

A. J. QUALITY TIMBER

EXPORTERS LTD

Investor Profile

1. Ashok B Shanghavi

The promoter, Mr. Ashok Bhailal Shanghavi has gained rich experience in the timber industry over the course of the last three decades. Currently he is already running a saw-mill plant at Muheza, Tanga and Turiani, Morogoro in the name of Prime Timbers Ltd. Prime Timbers LTD has been ranked 7th in the top 100 medium scale enterprise nation wide 2010 firm survey conducted by KPMG Tanzania. Prime Timbers LTD employs nearly 120 direct laborers and 20 managerial staff. Its turnover for 2009 and 2010 was approximately T. Shs. 6 billion per year. Through hard work and dedication, Mr. Shanghavi took a small firm, which started in 2006 to being a leading company in Tanzania. He hopes to repeat the same success with AJQ by making it a leading manufacturer of furniture not only in Tanzania but also in of Africa. Attached please find Mr Shanghavi's curriculum vitae.

2. Jaya B Shanghavi

The promoter, Ms. Jaya Bhaila Shanghavi is the minor shareholder and the mother of Mr Ashok Bhailal Shanghavi. She has in the past been a shareholder in Shanghavi and Co LTD and Triagon Exports LTD. She completed her high school diploma in Zanzibar and moved to Dar es Salaam in 1953 where she has been residing ever since. Her experience in the various ventures listed above will be critical in providing an important business perspective to AJ Quality Timbers LTD.

Table 1: Shareholder Breakdown

Name of Shareholder	No. of Shares	% Holding
1 Mr. Ashok Bhailal Shanghavi	9,900	99
2 Mrs. Jaya Bhailal Shanghavi	100	1
Total	10,000	100

Ashok Shanghavi

Mtendeni st. • Dar es Salaam, PO Box 488
Phone: +255788984237 • E-Mail:
ashanghavi@ajqtimber.com



Objective

To reduce poverty in Tanzania through private sector led growth. To provide the highest returns to my investors, while at the same time ensuring that the country's resources are used in an environmentally friendly and sustainable way so as to benefit the future generations of her people.

Experience

AJ QUALITY TIMBER EXPORTERS LTD

2009 - present

Promoter and Managing Director

Under AJQ we will bring in automated machinery to produce finished furniture products within the country.

PRIME TIMBERS LTD

2006 - present

Promoter and Managing Director

Successfully exporting sawn timber to Asia and Europe.

Average annual turnover of 6 billion Tshs

SHANGHAVI & CO LTD

1979 - present

Managing Director

Education

Bombay University

1975-1978

Bachelors of Commerce

Awards/ Activities

Prime Timbers LTD ranked 7th in Tanzania in the "Top 100 medium size enterprise"

Charter member of Lions of Dar es Salaam Mzizima 1995 - present

Sponsored and volunteered full eye camp and eye surgery at Muheza, Tanga (the location of Prime Timber LTD's first sawmill), where more than 1000 patients were given free spectacles/ cataract operations.

MAMILATA YA MIST MDOKE

MAFUNDISHO

MWENYEKATI

KITENDAZI CHAMBAHANE

SEP 146 MAFUNDISHO

04/08/2011

YAH KUZIANA KIWANJA

ND. AUULELA MUTHAVA

• LAZARO MSIGWA

• AIDAN MUTHAVA

• CHALES MUTHAVA

Wenachi Watijuzi hep-juu kwa huch ya kwenye
na wakwa na akid hama wamungia Mungu's Nyao
ndj. AJQ TIMBER LTD leo ofisini Buo hufikana
na Bethnik Garage wamunguizi kwa Bei ya TSH 30,000,000

MILIONI THELATHINI Munguji anefa zote taslimu leo ofisi
Mbele ya Ushahidi ufufuo

Wauziyo 1: Aulelia Muthava A. muthava

2: Lazaro Mungu L. MSIGWA

3: Aidan Muthava A.

4: Charles Muthava Muthava

Munguaji

E. Y. KIMBE

Shahidi wa Shikari Mjumba Severina Severina Sasha

Shahidi wa Munguaji Herman Hoffman Hoffman Hoffman Hoffman

Nimeshahidi Mtebaliano huyu leo ofisini



E. Y. Kimbe

MWENYEKATI WA SEMBA
KITENDAZI CHA CHAMBAHANE
MAMLAKA YA MAFUNDISHO

STAKABADHI YA FEDHA

HALMASHAURI YA WILAYA YA MUFINDI KIJIKI/CHAMA

CHA USHIRIKA Changarawe

16833



S.L.P 223

Mafinga

Tarehe

02/09/2011

Nimepokea kutoka kwa

A. J. D. Timber Ltd

Kijiji

Changarawe

Kata

Luaha

Jumla ya T/Shilingi

Milioni Mpya Tu -

Kwa ajili ya

Maendeleo changarawe

Taslimu/Hundi Na.

1,000,000

T/S/

Sahihi ya Mpokeaji

[Signature]
Mwenyekiti wa CERIKALI
KITONGOSI CHA CHANGARAWE
WAMLAKA YA MUFINDI NA MAFINGA

STAKABADHI YA FEDHA

HALMASHAURI YA WILAYA YA MUFINDI KIJIKI/CHAMA

CHA USHIRIKA Changarwa

16827



S.L.P 223

Mafinga

Tarehe 8/10/2011

Nimepokea kutoka kwa ATO TIMBER I

Kijiji Changarwa Kata Sto Hill

Jumla ya T/Shilingi Laki mbili

Kwa ajili ya Maendeleo changarwa

Taslimu/Hundi Na. 200,800

T.SHS

Sahihi ya Mpokeaji

KITONG'ANI CHA CHANGARWA
MIFINGA
MIANA YA HOSODUHO MAFINGA

THE COMPANIES ACT 2002

COMPANY LIMITED BY SHARES

MEMORANDUM

a n d

ARTICLES OF ASSOCIATION

OF

A.J.QUALITY TIMBER EXPORTERS LIMITED

Incorporated this _____ day of _____ 2009

DRAWN BY:-

M.G. PARDHAN
BARRISTER-AT-LAW
3RD FLOOR, TEXTILE BLDG.
CORNER MOROGORO/
INDIRA GANDHI STREET
P.O.BOX 527
DAR ES SALAAM

TANZANIA

CERTIFICATE OF INCORPORATION

No:

I HEREBY CERTIFY that A.J.QUALITY TIMBER EXPORTERS 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 day of

Two thousand and Nine.

Registrar of Companies

2009

0413

17/10/09
Moy

2009

0413

17/10/09
Moy

THE COMPANIES ACT 2002
COMPANY LIMITED BY SHARES
MEMORANDUM OF ASSOCIATION
OF

A.J.QUALITY TIMBER EXPORTERS LIMITED

1. The name of the Company is "A.J.QUALITY TIMBER EXPORTERS LIMITED"
2. The registered office of the Company will be situated in the United Republic of Tanzania, Mainland.
3. The objects for which the Company is established are:
 - (a) To carry on the trade or business of saw millers, timber merchants, joiners, furniture's makers, manufactures of wood, natural fibre products for furniture and building materials and articles of every description.
 - (b) To acquire licences or concessions from any authority to fell trees or to harvest plant fibres and to purchase, sell, process, manufacture, preserve, grade, prepare for market and generally deal in wood, natural plant fibres and all wood and forest products of whatever description either for purposes of export or for local consumption.
 - (c) To manufacture plywood, hardboard, chipboard and all other types of wood and wood products including sawn timber.
 - (d) To carry on business as merchants and dealers in furniture, building materials, plywood, wood carvers, joiners, carpenters, turners and generally to deal in wood, natural fibre and products made of wood and natural fibre and all materials and things required for or incidental to the felling, harvesting, preparation, use, packing or disposition thereof.
 - (e) To carry on business as merchants, traders, dealers and agents for import, export, purchase and sale of merchandise, goods, materials, commodities and product of any kind whether manufactured or otherwise and to act as agent manufactures and generally to undertake and carry out commission agency wok of any kind whatsoever in relation to the stated objects of he Company.
 - (f) To carry on any other business whether manufacturing or otherwise which may seem to the Company capable of being conveniently carried on in connection with any of the above specified business or businesses or calculated directly or indirectly, to enhance the value or render profitable any of the Company's property or rights.

