activities where a need for acquiring more machinery and vehicles will be an added advantage. It is on the basis of this reason that the company has thought it prudent to conceive an expansion programme aimed at improving the current quality of tea production, creating new markets and reducing the imports of Kenya tea products. All product brand names will remain the same with a provision for additional ones envisaged to reflect the present competitive market both local and export brands. This is where a need for obtaining a Certificate of Incentives from Tanzania Investment Centre comes in..

### **1.1 IMPORTANCE OF OWNING A TEA BLENDING PLANT:**

- There are about seven (7) tea blending units in Tanzania and most of them cater for their respective tea factories with limited capacities;

With the Trade Liberalization, it is safe and advisable for tea producers to use in-house blending facilities rather than blending with their competitors. It is in line with this situation that Afri Tea and Coffee Blenders which markets tea and coffee will now have the capacity to blend its own product, thus adding value to their the tea products.

- All the tea to be produced by Afri Tea branches will mostly be blended by the company itself, which dominates the market share and its brands such as:

- |                      |                            |
|----------------------|----------------------------|
| (i) African Pride    | (vi) Safari Tea            |
| (ii) Kilimanjaro Tea | (vii) Kilimanjaro Tea Bags |
| (iii) Green Label    | (viii) Maarufu             |
| (iv) Samba Chai      | (ix) Shifting Tea          |
| (v) Affricate        | (x) Top Cup.               |

These are the ones dominating the market and the most preferred brands compared to others.

#### **1.2 THE SOCIAL, POLITICAL AND ECONOMIC ADVANTAGES:**

- A stable, democratically elected Government, which is committed to establishing a free market economy based on well worked out programmes of reforms agreed with the IMF and World Bank. Already the country qualified for enhanced structural Adjustment Facility (ESAF);
- The Government's policy of structural reform programme is expected to result into improved economic rate of growth;
- The Tanzania shilling is convertible into the USD and other hard currencies for remittance of dividends and other profit without restriction;

- Numerous multilateral and bilateral funding institutions are active in Tanzania including the World Bank, the International Finance Corporation and the Common Wealth Development Cooperation;
- Tanzania Investment Centre (TIC) offers guidelines on investment and exemption on import duties for capital goods.

### 1.3 PROMOTERS/SPONSORS:

The following directors are the sponsors for acquiring Tanzania Tea Blenders:

	<b>Name of Shareholder</b>	<b>Shares</b>
1	Abdulahkim Mulla	50%
2	Yusuf Mulla	50%

Abdulahkim Mulla and Yusuf Mulla already own and manage the New Mponde Tea Factory in Lushoto. The Directors have long experience in marketing of tea from Mponde tea Factory. Their strong management capability will greatly contribute to strengthen the existing domestic market of Afri Tea products. Both Directors have travelled extensively in tea world growing areas and have gained a lot of experience and expertise in the tea industry. They have also managed to establish market contact of their tea products and established distribution network in Arab countries and elsewhere in Europe of their tea products. Therefore their expertise and experience is an added asset to enhance **AFRI TEA AND COFFEE BLENDERS** export products.

#### 1.4 INVESTMENT AND FINACING:

The cost of expansion stretched over a three (3) years period is about T.shs. 16.3 billion. The initial working capital requirement is T.shs. 700.0 million. A summary of this investment is shown in the table below.

T.SHS. (OOO's)

Item	Reh/Expansion	Total	
		T.SHS.	USD
1. Machinery and Equipment	12,000,000	12,000,000	9,230.77
2. Civil works and Buildings	3,000,000	3,000,000	2,308.00
3. Motor Vehicles	439,800	439,800	338.31
4. Furniture and Fittings	136,250	136,250	104.81
5. Pre-operational Expense	<u>35,000</u>	<u>35,000</u>	<u>29.17</u>
<b>Sub-Total</b>	<b>15,611,050</b>	<b>15,611,050</b>	<b>12,011.06</b>
<b>Add:</b> Working Capital	<u>700,000</u>	<u>700,000</u>	<u>538.46</u>
<b>GRAND-TOTAL</b>	<b>16,311,050</b>	<b>16,311,050</b>	<b>12,546.52</b>

##### 1.4.1 Proposed Financing Arrangements:

Sponsors of **AFRI TEA AND COFFEE BLENDERS** are to finance the investment through their own resources and bank loan. A total loan of **T.shs. 9.4 billion** is being sought from the bank for investing mainly in machinery/equipment for tea and coffee blending factory. Working capital amounting to **T.shs. 700.0 million** is financed through shareholders equity contribution.

**Table 1.2: Financing Arrangements:****Value in T.shs. 000's**

Items	Equity	Term Loan	Total
Land and Buildings	3,000,000	-	3,000,000
Machinery and Equipment	2,587,755	9,412,245	12,000,000
Motor Vehicles	439,800	-	439,800
Furniture and Fittings	136,250	-	136,250
Pre-operational Expenses	35,000	-	35,000
<b>Sub-Total</b>	<b>6,198,805</b>	<b>9,412,245</b>	<b>15,611,050</b>
<b>Add:</b> Working Capital	<u>700,000</u>	-	<u>700,000</u>
<b>Total Capital</b>	<b>6,898,805</b>	<b>9,412,245</b>	<b>16,311,050</b>

**1.5 CONCLUSION AND RECOMMENDATION:****1.5.1 Conclusion:**

Presentation of this project indicates that:

- (i) The project will help to preserve the high value of tea and revamp the production levels of AFRI TEA AND COFFEE BLENDERS (1963) LTD;
- (ii) There is still great potential demand, which is not yet met both in export and local market;
- (iii) Apart from having a heavy expansion capital outlay, this project is expected to be technically feasible.
- (iv) Economic considerations show that:-
  - The project will earn foreign proceeds through export of blended tea and coffee;
  - The project will create job opportunities of more than 120 people.

- Will generate and contribute substantially to the Government revenue through direct and indirect taxes.

### **1.5.2 Recommendation:**

The project as analysed and presented in this report has a heavy capital investment outlay during the planned period. However, it is able to benefit and able to finance its financial obligations during the projected period. AFRI TEA is a viable business entity and has bright future prospects especially knowing that it still dominates the domestic market in most of its products produced. Therefore it is highly recommended that the firm be granted with the requested Certificate of Incentives.

## **2.0 PROJECT DESCRIPTION:**

The plan calls for an extensive expansion programme of the existing company by acquisition of new essential machinery for the purpose of increasing production and enable the company to sustain its own operations in the years ahead.

### **2.1 THE TEA INDUSTRY IN TANZANIA:**

Tea was first introduced in the Tanganyika at the Agricultural Research Station, Amani in Tanga in 1902 by the German colonial rulers. Commercial planting was not done until after the First World War. Commercial plantations were established in Rungwe, Njombe, Mufind, Korogwe, Lushoto, Amani and Bukoba.

Tea grows well at altitudes between 1,200 and 1,600 metres above sea level with heavy rainfalls and temperatures ranging between 23 C and 35 C. Tea cultivation was essentially an estate activity undertaken by foreign companies. Indigenous were not allowed to grow tea until after independence in 1961. Small holders have since increased in number to the extent that to-date their combined green leaf production accounts for about 8% of the total national production.

Following the reforms, two new organizations namely the Tea Board of Tanzania (TBT) and Tanzania Smallholders Tea Development Agency (TSHTDA) were formed under the Tea Act of 1997, for the purpose of regulating and developing the tea industry. Under the Act, the two bodies are charged with the following responsibilities.

(i) Tea Board of Tanzania:

- Licensing of tea factories.
- Licensing of tea blenders and packers.
- Regulation, control of improvement of the cultivation and processing.
- Control of tea pests and diseases.
- Licensing and control of export and import of tea.
- Assist in the investigation of and research into matters related to the tea industry.

- Collection, keeping and maintaining statistics relating to the tea industry.
- Represent the government in international meetings relating to the development of tea industry.