- (g) To do any other business which in the opinion of the Directors is either directly or indirectly related to the above objects or is calculated to enhance the profit of the Company or otherwise.
- (h) To acquire by purchase or otherwise lands and properties or otherwise acquire rights of occupancy and generally to secure any tenure whatsoever, whether subject or not to any charges or encumbrances, and to hold or to sell, let or alienate, mortgage or otherwise deal with all or any such lands.
- (i) To apply for, purchase or otherwise acquire and protect and renew in any part of the World any patents, patent rights, trade marks, designs, licences, concession and the like conferring and exclusive or non-exclusive or limited right to their use, or any secret or other information as too any invention which may seem capable of being used for any of the purposes of the Company; or acquisition which may seem calculated directly or indirectly to benefit the Company, and o use, exercise, develop, or grant licences in respect of, or otherwise turn to account the property, rights or information so acquired, and to expend money in experimenting upon, testing or improving and such patents, inventions or rights
- (j) To acquire any such shares, stocks, debentures, debenture stock, scripts, bonds, notes, securities, obligations, funds or loans by original subscription, tender, purchase, participation in syndicates, exchange or otherwise, and to guarantee subscription thereof, and to exercise and enforce all rights and powers conferred by or incidental to ownership thereof, and to vary and transpose from time as may be considered expedient any of the company's investments for the time being.
- (k) To acquire and undertake the whole or any part of the business property and liabilities of any persons, firms or Company carrying on any business in which company is authorized to carry on, or possesses property suitable for the purposes of this Company.
- (l) To carry on the business of adverting contractors and agents, representatives, constants, advisers, supply accessories for advertising material, to acquire and disposal of advertising time, space or opportunities in any media, to undertake advertising and promotional campaigns o any nature, to acquire and provide promotional requisites of every kind and description, and to carry on any other business which may be usefully carried on in connection with such business and to acquire and undertake the whole or any part of the business as such contractors or agents, or any other business which may be usefully carried on therewith.
- (m) To carry on business of manufacturing and distributors of a dealer in engraving prints, pictures, drawing and any written, engraved, painted or printed productions in all their branches.
- (n) To carry on the business of manufacturers of dealers in paper cardboard, postcards, pictures cards, playing cards, transfers, pens, pencils, ink and stationery generally.

- (o) To carry on business of manufacturing and distributors of a dealer in engraving prints, pictures, drawing and any written, engraved, painted or printed productions, in all their branches..
- (p) To carry on the business of manufacturers of and dealers in paper cardboard, postcards, pictures cards, playing cards, transfers, pens, pencils, ink and stationery generally.
- (q) To purchase or otherwise acquire, erect maintain, reconstruct, and adapt any offices, workshops, mills plant, machinery and other things found necessary or convenient for the purpose of the company.
- (r) To amalgamate or enter into partnership whether perpetual or terminable for sharing profits, unions of interest, joint ventures, reciprocal concession or co-operation with any person, firm, association or group of persons carrying on or engage in or in the transaction or cause of action which may seem to the company capable of being conducted so as directly or indirectly benefit the company or to prevent or minimize apprehended loss, damages or cost to the company or to such person, firm, society, association or group of persons and to purchase subscription for or, otherwise acquire and hold shares (fully or partly paid up) or stock in society, association or group of persons, and to sell, hold, reissue with or without guarantee or otherwise deal with such shares, stock or securities.
- (s) To acquire or construct and own, lease or manage hotels, safari lodges, camps or camping or other sites in connection with the aforesaid business.
- (t) To carry on business as dealers, buyers, sellers, importers, exporters, manufacturers, processors, blenders of agricultural and industrial chemicals, veterinary drugs, vaccines, animal health products, natural drug extractors, pharmaceutical chemicals, phosphorous chemicals, chemicals for water treatment, equipment suppliers and stockiest. To run hospitals, day centres, age care homes and all related activities whatsoever.
- (u) To engage in manufacturing of every kind of item, furniture, textiles, blankets, indulge in tailoring, knitting sisal and coconut fibre processing ropes, twine, trophies, carvings, handicrafts, buy, sell, import and export the same.
- (v) To carry on the business of travel and tourist agents and contractors and to provide all facilities and conveniences for travelers and tourists.
- (w) To engage in engineering works of every description including civil engineering, mechanical, electrical, chemical and thermal engineering.

- (x) To purchase, construct, take on lease or in exchange, hire or otherwise acquire any movable and immovable property, heavy earth moving machinery, caterpillars, tractors, tippers, silos, abattoir, hatchery, cold room storage, dry store, warehouse and every right and privilege which the which the Company may think necessary or convenient for the purpose of its business or may enhance the value of any other property of the Company.
- (y) 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 any of the property suitable for the purpose of this Company.
- (z) To enter into any arrangement with any Government Authorities (supreme, municipal, local or otherwise) or any corporation, company or person having objects that may seem conducive to the Company's objects and authority in respect of any contracts, decrees, rights, privileges and commission which the Company may think desirable and to carry out, exercise and comply with any such contracts, decrees, rights, privileges and concessions.
- (z.1) To enter into partnership or any arrangement for sharing profits, union of interests, corporation, joint ventures, reciprocities, concessions or otherwise with any persons, firm, corporation or company carrying on or engaged in or about to carry on any business or transaction which the Company is authorized to carry on or engage in any business or transaction capable of being conducted so as directly or indirectly benefit this Company, and to lend money, to guarantee the contracts of or otherwise assist any such person, firm or Company, and securities of any such Company, and to sell, hold, re-issue with or without guarantee or otherwise deal with the same.
- (z.2) To invest and deal with moneys of the Company not immediately required upon such security and in such manner as may from time to time be determined.
- (z.3) To draw, accept, make, endorse, discount, execute and issue promissory notes, bills of exchange, bills of lading, warrants debentures and other negotiable or transferable instruments.
- (z.4) To receive money on deposit or loan and to borrow or raise money in such manner as the Company shall deem fit and in particular by the issue of debentures or debenture stock (perpetual or otherwise) and to secure the repayment of any money borrowed, raised or owing by mortgage, charge or lien upon all or any of the property or assets of the Company (both present and future) including uncalled capital, also by a similar mortgage or lien to secure and guarantee the performance by Company or any other person as the case may be.


- (z.5) To sell or otherwise dispose of the whole or any part of the business or property of the Company either together or in portion for such consideration as the Company thinks fit and in particular for shares, debentures or securities of any Company purchasing the same.
- (z.6) To establish agencies and local boards in Tanzania and elsewhere and to regulate and discontinue the same.
- (z.7) To seek for and secure openings for the employment of capital in any part of the world and with a view thereto to prospect, inquire, examine, explore and test and to employ and to dispatch expeditions, commissions, experts and agents.
- (z.8) To provide for the welfare of the person in the employment of the Company or formerly in the employment of the Company or its predecessor in business and the wives, widows and families of such persons by grants of money, pensions or other payments and providing or subscribing towards places of instruction and recreation and hospitals, assistance as the Company shall think fit.
- (z.9) To form, subscribe to and otherwise aid benevolent, religious, scientific, national, charitable or other institutions or objects of a public character or which have any moral or other claims to support or aid by the Company by reason of the nature or locality of its operations or otherwise.
- (z.10) To procure the Company to be registered or recognized in any foreign country or place.
- (z.11) To distribute any of the property of the Company among the members in special way of dividends or upon any return of capital.
- (z.12) To carry on, develop, extend and expand any trade, business or operation whatsoever which can in the opinion of the Company be advantageously or conveniently carried on by the Company by way of extension of or in connection with all or any of the trade, business and operation which the Company is authorized to carry on or is calculated directly or indirectly to develop any branch of the Company's assets, property or rights.
- (z.13) To do all or any of the matters hereby authorized in any part of the world either alone or in conjunction with factors, trustees and agents.
- (z.14) To carry on any other business which may seem to the Company capable of being 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 property or rights.