**(ii) Tanzania Smallholders Tea Development Agency:**

- Promotion and development of tea industry.
- Advise and recommend to the Ministry of Agriculture as the Agency may think fit regarding the development of tea industry in Tanzania.
- In collaboration with the Ministry or on its own behalf, conduct and provide finance for tea research and extension services directly or through agents.

**2.2 TEA PRODUCTION PROCESS:**

The process of tea manufacturing starts with the plucking of the two top tender leaves and the bud the routine of plucking is done at intervals of **5-10 days** depending entirely on the growth vigour of the tea bushes. The plucked leaves must never be compressed in the basket as this will cause bruising which will in turn initiate or trigger uncontrolled fermentation process. After plucking, the green leaf is inspected and weighed at the estate before it is transported to the Factory.

### **3.0 ENVIRONMENTAL ASPECTS OF TEA PRODUCTION AND PROCESSING:**

Tea production and processing is environmentally friendly. Tea, which is a perennial estate crop, is grown on slopes. Even though it is grown on slopes, there is very minimum risk of soil erosion as the slopes are well terraced. This is due to the fact that fully grown tea holds the soil firmly and inter-cropping is not advisable. Firewood used in the boiler is harvested from the existing gum tree forest. The gum trees are properly spaced and routinely pruned. Gum trees are ready for harvest every five to six years after planting. The harvested trees regenerate naturally and therefore do not require any replanting. For every tree felled, two new trees regenerate per every stump, thus doubling tree population after every harvest. At the factory, tea processing entails a systematic reduction of moisture from about 70% in green leaf to 3% in the made tea. The process neither uses chemicals nor emits fumes. There are also no effluents discharged from tea processing. All solid matter in the leaf is converted into tea of one grade or the other. Any other extraneous materials from tealeaf are biodegradable and harmless.

### **4.0 THE MARKET:**

#### **4.1 PRODUCT:**

The principal product is "made tea" or black tea of various grades. The installed plant capacity at **New Mponde Estate** for example is 21,600,000 kg of green leaf per annum based on a single eight-hour shift per day by working 240 days per year. The estate can produce 4,695,652 kg or 4,696 tons of made tea per annum at the assumed yield or conversion rate of **4.6:1**.

#### 4.2 THE MARKET AND MARKETING:

More than 80% of the tea produced in Tanzania is exported. The traditional major importers of Tanzania tea are Pakistan and the United Kingdom. The table below illustrates the tonnage of export and local consumption of tea from 2002 to 2008.

**Tea Sales Trend:**

<b>Year</b>	<b>Export</b>	<b>Local</b>	<b>Total Sales</b>
2002	232,430	125,155 kgs	357,585 kgs
2003	453,339	244,106 kgs	697,445 kgs
2004	1,102,304	593,549 kgs	1,695,853 kgs
2005	892,843	480,762 kgs	1,373,605 kgs
2006	1,076,491	579,649 kgs	1,656,140 kgs
2007	1,114,510	600,122 kgs	1,714,632 kgs
2008	1,281,056	689,900 kgs	1,970,856 kgs

**SOURCE: TANZANIA TEA BLENDERS LTD**

**Footnote:** It is befitting to note from the above statistics that sales increased relatively from 1.6 million kgs in the year 2006 to 1.9 million kgs towards the end of 2008. Hence, there is a strong justification for conceiving this expansion programme, at the moment.

### 4.3 COMPETITIVE ADVANTAGE:

In order to maintain proper human body function, a minimum level of water must be maintained, as the body water is lost through evaporation, urine, and lungs perspiration etc. A number of medical conditions can be caused or antagonized by low fluid intake. These include constipations, cystitis and dehydration. The choice of appropriate fluid to perform this function is, therefore, very important. Apart from water, which is regarded as the best, (*but perceived by many as somewhat "unpalatable"*) there are many other good fluids but they have their disadvantages as well. For example:-

- (a) Milk-although a good source of calcium which, is essential for healthy bones and teeth, whole milk contains large quantities of fat.
- (b) Soft drinks-contain more than 70% water but also contain high levels of sugar, which is detrimental to dental health and contributes to obesity.
- (c) Fruit juices like soft drinks contain large quantities of sugars.
- (d) Alcohol-most alcohol drinks contain sugar albeit in small quantities. In addition to the effects alcohol has on the brain, it has a dehydrating effect on human bodies.
- (e) Coffee – this beverage contains caffeine, a substance that has side effects to the human body.

- (f) Tea- this is considered to be the healthiest of all the human body fluid replicants and drinks. Research has revealed that black tea is a good source of calcium, vitamins, and minerals and has natural antioxidant properties that help reduce the risk of heart diseases such as high blood cholesterol and high blood pressure. There is scientific evidence that the polyphenols in tea have the beneficial effect on heart ailments. Tea popularity and acceptance as a refreshing health drink is growing day by day.

Internationally, the tea industry has initiated numerous research projects to determine inter lia the apparent positive values of the beverage to human health. Third party researches have simultaneously been carried out resulting in the publication of about 200 scientific papers.

Now that it has been established that modest intake of caffeine is harmless to human health, tea will continue to lead as the healthiest beverage available and consumed extensively all over the world. Tanzania tea is grown under what can be considered "*chemical free*" atmosphere in that minimal quantities of chemicals are applied as fertilizers or pesticides. For all - purposes, Tanzania tea is sold as a world of health conscious consumers.

Some of the internationally recognized grades of CTC manufactured teas are:-

- (i) Broken Pekoe One (BPI)
- (ii) Broken Pekoe (BP)
- (iii) Pekoe fannings One (PFI)
- (iv) Pekoe fannings (PFI0)
- (v) Pekoe Dust One (PD)
- (vi) Pekoe Dust (PD)
- (vii) Dust One (DI)
- (viii) Dust (D)

Apart from the Fannings Grade, which is picked at the pre-sorters, the rest are considered high -grade teas. It can be noted the main names and grades of tea are of Chinese origin because teas was first cultivated and processed in China. The same applies to most of the tea-associated terminologies. Pekoe for instance is Chinese word for “white hair”.

## **5.0 THE ROLE OF SMALLHOLDERS IN TEA PRODUCTION:**

Over the years, tea production by smallholders has suffered several setbacks mainly due to the following reasons:-

- Assistance to smallholders .in terms of finance and extension services has been poor.
- Poor farming practices and sustenance of tea farms.
- Poor feeder roads to factories.

- Poor transportation of green leaf to factories.
- Poor transportation of green leaf to factories.
- Late payments to farmers/smallholders.

The above have constrained growth of the tea industry in Tanzania and also resulted in poor yields and quality of the products. Recognizing these constraints and shortfalls TSHTDA has conceived an expansion programme which is expected to increase green leaf production. The programme will include:-

- Provision for agricultural inputs.
- Improvement of social infrastructure.
- Improvement of access roads.
- Development of communication system.
- Provision for direct credits to farmers in Growers Association.
- Capacity Building to TSHITDA.
- Provision for extension services.

Under the scheme, nurseries will be developed to enable an expansion of tea acreage by 10,300 hectares for smallholders in the next ten years or so. The above expansion programme is vital and is expected to increase green leaf production by 10 million kilogrammes per annum. The assistance to smallholders is of a paramount importance for growth of Tea Industry in Tanzania as can be demonstrated by the following example.

The Rungwe smallholders tea Association (**RSTGA**) has already started exporting its teas to member states of the Southern Africa Development Community (SADC) beginning October-November next year.

The move to sell tea in the **SADC** area has been prompted as a result of a diligent research made by experts in Pretoria, South Africa. The research which cost £ 47,000 was funded by the Department for International Development of the United Kingdom (**DID**).

Having succeeded in selling their tea to the Fair trade Labelling Organization (FLO), they decided to stretch their wings and expand the market to SADC countries. Apart from that the RSTGA is also selling 50% of its tea to the UK since September, 2002. The research findings have further revealed that the Association working in collaboration with Chai Bora TATEPA, could sell made tea and herbs infusion to the SADC countries. During the second forum of the FLO Fair trade in London in September, 9 – 12, 2002, it was agreed that tea specifically from the RSTGA and Kibena be sold at not less than US\$ 1.95 per Kilogramme.