- (z.15) To provide the welfare of persons in the employment of the company or formerly in the employment of the company of its predecessors in the business and their wives, widows, and families of such persons by grant of money, pensions or other payments and to form, subscribe to or otherwise and benevolent religious scientific national or other institution of aid by the company by reason of the nature or locality of its operations or otherwise.
- (z.16) To carry on, develop, extend or turn to account any trade, business or operation whatsoever which can in the opinion of the company be advantageously or conveniently carried by the company by way of extension of or in connection with all or any of the trade, business and operations which the company is authorized to carry on or is calculated directly or indirectly to develop any branch of the company's business or to increase the value of or turn to account of the company's assets, property or rights.
- (z.17) To receive money deposits, with or without allowance of interest thereof.

AND IT IS HEREBY DECLARED that in the interpretation of clause 3 of memorandum of association the objects specified in any paragraph should be in no way limited or restricted by reference to or inference from the terms of any other paragraph or the names of the Company.

4. The liability of the members is limited.
5. The initial share capital of the Company is Tanzania shillings One hundred Million Only (Shs:100,000,000/= divided into ten thousand (10,000) shares of shillings Ten thousand only (10,000) each, with rights, privileges and conditions respectively attached thereto as may from time to time be conferred by the articles of association of the Company, with power to increase and reduce the capital of the Company and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the articles of association of the Company and to vary, modify or abrogate any such rights, privileges in such manner as may for the time being be provided by the Articles of Association of the Company.


We, the several persons whose names and addresses are subscribed are desirous of being formed into a Company in pursuance of this memorandum of association, and we respectively agree to take the number of shares in the capital of the Company set opposite our respective names.

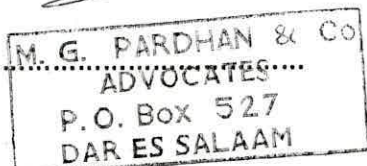
Name, Address and description of subscribers	No. of shares taken	Signature
1. ASHOK BHAILAL SHANGHAVI P.O.BOX 488 DSM TANZANIAN CITIZEN	9900	
2. JAYA BHAILAL SHANGHAVI P.O.BOX 488 DSM TANZANIAN CITIZEN	100	Mrs. Jaya B. Shanghavi

Dated at Dar Es Salaam this 15th Day of June 2009

WITNESS to the above signatures

Name: M. G. PARDHAN
.....ADVOCATE.....

Signature : 

Postal: 

Qualification:

THE COMPANIES ACT 2002

COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION
OF

ART TRADERS (TANZANIA) LIMITED

PRELIMINARY

1. The regulations contained in Table A, Part II of the Schedule to the Company Act, 2002 together with the regulation contained in the said Table A, shall, except as hereinafter provided, apply.
2. The Company is a Private Company and accordingly:
 - a) the right to transfer shares is restricted in manner hereinafter prescribed;
 - b) the number of members of the company is limited to fifty as further provided for in the Act;
 - c) any invitation to the public to subscribe for any shares or debenture of the public is prohibited;
 - d) the company shall not have power to issue share warrants to bearer.
3. The Directors may, in their absolute discretion and without assigning any reason therefore, decline to register any transfer of any share, whether or not it is a fully paid share.
4. The certificate of Title of shares shall be issued under the Seal of the Company and shall be signed by two Directors.
5. If any member of the Company shall at any time desire to sell and transfer any shares registered in such member's name and or in the event of the creation of any further shares by the Company, such shares shall be first offered by the Directors to the existing members of the Company in the proportion of shares held by each member at the time of such desires, transfer or creation of new shares.
6. Save as hereby otherwise provided no share shall be transferred to any person who is not a member of the Company so long as any member is willing to purchase the same at a fair value.
7. A call shall be deemed to have been made at the time when the resolution of the Directors authorizing such call was passed.

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8. If by the terms of issue of any shares or otherwise any amount is payable in respect of any shares by installments at fixed times every such installment shall be payable as if it were a call duly made the Directors of which due notice had been given.
9. The Directors may at any time in their absolute and uncontrolled discretion, refuse to register any transfer of shares and Clause 19 of Table "A" shall be modified accordingly PROVIDED ALWAYS that that any share may be transferred at any time by a member to his or her father or mother or to any lineal descendant of such father or mother or to his or her wife or husband. And any share of a deceased member may be transferred by his executors or administrators to the widow or any such relative as aforesaid of such deceased member, being a cestui or specific legatee thereof, and shares standing in the name of any deceased member may be transferred to or placed in the names of the executors or trustees of his will.

BORROWING POWERS

10. The Directors may from time to time at their discretion, raise or borrow and secure for the purpose of the Company's business such sums of money as they think fit.
11. The Directors may secure the repayment of or raise any such sum or sums as aforesaid by mortgage or charge upon the whole of any part of the property and assets of the Company present or future including its uncalled capital, for the time being, or by the issue at such price as they think fit, of bonds or debentures either charged upon the whole or any part of the property and assets of the Company or not so charged or in such other way as the Directors may think expedient.
12. A general meeting of the Company shall be held at least in every calendar year at such a time (not being more than fifteen months after holding of the preceding general meeting) and at such place as may be determined by the Directors. Such general meeting shall be called "Ordinary general meeting" and all other meetings of the Company shall be called "Extraordinary general meeting"

VOTE OF MEMBERS

13. On a show of hands every member present in person shall have one vote. On a poll every member shall have one vote only for the shares of which he is holder.
14. No member shall be entitled to vote at the general meeting unless all calls or other sums presently due by him in respect of shares in the Company have been paid.
15. The number of Directors shall not be less than two and not more than ten unless the Company otherwise decide at the general meeting.
16. The following persons shall be the first Directors to the Company:
 1. ASHOK BHAILAL SHANGHAVI
 2. JAYA BHAILAL SHANGHAVI

17. The Directors may appoint one or more of their member to be the Managing Director or Managing Directors of the Company either for a fixed or indefinite period and may from time to time remove any such Managing Director from such office and put another or others in his place and may at their discretion fill up any vacancy that may occur in such office.
18. The remuneration of any Managing Director shall be determined by the Company Board meeting and may be by way of salary or commission or participating in the profits of the Company or by all or any of those modes.
19. Each Director shall be paid remuneration at such rate, as the Company shall in a board meeting decide. Every Director shall be entitled to be paid his traveling expenses to be approved by the board incurred by him whilst employed in the business of the Company or in attending board meetings.
20. The shareholding qualification of the Directors shall not be required unless so fixed in a general meeting.

ALTERNATE DIRECTORS

21. Any Director shall have power to nominate a person to act or attend as alternate Director during his absence or during his inability to act. Such Director shall be subject in all respects to the terms and conditions existing with reference to the other Directors and such alternate Director shall exercise and discharge all duties of Directors whom he represents.
22. Unless otherwise decided by the Directors the quorum necessary to transact business of the Directors shall be two Directors personally present.

DISQUALIFICATION OF DIRECTORS

23. The office of a Director shall be vacated if the Director:
 - a) become bankrupt; or
 - b) is found to be lunatic or becomes of unsound mind; or
 - c) resigns his office by notice in writing to the Company or
 - d) Absents himself from meetings of the Directors for a period of six months without special leave of absence from the other Directors.

DIVIDENDS AND RESERVES

24. The Company may in its general meeting declare dividends but no dividend shall exceed the amount recommended by the Directors.
25. The Director may from time to time pay the members such interim dividends as appear to the Directors to be justified by the profits of the Company.
26. No dividends shall be paid otherwise than out of profits.

27. The Directors may before recommending dividend, set side out of the profits of the Company such as they think proper as reserve or reserves which shall at the discretion of the Directors be applicable for meeting contingencies or for equaling dividends or for any other purpose to which the profits of the Company may be properly applied and pending such application may in 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 from time to time think fit.

SEAL

28. The Seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the board of Directors and in the presence of a Director and of the secretary or such other person as the Directors may appoint for the purpose and the Director, or Secretary or other person as aforesaid shall sign every instrument to which the Seal of the Company is so affixed in their presence.

ALTERATION OF ARTICLES

29. Subject to the provisions of the ordinance and those of the memorandum of association the Company may by special resolution make alteration or addition to the articles of association and such alteration or addition so made shall be as valid and effectual as its originally contained in these articles and be subject in this manner to alteration by special resolution.