The Café direct purchases Tanzanian tea directly from the Rungwe Association, or at the world's tea auctions. Café Direct introduced a pricing model in 2002. This offers farmers a guaranteed minimum price for their tea, no matter how low the auction prices fall. Therefore, such an arrangement will help the producers to receive a decent income and enable them build their businesses and strengthen their capital basis.

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- (x) Broken Pekoe (BP)
- (xi) Pekoe fannings One (PF1)
- (xii) Peoe fannings (PFI)
- (xiii) Pekoe Dust One (PD)
- (xiv) Pekoe Dust (PD)
- (xv) Dust One (DI)
- (xvi) Dust (D)

Apart from the Fannings Grade, which is picked at the pre-sorters, the rest are considered high -grade teas. It can be noted the main names and grades of tea are of Chinese origin because tea was first cultivated and processed in China. The same applies to most of the tea-associated terminologies. Pekoe for instance is Chinese word for "white hair".

## **6.0 ASSUMPTIONS FOR OPERATING EXPENSES:**

The main operating expenses for this project will be salaries & wages, overheads and fixed costs such as motor vehicle running expenses and maintenance, maintenance of buildings and roads, printing and stationery, postage and telephones, insurance as percentage of fixed assets, directors fees, Audit and Legal Fees, etc. In monetary terms these expenses have been shown as follows:-

### **(i) Salaries and Wages:**

These are based on labour laws and legislation with an incentive package included in order to motivate the workers for higher labour productivity. The current wage bill at the estate stands at **USD 93,000**. This means that the firm is spending **USD 8,000** a month on salaries and wages. This figure is likely to increase up to USD 100,000 by the beginning of the sixth year as plans are in hand for the recruitment of additional personnel during this time in order to cope with the implementation activities of the expansion programme.

**(ii) Direct Production Costs of Green Leaf:**

These include weeding, pruning, skiffing pluckers, packing materials:-

	<b>T.SHS. (000'S)</b>		
(a) Weeding 20 x 1,500 x ha	20	1,500	6,360
(b) Prunning 35 x 1,500 x ha	35	25%	1,628
(c) Skiffing 12 x 1,500 x ha	12	50%	1,116
(d) Pluckers labour T.shs. 32/=	@ kg.32		23,808
(e) Packing Materials ( <i>cost per 50kg bag</i> )			<u>18,600</u>
<b>TOTAL DIRECT FIELD COSTS</b>			<b><u>51,512</u></b>

**(iii) Manufacturing Costs:**

(a) Fuel	28	6,146
(b) Electricity	210	33,965
(c) Manufacturing Labour	17	2,750
(d) Packing Materials	25	4,043
(e) Other Variables	20	<u>3,235</u>
<b>Total Manufacturing Costs:</b>		<b><u>50,139</u></b>

**(iv) Other Overheads/Fixed Costs:**

(a) Vehicle Running Expenses & Maintenance % at cost	38	9,000
(b) Maintenance of Buildings and Roads	2%	3,534
(c) Printing and Stationery		600
(d) Postage & Telephones		3,000
(e) Insurance as % of fixed assets	0.5%	5,016
(f) Directors Fees		2,000
(g) Audit and Legal Fees		500
(h) Others: n.e.s.		<u>100</u>
<b>Total Overheads</b>		<b><u>23,750</u></b>

**N: B:** The above expenses refer to the first year of the operations only. Commencing the second year up to the end of the projected period, please refer to the projected Profit and Loss Statement. (*Annex 1*).

**6.1 DIRECT PRODUCTION COSTS:**

Direct costs consist mostly of made tea, raw coffee, packing materials transport costs, etc. Total direct costs increases up to sustainable production from USD 3.9 million in year 5 to USD 4.1 million in sixth year.

**6.2 SALARIES AND WAGES:**

About 120 people have been employed t different positions in the organization structure. Salaries of the employees are consolidated and include all other social benefits. Total annual salary bill for all employees is estimated at USD 93,000.

**6.3 UTILITIES:**

The use of water for both production and human hygiene is estimated at 120,000 gallons per annum. Electricity consumption through the use of the generator is estimated on a monthly demand load of 145kVA with monthly consumption units of 20,240 kWh. Monthly tariff is T.shs. 5,000 per kVA. Total cost utilities including fuel and lubricants increase from T.shs. 45.9 million in year one reaching at 65.0 million by the year 2014.

#### **6.4 ADMINISTRATIVE COSTS:**

These costs item includes insurance on fixed assets, marketing/selling expenses, clearing and forwarding, audit fees, training expenses, selling and distribution expenses, etc. The cost ranges between USD 130,000 and USD 142,000 over a five period.

#### **6.5 REPAIRS AND MAINTENANCE:**

Repairs and maintenance on fixed assets are calculated as follows:-

- Machinery and Equipment	5%
- Land and Buildings	1%
- Motor Vehicles	10%
- Office Equipment/Furniture	5%

The above cost will also cater for the cost of spare parts, which is estimated at 80% of repairs and maintenance cost while the remaining 20% is for labour, etc. Annual cost is estimated at USD 210,000 in the year 2009, increasing up to USD 285,000 in the year 2012.

#### **7.0 WORKING CAPITAL REQUIREMENTS:**

The total initial working capital of T.shs. 700.0 million will be made available through bank overdraft.

The working capital ratio is (*current assets to current liabilities*) which shows positive cash indicating that the project will be free from unnecessary burden in the day to day liquidity problems. It will have sufficient cash to carry out its daily cash operations smoothly.

## **8.0 FINANCIAL ANALYSIS:**

### **8.1 PROJECTED PROFIT AND LOSS STATEMENT:**

This financial statement shows that the project will made a net profit after tax of USD 1.1 million starting the first year and thereafter increasing up to USD 2.8 million in the seventh year. Revenue reserve would have accumulated up to USD 23.3 million towards the end of the tenth year.

### **8.2 PROJECTED CASHFLOW STATEMENT:**

The projected Cashflow Statement in (*Annex 2*) indicates that the project has a healthy cash net flows for the first six years despite the heavy capital outlay. The netflows increase from USD 932,000 starting in year one, increasing up to USD 3.1 million towards the end of the eighth year. The cumulative cash-cash in hand would have accumulated up to USD 22.6 million towards the end of the tenth year.

### **8.3 PROJECTED BALANCE SHEET:**

The projected Balance Sheet in (Annex 3) shows favorable net assets condition of the business throughout the planned period of operations. The assets are well covered by all maturing obligations and that net worth increases steadily from USD 1.1. million in the first year to USD 23.3 million towards the end of the tenth year.

### **8.4 PAYBACK PERIOD:**

The original investment is USD 12.5 million. The analysis in (Annex 4) suggests payback period to be around the sixth year of the useful economic lifetime of the project. This simple means that it will take about six years for the project owners to recoup the initial capital funds of USD 12.5 million. Considering the size and magnitude of the project this period is relatively short.

### **8.5 DISCOUNTED CASHFLOW:**

The after tax Internal Rate of return (IRR) on total investment when discounted over a period of ten years gives a return of 14.19%.

Since the return is slightly lower than the present cost of capital of 19% which is nowadays being charged by most local commercial banks, it is advisable for the company to borrow funds from international financial institutions which charge the average rate of 12% The low return of 14.19% on investment is due to the fact that

the programme has a heavy capital investment outlay, in comparison with expected future net flows.

The programme is still economically a viable proposition.

Detailed calculations are provided in *(Annex 5)* attached to this Business Plan.