WINDING UP


30. If the Company shall be wound up the assets remaining after payment of the debts and liabilities of the Company and the costs of the liquidation shall be applied, first in repaying to the members the amounts paid up or credited as paid upon the shares held by them respectively, and balance, if any, shall be distributed among the members in proportion to the number of shares held by them respectively, PROVIDED ALWAYS that the provisions hereof shall be subject to the rights of all holders of shares, if any, issued upon special conditions.
31. With the sanction of the extraordinary resolution of the shareholders any part of the asset the Company may be divided between the members of the Company in specie or may be vested in trustees for the benefit of such members and liquidation of the Company may be closed and the Company dissolved but so that no member shall be compelled to accept any shares where there is any liability.
32. If the Directors are unable to decide by majority any question relating to the winding up to the Company or to any change in policy of the Company, they shall appoint two arbitrators who are not members of the Company to decide such question and shall accept their decision.

INDEMNITY

33. Subject to the provision of the Act 2002, every Director or other officer and auditors of the Company shall be indemnified out of the Company against all costs. Expenses, losses and liabilities which he may sustain or incur in or about the execution of his office or otherwise in relation thereof unless the same occur through his own dishonest negligence default, criminal or breach of trust wherein the Director or officer shall be personally liable.

ARBITRATION

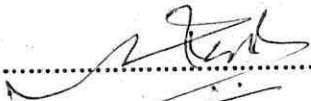
34. In the event of any dispute or misunderstanding between the Directors the same will be mutually resolved. Otherwise Arbitration Procedure in terms of Cap.15 of the Arbitration Act will be invoked.

Name, Address and description of subscribers	No. of shares taken	Signature
1. ASHOK BHAILAL SHANGHAVI P.O.BOX 488 DSM TANZANIAN CITIZEN	9900	
2. JAYA BHAILAL SHANGHAVI P.O.BOX 488 DSM TANZANIAN CITIZEN	100	Mrs. Jaya B Shanghavi

Dated at Dar Es Salaam this 15th Day of June 2009

WITNESS to the above signatures

Name: M. G. PARDHAN
ADVOCATE

Signature: 

Postal: 

Qualification:



TANZANIA INVESTMENT CENTRE

REGISTRATION FORM

FOR

CERTIFICATE OF INCENTIVES

(Tanzania Investment Act 1997, Section 17 and 18,
and the Investment Regulations:
Regulation 42, Government Notice No. 318A of 2002)

Tanzania Investment Centre
9A & B Shaaban Robert Street
P. O. Box 938
DAR ES SALAAM
Tel. 022 2116328
Fax. 022 2118253
e-mail: information@tic.co.tz
Website: www.tic.co.tz

(Please fill the form in duplicate)

UNITED REPUBLIC OF TANZANIA

THE TANZANIA INVESTMENT ACT

(No. 26 of 1997)

APPLICATION FOR REGISTRATION

(Made under Regulation 42)

To: The Executive Director
Tanzania Investment Centre
P. O. Box 938
DAR ES SALAAM
Tanzania

1. I/We ASHOK BHAILAL SHANGHAVI
(director/directors/agent of AJ QUALITY TIMBER EXPORTERS LTD.
(name of business enterprise) apply for registration of TIC
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 P O BOX 488,
DAR ES SALAAM, TANZANIA.

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 DARES SALAAM, TANZANIA.

4. The Principal Officers of the Company are RALPH D. SHAVRI Mr.

5. Auditors of the Company are BAKER TILLY DGP & CO.

6. The authorized share capital of the Company is Tshs./US\$ 100,000,000/=

7. The intended capital investment of the Company in terms of Section 2(2) of the Act is Tshs./US\$ 832,700=
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\$ 100= Being the Registration Fees. *In the event this application is unsuccessful we understand that this fee will not be refunded.*

I, ASHOK BHAILAL SHANGHAVI of Post Office Number 488 do solemnly and sincerely declare that I am a director/~~duly~~ authorized agent of AJ QUALITY TIMBER EXPORTERS 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 }
 The 13th day of Sept, 2011 }

Bhaighavi
 Applicant

Before me:

[Signature]
 Commissioner for Oaths



APPLICATION SUMMARY

Company Name: AJ QUALITY TIMBER EXPORTERS LTD

Certificate of Incorporation Number: 71520 Status: LIMITED

Certificate of Incorporation Date: 18/6/2009

Post Box: 488

Town: DAR ES SALAAM

Sector: Manufacturing FORESTRY

Sub-Sector: Forestry products

Investment Financing Plan in Million US\$/Tshs.

Foreign Equity	Local Equity	Foreign Loan	Local Loan
—	166,540=	—	666,160=

Project Objectives: TO ADD VALUE TO TIMBER PRODUCTS WITHIN THE COUNTRY FOR EXPORT AND IMPORT SUBSTITUTION.

Capacity: 15,000 CBM FINISHED PRODUCT IN A YEAR

Employment: Foreign: 20 Local: 300 Total: 320

Implementation Period: 6 MONTHS

Project Location

Site/Plot/Block No.:

Street: CHANGARAWE District: MAFINGA Region: IRINGA

(Attach sketch map showing project location)

Shareholders	Nationality	%
ASHOK B. SHANGHAVI	TANZANIAN	99
JAYA B. SHANGHAVI	TANZANIAN	1
.....
.....
.....

Investment Breakdown US\$/Tshs.M

Land/Building 300,000 =
Plant 407,700 =
Vehicles
Furniture & Fittings
Pre-expenses
Others 25,000 =
Working Capital 100,000 =
TOTAL 832,700 =

Contact Details:

Name: RALPH D. SHAURI

Title: I.T & FRONT OFFICE
MANAGER

Telephone: 0784 37 1128

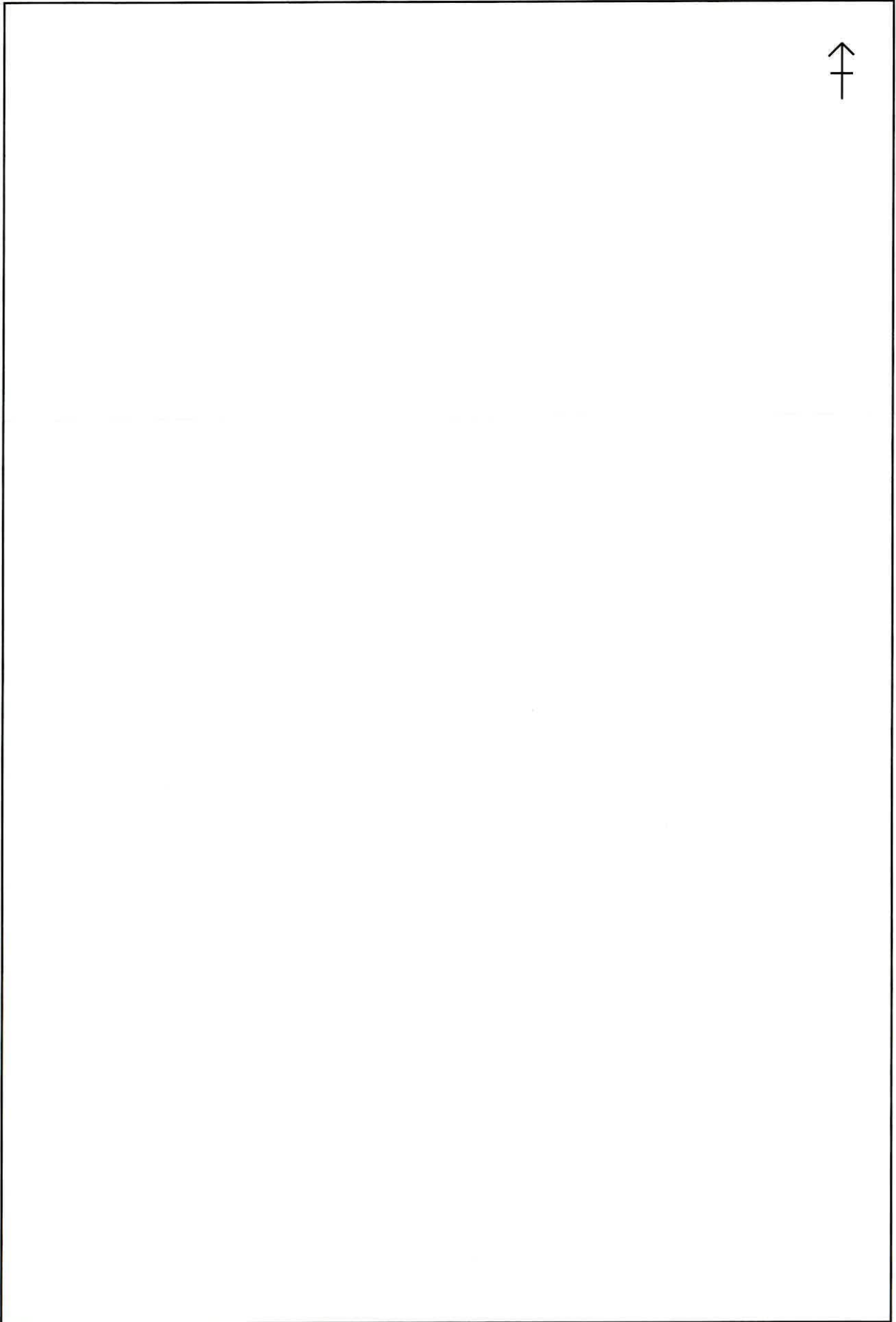
Fax: 022 21374 27

Email: info@ajqtimber.com

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





AJ Quality Timber Exporters Ltd

P.O. Box 488, Dar es Salaam

Tel: 255-22-2137426/7

info@ajqtimber.com

www.ajqtimber.com

12th September 2011

Dear Sir or Madam,

Re: Evidence of Funds

The company is going to use two sources of funds for the project:

1. Promoters' personal savings and other businesses
2. Bank loan (letter attached)

Thanking you in advance,

Truly yours

Ralph Shauri
For AJ Quality Timber Exporters

**A.J.QUALITY TIMBER
EXPORTERS LTD
P O BOX 488, DAR ES SALAAM**

**Feasibility Study on Peeling and
Plywood Board Plant at
Mafinga, Tanzania**



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Introduction

This report has been prepared for A.J. Quality Timber Exporters Limited P.O. Box 488, Dar Es Salaam, (hereinafter referred to as AJQ) a locally registered company under the company's act 2002.

AJQ wishes to establish a peeling, plywood board facility and briquetting plant in Mafinga. Plywood is manufactured from thin sheets of wood veneer. It is one of the most widely used wood products. Plywood is used instead of plain wood because of its resistance to cracking, shrinkage, and twisting/warping, and its general high degree of strength. These boards then can be used directly as table surfaces, door panels, flooring strips and etc. AJQ will purchase logs from the Ministry of Natural resources and Tourism (MNRT) to ensure a sustainable supply of raw material. A production plant with capacity of 15,000 CBM of boards per year will be installed. This proposal is directed to add value to forestry products in the country.

AJQ's authorized share and paid up share capital is T.Shs. 100 million. The company has two shareholders as follows:

Name of Shareholder	No. of Shares	% Holding
1 Mr. Ashok Bhailal Shanghavi	9,900	99
2 Mrs. Jaya Bhailal Shanghavi	100	1
Total	10,000	100

The promoter, Mr. Ashok Bhailal Shanghavi has gained rich experience in the timber industry over the course of the last three decades. Currently he is already running a saw-mill plant at Muheza, Tanga and Turiani, Morogoro in the name of Prime Timbers Ltd. Prime Timbers LTD has been ranked 7th in the top 100 medium scale enterprise nation wide 2010 firm survey conducted by KPMG Tanzania. Prime Timbers LTD employs nearly 120 direct laborers and 20 managerial staff. Its turnover for 2009 and 2010 was approximately T. Shs. 6 billion per year. Through hard work and dedication, Mr. Shanghavi took a small firm, which started in 2006 to being a leading company in Tanzania. He hopes to repeat the same success with AJQ by making it a leading manufacturer of furniture not only in Tanzania but also in of Africa.

Executive Summary

AJQ is planning to establish a plywood plant using high-tech equipment by utilizing the vast experience of the promoters in the timber industry to successfully procure and market African wood. Plywood layers (called veneers) are glued together with adjacent plies having their grain at right angles to each other for greater strength. There are usually an odd number of plies so that the sheet is balanced—this reduces warping. Because of the way plywood is bonded (with grains running against one another and with an odd number of composite parts) it is very hard to bend it perpendicular to the grain direction. AJQ will be able to exploit the rich experience gathered over the last three decades by the promoters, and make use of the strategic alliances with their existing network of buyers, while keeping in line with the current market trends of value added timber exports. It is the hope of the promoters that the facility they intend to erect will provide positive returns to their investment and many direct and indirect benefits to the country and its people through capital investment, job creation and transfer of skills.

Further, historically most forest product export was composed mainly of raw form products, particularly logs. Recent government policies have encouraged domestic processing of the forest products before they are exported, which adds value and discourages the quantity intensive harvesting that has been blamed for increased deforestation. In line with forest conservation and the government's aim of protecting the environment, projects like ours are key to establishing a sustainable forestry sector. The private sector has the potential to significantly increase forestry's contributions to the economy and to poverty alleviation. This can be seen in the National Forestry Programme, which emphasizes private sector involvement as one of its four main goals. Subsequently, Programme 4—Forestry Based Industries and Sustainable Livelihoods Programme – was designed to *“increase economic contribution, employment and foreign exchange earning through sustainable forest-based industry development and trade in forest products.”*¹

Currently there is no business venture in Tanzania that is manufacturing plywood boards locally. In order to ensure high quality production, before putting the proposal together, the promoters of AJQ visited various global timber fairs, actual production sites and consulted with various market players overseas to ensure that the machinery and technology ordered is in line with the market demand. Based on the size of our market and the target market area, sale projection for the first year is more than Tshs. 6.5 billion. By the end of the fourth year, AJQ will have a margin of safety of more than 60% in terms of its total production. AJQ will finance the project through a term loan of Tshs. 1.1 billion and through the promoters own injection of Tshs. 0.3 billion, or 20% of the projects capital cost.

AJQ will differentiate its company in the marketplace in 3 specific ways; the promoters have worked in the timber industry for more than 30 years and have unmatched skills and knowledge of the industry; centralized location to the source of raw material will allow for low cost of production; and a vision of growth for the company's market that will enable the application of contemporary tools to expand into a production line of full furniture and door making within Tanzania.

With respect to the recent deteriorating exchange rate, the rising world fuel prices, decline in traditional agriculture exports due to droughts and power shortages in the country, value addition to import substitutes are critical for the Tanzanian economy. Thus, AJQ hopes to serve the country in various fronts by being leaders in bringing new technology to the country and by supporting its goal of industrialization.

¹ Geller and McConnel (2006, pg. 10)

Management

Promoter – Ashok Shanghavi

Ashok Shanghavi has vast experience of over 25 years in the timber industry and international trade in general. Prior to entering the timber industry, Mr. Shanghavi was involved in exporting various raw materials to Europe, China and India, while importing commodities such as bicycles and agricultural products. After building a strong reputation in the import/export business, Mr Shanghavi decided to use his knowledge of international trade to move into the manufacturing sector. Since 2006, Mr. Shanghavi has successfully started and run various sawmill factories under the name of Prime Timbers LTD. He wishes to use his years of knowledge and expertise in promoting a new venture by the name of AJQ Timber LTD, which will allow him to invest in new technology and machinery, thus assisting him to successfully realize his dream of making finished products.

IT and Front Office Manager – Ralph Shauri

Ralph Shauri holds an Advanced Diploma from City and Guilds of London Institute, UK. Prior to joining AJQ Timbers LTD, Mr. Shauri managed accounts and administrative tasks of Prime Timbers LTD in Muheza-Tanga, Mtwara and Dar es Salaam. His years of work in various parts of Tanzania have given him a thorough understanding of the domestic business environment. He will also perform the important tasks of an IT expert and web developer.

Commercial Manager – Narsa Reddy

Narsa Reddy holds a Masters degree in Commerce from the University of Osmania. He is extensively traveled and previously has held positions of the same title in Nairobi, Kenya. He will provide AJQ with international experience in best management practices.