**AFRI TEA AND COFFEE BLENDERS (1963) (LTD):**  
**PROJECTED PROFIT AND LOSS STATEMENT:**

**FIGURES IN USD (000's)**

Item/Year	1	2	3	4	5	6	7	8	8	10
Sales Revenue	7,322	8,210	8,482	8,604	9,895	9,895	10,885	10,885	10,885	10,885
<b>Less: OPERATING EXPENSES:</b>										
1. Production Salaries	93	93	93	93	93	100	100	100	100	100
2. Direct Production costs	4,272	4,272	4,272	4,272	4,272	5,175	5,175	5,175	5,175	5,175
3. Administration and Marketing Salaries	76	76	78	76	76	76	97	97	97	97
4. General Operating Expenses	440	440	440	440	440	675	675	675	675	675
5. Utilities	45	45	45	55	55	55	85	85	85	85
6. Loan Interest	80	49	15	0	0	0	0	0	0	0
7. Economic Depreciation	383	383	383	383	383	383	383	383	383	383
8. Travelling Expenses	73	82	74	60	60	60	60	60	60	60
9. Maintenance and Repairs	263	263	263	263	263	315	315	315	315	315
<b>TOTAL EXPENDITURE</b>	<b>5,727</b>	<b>5,460</b>	<b>5,689</b>	<b>6,169</b>	<b>6,457</b>	<b>6,853</b>	<b>6,871</b>	<b>6,871</b>	<b>6,871</b>	<b>6,871</b>
PROFIT BEFORE TAX	1,594	2,740	2,792	2,434	3,437	3,041	4,013	4,013	4,013	4,013
COMPANY TAX: (30%)	478	822	837	730	1,031	912	1,204	1,204	1,204	1,204
PROFIT AFTER TAX	1,116	1,916	1,954	1,704	2,406	2,129	2,809	2,809	2,809	3,692
<b>REVENUE RESERVE</b>	<b>1,116</b>	<b>3,034</b>	<b>4,989</b>	<b>6,693</b>	<b>9,100</b>	<b>11,229</b>	<b>14,038</b>	<b>16,848</b>	<b>19,657</b>	<b>23,349</b>

## AFRI TEA AND COFFEE BLENDERS (1963) (LTD)

## PROJECTED CASH FLOW STATEMENT

FIGURES IN USED (000' S)

ITEM/YEAR	0	1	2	3	4	5	6	7	8	9	10
<b>INFLOWS:</b>											
Bank Loan	9,587	-	-	-	-	-	-	-	-	-	-
Equity	2,960	-	-	-	-	-	-	-	-	-	-
Profit after Tax	-	1,116	1,918	1,954	1,704	2,406	2,129	2,809	2,809	2,809	2,809
Economic Depreciation	-	383	383	383	383	383	383	383	383	383	383
<b>TOTAL INFLOWS</b>	<b>12,547</b>	<b>1,499</b>	<b>2,301</b>	<b>2,337</b>	<b>2,087</b>	<b>2,789</b>	<b>2,512</b>	<b>3,192</b>	<b>3,192</b>	<b>3,192</b>	<b>3,192</b>
<b>CAPITAL OUTFLOWS:</b>											
Investment and Re-investment	12,547	0	0	0	0	220	0	0	0	0	0
Loan Repayment	0	567	567	567	567	567	564	0	0	0	0
<b>TOTAL OUTFLOWS</b>	<b>12,547</b>	<b>567</b>	<b>567</b>	<b>567</b>	<b>567</b>	<b>567</b>	<b>564</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET FLOWS</b>	<b>(12,547)</b>	<b>932</b>	<b>1,734</b>	<b>1,770</b>	<b>1,520</b>	<b>2,002</b>	<b>1,948</b>	<b>3,192</b>	<b>3,192</b>	<b>3,192</b>	<b>3,192</b>
<b>CUMULATIVE CASH</b>	<b>0</b>	<b>932</b>	<b>2,666</b>	<b>4,436</b>	<b>5,956</b>	<b>7,958</b>	<b>9,906</b>	<b>13,098</b>	<b>16,290</b>	<b>19,482</b>	<b>22,674</b>