Business Development Officer – Amar Shanghavi

Amar Shanghavi has recently joined AJQ Timbers LTD to support them in promoting the company globally and creating a brand name for it. He is simultaneously pursuing a PhD in Economics from the London School of Economics and Political Science in the UK. He has previously worked at the International Monetary Fund in the USA, where he gained extensive research skills working on macroeconomic issues related to West African countries. AJQ Timbers LTD intends to use his expertise in understanding economic trends so as to position itself appropriately and wither any economic shocks.

Factory Manager - Narendra Patel

He has been involved in the timber industry for the last 15 years. Prior to becoming a factory manager, Mr. Patel begin his career as a wood cutter, moving his way up to his present position over the course of many year. He has gained valuable experience in managing a large work force from his previous endeavors in India and lately in Tanzania. Mr Patel will provide AJQ Timbers LTD important skills and technical know how to succeed in the global market.

Table 2: Management

Name	Position	Experience	Nationality
Ashok Shanghavi	Promoter	25 years in timber industry	Tanzanian
Ralf Shauri	IT & Front Office Manager	10 years in timber industry	Tanzanian
Narsa Reddy	Commercial Manager	3 years in timber industry	Indian
Amar Shanghavi	Business Development Officer	1 year in timber industry	Tanzanian
Narendra Patel	Factory Manager	15 years in timber industry	Indian

Project Implementation Schedule

TABLE 1: PROJECT IMPLEMENTATION SCHEDULE							
EVENT	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
FEASIBILITY STUDY & FUND MOBILIZATION	█	█					
SITE DEVELOPMENT AND DESIGNING OF PLANT LAYOUT		█	█				
FACTORY SHED MODIFICATION			█	█	█	█	
ORDERS FOR MACHINERY			█	█			
SHIPMENT OF MACHINES AND HANDLING			█	█	█		
PERSONNEL RECRUITMENT & TRAINING					█		
PLANT INSTALLATION COMMISSIONING						█	
TRIAL RUNS, TESTING AND COMMENCEMENT OF COMMERCIAL OPERATIONS							█

Production Process for Making Plywood Boards

1. Plywood production requires a good log, called a peeler, which is generally straighter and larger in diameter than one required for processing into dimensioned lumber by a sawmill. The log is laid horizontally and rotated about its long axis while a long blade is pressed into it (rather like turning a Swiss Roll against the edge of a ruler), causing a thin layer of wood to peel off.
2. In this way the log is peeled into sheets of veneer which are then cut to the desired dimensions;
3. Then the sized veneers are either air-dried or dried using a kiln.
4. After sorting of the outer and inner layers, the veneers are glued together
5. Finally the boards are baked in a press at 140 degree Celsius and at 1.9MPa to form the plywood panel.
6. The panel can then be patched, resized, sanded or otherwise refinished, depending on the market for which it is intended.

Investment stages

AJQ will invest in two stages. Initially AJQ will only invest in the peeling machinery together with the dryer. This is to ensure that zeal and ambition is balanced with caution, so as to learn over time ensuring that a good quality product is manufactured. However, the site will be developed with facility and size to accommodate immediate expansion so that when the promoters are ready for stage two, execution of the project can be done quickly. Thus in stage 2, AJQ will invest in the finishing line to make the plywood boards.

Machinery Details

All machinery will be purchased from India. The company identified to source the machinery has been selected after surveying various firms at international wood fairs and studying the quality of machineries manufactured through cross comparison of companies. The choice of buying from an Indian firm has been based on keeping costs low yet attaining high quality of workmanship. Details of the machinery breakdown can be provided upon request.

Raw Materials

In order to uphold AJQ's highest standards of ethical business and corporate social responsibility, AJQ will only procure raw materials from the Ministry of Natural Resources and Tourism. This will help the Forest and Bee Keeping Division of the Ministry of Natural Resources and Tourism combat illegal logging by reducing the demand of timber from unscrupulous sources and also enable it to better manage sustainable plantations. Further, AJQ will purchase waste timber from other saw millers so as to maximize use of Tanzanian timber and help conserve the environment by utilizing waste material. This will ensure a continuous and uninterrupted supply of raw material, as long as there is sustainable harvesting of logs. Based on the production capacity of the plywood line, AJQ will need 50 CBM of logs a day, resulting to 15,000 CBM per year for 300 working days. The main type of timber AJQ intends to work with is Pine, hence the decision to setup the plant in Mafinga, the source of Pine in Tanzania. Annually, the MNRT is required to harvest 700,000cbm of pine trees in order to maintain its plantation cycle. With such a large supply of pine in the country and no reason to believe a shortage

given best plantation practices, AJQ will have access to uninterrupted quality supply of raw material directly from the source. If there is any shortage of supply due to unforeseen circumstances, AJQ can easily tap into the production of its sister company Prime Timbers LTD, which alone exported more than 10,000cbm of sawn timber in 2010. Thus continuous supply of raw material will not be an issue for AJQ.

Manpower Requirements

The project will create permanent jobs for 320 individuals. However during the setup of the plant, the need for labor will be higher. Once the project is fully running, there will also be employment opportunities for casual labor on a seasonal basis.

A breakdown of the work force is given below:

- 180 – semi-skilled
- 120 – Unskilled
- 20 – Skilled expatriates

Skilled staff will cater to the positions of mechanical engineer, plant manager and accounting and finance manager.

Semi-skilled staff will consist of production supervisors and operators.

Un-skilled labor will consist of helpers, loading, unloading and packaging individuals.

Environmental Impact Assessment

In order to ensure health and safety standards are not compromised, AJQ will install an exhaust and dust collection system to provide maximum protection to the workers from the dust that will be created through the sawing process. In addition to the advanced collection technology, the standard practices of providing eye protection; boots and work suites will be applied in line with the country's safety standards.

The major benefit of the project to the environment is the creation of value addition, which will significantly reduce the exhaustive logging observed in the forest industry. Further, by being leaders in the industry in bringing technology to Tanzania, AJQ will pave way for environmentally friendly development of the industry by setting an example of sustainable harvesting of timber.

Project Development Benefits

- The project expects to invest T.shs 1.3 billion. This investment will help increase the share of industrial output in Tanzanian GDP, which is as of very low. It will further increase foreign export earnings for the country, thus increasing both the GDP of Tanzania and valuable foreign exchange.
- It will promote local employment by significantly increasing jobs for Tanzanians. AJQ Timber LTD anticipates employing 300 full time Tanzanians and many more on seasonal basis.
- Through the hiring of expatriate staff, domestic workers will be able to learn and gain valuable experience through transfer of skills from their foreign counterpart.

- Since both of the promoters of AJQ Timbers LTD are Tanzanians, they will keep investment and profits within the country.
- There are likely to be various multiplier effects on the economy through the use of new technology and job creation.

Project area

The project is to be carried out at Mafinga, Iringa. We have already identified the location and are in talks with the village council for the lease of the said premises. A copy of their letter of intent to sell the property is attached at the end of the document. In order to ensure future expansionary plans of AJQ are met, AJQ is going to invest in 4.125 acres of land. The choice of Mafinga was done in order to be closest to the heart of the raw material, so as to maximize the returns from having comparative advantage in location flexibility. A copy of the surveyed land is attached at the end of the document.

Business Plan/ Industry Background

Timber Industry in Tanzania

There are 33.5 million hectares of forests and woodlands in Tanzania, which is about 38% of land area of the country. Estimated contribution of the forest sector to the GDP of Tanzania is 2.3%, while its export share is 10% to 15%. The forest sector provides for approximately one millions jobs officially and 5 to 10 time more jobs unofficially². The government has ample managed plantations to serve the demand by saw millers in the country. Currently there are 83,000 hectares of government-managed plantations with an expansion plan to add 50,000 hectares more. The major private industrial plantations include TANWAT, KVTC and Green Resources Ltd covering 30,000 hectares. Small-scale woodlots and medium-sized plantations are estimated to be between 120,000 to 150,000 hectares. The main commercial species of timber in Tanzania are:

TABLE 3: COMMERCIAL SPECIES IN TANZANIA

Plantation owner	Species
Government	Pinus patula, Pinus radiata and Pinus montrunai, Tectona grandis, Cupressus lusitanica and C.copresas, Eucalyptus, Gravelia robusta, Podocarpus sp
Tanganyika Wattle Company	Acacia melanoxylon, Pinus patula
Kilombero Valley Teak Company	Tectona grandis
Individuals, communities, companies and schools	Pinus patula, Pinus radiata and Pinus montrunai, Tectona grandis, Cupressus lusitanica and Cupressus copresas, Eucalyptus, Gravelia robusta, Podocarpus sp, Cordia africana
Natural Forests	Pterocarpus angolensis, Afzelia quanzensis

According to the Forestry Outlook Studies in Africa (FOSA), among forest industries in the country, sawn wood had the biggest share of the capacity standing at more than 71% followed by pulp and paper production having a share 21% and the rest was wood based products, Joinery and furniture³. The major products produced in the country, as seen from the industries above, are sawn wood, pulp and paperboards, particleboards, plywood, fiberboards and furniture.

The investment climate in the forestry sector has been positive and a number of big international forestry companies have invested in both commercial forest plantations and wood based industry. AJQ has been exposed to the timber industries for more than three decades through the experience of its promoters. This competitive advantage provides the Tanzania Investment Centre a unique opportunity to support local enterprise that can successfully compete on the global market and retain its revenues in the country for the benefit of its people. With the help of good governance in forestry management, AJQ will be able to play its part in private sector led growth and poverty reduction.

The FOSA report claims that the sector is dominated by small sawmills, which is an impediment to a successful forest industry. Small sawmills means there is limited potential for expansion and value added. AJQ on the other hand is supported by its sister company Prime Timbers Ltd which is successfully running three sawmills in the country and has a proven track record. The annual turnover of

² Geller and McConnell (2006)

³ Forestry Outlook Studies in Africa (FOSA), Ministry of Natural Resources and Tourism, October 2000.

PTL was touching 6 billion Tshs. in 2010. AJQ thus intends to play a vital role in greatly increasing value added within the country and taking Tanzania to the forefront of producing quality wood products.

The report concludes that in general, wood industries are operating below capacity, in some cases up to 50% below full potential. An analysis of the situation revealed that problems were related to managerial, financial and technical aspects. AJQ on the contrary is well placed to tackle all of the problems with great ease. The promoters of AJQ hold many years of experience in managerial capabilities from their previous endeavors, while hiring of expatriate staff will help the project tackle technical aspects and finally the promoters have sufficient funds to undertake the above mentioned investments from personal savings.

Governance of the forestry sector is key in determining the success of AJQ Timbers Ltd. After many years of over harvesting and illegal logging, which posed a major threat to the sustainability of the industry and the country's natural resources, the government is now working hard on ensuring past mistakes are not repeated. The website www.illegal-logging.info, that sources the Daily News, suggests that loss of revenue from illegal logging accounted to \$54 million a year in 2004 and 2005⁴. However, over the last 5-6 years the government has been showing signs of vigilance in protecting the timber industry and ensuring that it remains a sustainable sector. For example, in 2004, the government banned exports of logs in order to reduce deforestation and curb illegal logging. Further, by the end of 2008, 1102 villages had community based forest management programs established or were in process of doing so. This covered a total area of more than 2 million hectares⁵.

State of Technology

The FOA report also criticizes the existing industry as being plagued by very old technology, whose performance is further, worsened by lack of appropriate spare parts and inadequately trained maintenance operators. They state that some sawmills by end of 2000 were only operating at 35% recovery rate. The recommend conclusion of the report is horizontal integration of the sawmills so that waste products such as chips and slabs could be used in the manufacturing of other products like chipboards and fiberboard briquettes. They observe that such integration is very rare and as per the knowledge of the promoters' still non-existent since the report was published in 2000. AJQ will successfully tackle the existing problems in the industry by utilizing the full timber through peeling technology to create plywood boards for the use of furniture, doors, door and window frames, flooring and etc. Further, the sourcing of the machines has been done with great care and research to ensure that the highest quality boards are produced in line with international standards. This will allow Tanzania to also increase its technical knowhow by using the best technology available in the industry. A major concern for many manufacturers is the availability of consistent raw material to convert into boards, on the other hand, AJQ Timbers will have an abundance supply of raw material from government plantations, while it also has direct access to all the waste from Prime Timbers Ltd which is a very large operation running in two regions of the country. With respect to availability of spare parts, as the Tanzanian economy has grown, all machineries, furnace oil, electricity, diesel, lubricants and machinery spares required to run the plant successfully are easily available locally. In addition, the sourcing of the machinery has been done from India, whose proximity and cost competitiveness makes it an attractive partner.

⁴ http://www.illegal-logging.info/item_single.php?it_id=3106&it=news, 24th june 2010.

⁵ The United Republic of Tanzania Ministry Of Natural Resources And Tourism, 2008 Participatory Forest Management in Tanzania Facts and Figures. Forestry and Beekeeping Division December 2008

Market Study

There used to be two sources of raw materials in the country namely forest plantations and natural forests. Due to deforestation and other environmental impact of logging, many natural forests have been closed. Thus mills that depend on plantation log supply will have a bigger chance to expand and flourish. We intend to use only plantation pine for the production of plywood. We will secure the raw material from the MNRT or by buying it on the secondary market.

Pine plywood is currently traded in the Tanzanian market by the various hardware and construction material wholesalers importing the product from outside the country. Our research shows that the product is being imported from Malaysia and Kenya, while the price of the poorest grade pine plywood is \$800 per CBM in the local market.

Market Competition

AJQ will have to take into account two types of competitors, as it will be involved in selling to the domestic market and international market. The competition from imports will be mainly from Chinese and Indian manufacturers. Given the mentioned countries import a large part of their raw materials from abroad, they lack the comparative advantage of being close to the source of the raw material. AJQ's access to steady supply together with cheap labor costs will allow it to easily market the product at competitive prices locally and internationally. Further, the technical know-how and skill will be obtained from experienced machine operators and wood workers from abroad. Locally, there are no firms producing pine plywood boards, thus with import duties and other taxes faced by importers, AJQ will be able to substitute imported plywood with a cheaper and equivalently good alternative. Already based on our calculation and financials, undercutting the imported pine will be very easy. Finally, according to the Tanzania Dailynews, a directive has been given to all government institutions to promote domestically made furniture⁶.

Threats

The main threats that can impact the success of the project are structural in nature and economy wide. The first being the continuous power outages and electricity rationing. The directors of AJQ have had similar experience in running of their other ventures, thus giving them the advantage of being able to tackle this problem easily. In order to ensure continuous production even when electricity is not available, AJQ is going to invest in a 400 KVA generator. Though this will increase the cost of production, especially if fuel prices continue to rise, AJQ is still confident of remaining competitive in the international market given historical trends of world timber prices. The financial analysis attached to this report has been also done under the assumption of fully operating on a diesel generator in order to ensure prudence in costing. Another structural issue that is a threat for AJQ is the poor road infrastructure. This makes working during rainy season a challenge, as access to raw materials can be difficult. In order to tackle this problem, AJQ is going to establish the factory on the border of the plantation where it will source its raw material.

The deteriorating exchange rate and rising fuel prices pose both as a threat and opportunity for AJQ. With regards to the exchange rate, it is a threat, as imports of machinery, parts and other input costs will rise. However this will also affect the cost of imported plywood, thus still ensuring we remain viable against foreign competition. Regarding fuel prices, since it is a global commodity, all manufacturers across the world will be faced with the same risk, thus not making AJQ less competitive.

⁶ <http://allafrica.com/stories/201103150742.html>

Finally, the main threat AJQ faces is from illegal logging, rendering the supply unsustainable. Regarding this threat, presently AJQ is not directly at danger, as its need for timber will be significantly reduced compared to a sawmiller or logger who work on intensive harvesting. Rather, it is the hope of AJQ that other investors will also follow suite and move into value addition projects so as to increase revenue and reduce the need for intense logging currently going on.

Financial Analysis

The project cost has been estimated at T. Shs 1.3 billion including T.Sh 100 million margin for working capital. Machinery cost is expected to be T.Shs 0.7 billion. Factory shed to house these machines will cost T.Shs 0.48 million.