**AFRI TEA AND COFFEE BLENDERS (1963) LTD:  
PROJECTED BALANCE SHEET**

**FIGURES IN T.SHS. (000'S)**

Item/Year	1	2	3	4	5	6	7	8	9	10
Fixed Assets at Cost	12,547	12,547	12,547	12,547	12,547	12,547	12,547	12,547	12,547	12,547
<u>Less:</u> Accumulated Depreciation	383	766	1,149	1,532	1,570	1,953	2,336	2,719	3,102	3,485
<b>NET FIXED ASSETS:</b>	<b>12,164</b>	<b>11,808</b>	<b>11,398</b>	<b>11,015</b>	<b>10,977</b>	<b>10,594</b>	<b>10,211</b>	<b>9,828</b>	<b>9,445</b>	<b>9,062</b>
<b>ADD: CURRENT ASSETS:</b>										
Cash in Hand/Bank	932	2,666	4,436	5,956	7,958	9,906	13,098	16,290	19,482	22,674
Debtors	336	431	444	415	468	431	349	349	349	349
Stocks	784	1,006	1,036	968	1,092	1,007	814	1,036	1,036	1,036
<b>LESS: CURRENT LIABILITIES:</b>										
Creditors	75	75	75	85	85	85	85	6,491	6,491	5,608
Taxation	478	822	837	730	1,031	912	1,204	1,204	1,204	1,204
<b>TOTAL ASSETS</b>	<b>13,663</b>	<b>15,014</b>	<b>16,402</b>	<b>17,539</b>	<b>19,379</b>	<b>20,941</b>	<b>23,183</b>	<b>19,808</b>	<b>22,617</b>	<b>26,309</b>
<b>REPRESENTED BY:</b>										
Equity	2,960	2,960	2,960	2,960	2,960	2,960	2,960	2,960	2,960	2,960
Bank Loan	9,587	9,020	8,453	7,886	7,319	6,752	6,185	-	-	-
Revenue Reserve	1,116	3,034	4,989	6,693	9,100	11,229	14,038	16,848	19,657	23,349
<b>TOTAL CAPITAL</b>	<b>13,663</b>	<b>15,014</b>	<b>16,402</b>	<b>17,539</b>	<b>19,379</b>	<b>20,941</b>	<b>23,183</b>	<b>19,808</b>	<b>22,617</b>	<b>26,309</b>

## AFRI TEA AND COFFEE BLENDERS (1963) LTD

## PAYBACK PERIOD

FIGURES IN USD (OOO'S)

YEAR	PROFIT AFTER TAX	ECONOMIC DEPRECIATION	TOTAL CASHFLOW	CUMULATIVE CASHFLOW
1.	1,116	383	1,499	1,499
2.	1,918	383	2,301	3,800
3.	1,954	383	2,337	6,137
4.	1,704	383	2,087	8,224
5.	2,406	383	2,789	11,015
6.	2,129	383	2,512	13,525
7.	2,809	383	3,192	16,717
8.	2,809	383	3,192	19,919
9.	2,809	383	3,192	23,100
10.	2,809	383	3,192	26,293

**FOOTNOTE:**

The original investment is **USD 12.5 million**. The analysis in the above table suggests payback period to be in the sixth year. This simply means that it will take six years for the project to recoup its initial investment of **USD 12.5 million**. Considering the size and magnitude of the project this period is relatively short.

## AFRI TEA AND COFFEE BLENDERS (1963) LTD:

## DISCOUNTED CASHFLOW

FIGURES IN USED (000'S)

ITEM/YEAR	0	1	2	3	4	5	6	7	8	9	10
TOTAL INFLOWS:	(12,547)	1,499	2,301	2,337	2,087	2,789	2,512	3,192	3,192	3,192	3,192
DF at 10%		0.90	0.82	0.75	0.68	0.62	0.56	0.51	0.46	0.42	0.38
15,194 - 12,547 = NPF + 2,647		1,349	1,887	1,753	1,419	1,729	1,407	1,628	1,468	1,341	1,213
DF at 15%:		0.86	0.75	0.65	0.57	0.49	0.43	0.37	0.32	0.28	0.24
12,033 - 12,547 = NPV (514)		1,289	1,726	1,519	1,190	1,367	1,080	1,181	1,021	894	766

$$10\% + 5 \frac{2,647}{12,647 + 514} = \frac{2,647}{3,161} = 0.837: 0.837 \times 5 = 4.1850$$

$$10\% + 4.1850 = 14.185\% \quad = \underline{\underline{14.19\%}}$$

**Therefore IRR is 14.19% ANSWER**