The company is expected to earn an average gross profit of 18 percent per annum, with a net profit growing from 7 to 10 percent over the first four years. This growth is based on increased efficiency in costs of production and capacity utilization from 73 percent to 100 percent by 2014/15. The expected annual turnover is projected to be more than T.Shs 8.8 billion by end of 2014/15. The impressive financials reflect the opportunity to invest in manufacturing in Africa, particularly in processing of raw materials. These figures have been arrived after working with great prudence in estimating costs and keeping prices competitive. When looking at the sensitivity analysis, the firm remains strong even in the worst-case scenario with a debt service cover ratio of more than two times its interest obligations.

Financing of the project will be done through an equity injection by the promoters and bank loan, which will mostly be used to purchase fixed assets and provide a comfortable working capital.

All financial statements have been attached in appendix I for easy reference.

Conclusion

The above study reveals that the promoters of AJQ have all the necessary tools to successfully implement this project to be both commercially and technically viable. This project has various desirable properties, which will have direct and numerous indirect benefits on the economy. With a growing global demand for Tanzanian timber, the promoters now seek the right support and economic environment to bring Tanzania to the forefront of the global timber industry.

Appendix I

TABLE 5: COST OF PROJECT AND MEANS OF FINANCE					
SR NO	ITEM NAME/DESCRIPTION	QTY	'000		
			US \$	US \$ TOTAL	T.SHS
A	COST OF THE PROJECT				
01	FACTORY SHED CONSTRUCTION				
	LAND, BUILDING SHED AND HOUSE AT MAFINGA		300,000	300,000	480,000
02	PLANT & MACHINERY				
a)	PNEUMATIC CLIPPER MACHINE- 2750mm(9'-0")	2	12,000	24,000	38,400
b)	AUTO VENEER WINDING UNIT (Reeling Unit)	1	5,900	5,900	9,440
c)	PEDAL CHOPPER – 1425mm (56")	8	2,100	16,800	26,880
d)	KNIFE GRINDER (For Grinding of all Ply-Knives) – 2750mm (9'-0")	1	12,500	12,500	20,000
e)	ROLLER JET DRYER: 4 SECTION 3 DECK,4620mm (15'-2") long Roller	1	51,700	51,700	82,720
f)	COMMERCIAL GUILLOTINE JOINTER– 2600mm (8'-6")	1	16,000	16,000	25,600
g)	DOUBLE DRUM GLUE MIXER	1	3,500	3,500	5,600
h)	DOCTOR ROLL GLUE SPREADER – 1425mm (56")	4	10,700	42,800	68,480
i)	AUTO CHAIN D. D. SAW (For Size Cutting)–2400X1200mm (8'-0"x4'-0")	1	16,500	16,500	26,400
j)	WIDE BELT SANDER – LM-1300R-RP Model	1	32,000	32,000	51,200
k)	PEELING LATHE MACHINE – 2750mm (9'-0")	1	40,000	40,000	64,000
l)	THERMIC FLUID HEATER – 1.5 Million Kcal/Hr.	2	12,500	25,000	40,000
m)	HYDRAULIC HOT PRESS : 640 TON CAPACITY	1	25,000	25,000	40,000
n)	SCISSOR LIFT (For Hot Press) – 3 Ton Capacity	6	1,000	6,000	9,600
o)	GENERATORS	4	22,500	90,000	144,000
				407,700	652,320
03	FREIGHT			25,000	40,000
04	MARGIN FOR WORKING CAPITAL			100,000	160,000
	TOTAL COST OF THE PROJECT			832,700	1,332,320
B	MEANS OF FINANCE				
01	PROMOTERS FUNDS			166,540	266,464
02	BANK LOAN			666,160	1,065,856
	TOTAL FINANCING			832,700	1,332,320

NOTE: EXCHANGE RATE TAKEN 1600/- PER USD

TABLE 6: PROJECTED BALANCE SHEET						
						TSHS '000
SR NO.	DETAILS	2011/12	2012/13	2013/14	2014/15	2015/16
A	FIXED ASSETS	1,066,780	972,633	888,543	813,341	745,996
B	CURRENT ASSETS:					
	1 INVENTORIES	353,506	322,308	294,443	269,522	247,205
	2 DEBTORS	190,535	173,720	158,701	145,269	133,240
	3 LOANS & ADVANCES	7,578	25,890	50,200	65,300	83,280
	5 CASH & BANK BALANCE	82,258	363,937	679,383	1,048,540	1,822,501
	TOTAL	633,877	885,854	1,182,726	1,528,631	2,286,227
C	CURRENT LIABILITIES:					
	1 ACCOUNTS PAYABLE	164,622	150,094	137,117	125,512	115,120
	2 OTHERS	74,659	68,070	62,185	56,922	52,209
	TOTAL	239,281	218,163	199,302	182,434	167,328
D	NET CURRENT ASSETS	394,596	667,691	983,424	1,346,197	2,118,898
E	TOTAL NET ASSETS	1,461,376	1,640,323	1,871,967	2,159,538	2,864,894
F	FINANCED BY:-					
	1 EQUITY SHARE CAPITAL	266,464	266,464	266,464	266,464	266,464
	2 PROFIT & LOSS APPROPRIATION A/C	343,281	768,057	1,281,794	1,893,074	2,598,430
	3 BANK-LOAN TERM CAPITAL	851,631	605,803	323,709	-	-
G	TOTAL FINANCING	1,461,376	1,640,323	1,871,967	2,159,538	2,864,894

TABLE 7: PROJECTED PROFITABILITY STATEMENT

						TSHS '000
SR NO.	DETAILS	2011/12	2012/13	2013/14	2014/15	2014/16
A	SALES REVENUE					
	PLYWOOD BOARDS	6,674,886	7,342,374	8,076,612	8,884,273	9,772,700
	TOTAL TURNOVER	6,674,886	7,342,374	8,076,612	8,884,273	9,772,700
B	COST OF PRODUCTION					
	1 RAW MATERIAL	3,284,044	3,612,448	3,973,693	4,371,062	4,808,169
	2 LABOUR	383,138	421,452	463,598	509,957	560,953
	3 FACTORY OVERHEAD	974,525	1,071,977	1,179,175	1,297,093	1,426,802
	5 ENERGY	831,699	914,869	1,006,356	1,106,992	1,217,691
	TOTAL COST OF PRODUCTION	5,473,406	6,020,747	6,622,822	7,285,104	8,013,614
C	GROSS PROFIT	1,201,479	1,321,627	1,453,790	1,599,169	1,759,086
	% of G.P. TO TURNOVER	18.00	18.00	18.00	18.00	18.00
D	ADMINISTRATION COSTS	467,242	513,966	565,363	621,899	684,089
E	DEPRECIATION	105,540	94,148	84,089	75,202	67,345
F	TOTAL COST OF SALES	6,046,188	6,628,861	7,272,274	7,982,205	8,765,049
G	FINANCE COST					
	1 INTEREST ON BANK-LOAN TERM LOAN	138,295	106,692	70,427	28,812	-
I	PROFIT (LOSS) FOR THE YEAR	490,402	606,821	733,911	873,256	1,007,652
	% OF NET PROFIT BEFORE TAX	7.35	8.26	9.09	9.83	10.31
J	TAXATION	147,121	182,046	220,173	261,977	302,295
K	PROFIT AFTER TAX	343,281	424,775	513,738	611,279	705,356
L	PROPOSED DIVIDENDS	-	-	-	-	-
M	PROFIT C/F TO THE BALANCE SHEET	343,281	424,775	513,738	611,279	705,356
O	% OF NET PROFIT AFTER TAX	5.14	5.79	6.36	6.88	7.22
N	CASH GENERATED FROM OPERATIONS	343,281	424,775	513,738	611,279	705,356

TABLE 8: PROJECTED CASH FLOW STATEMENT						
						TSHS '000
SR NO.	DETAILS	2011/12	2012/13	2013/14	2014/15	2015/16
A	INFLOWS:-					
	1 BANK LOAN	1,065,856	-	-	-	-
	2 PROMOTERS FUNDS	266,464	-	-	-	-
	3 OPERATING PROFIT EXCL DPRECATION & INCL TAX	448,821	518,923	597,827	686,482	772,702
	TOTAL INFLOWS	1,781,141	518,923	597,827	686,482	772,702
B	OUTFLOWS:-					
	1 PURCHASE OF FIXED ASSETS/C.WIP	1,172,320	-	-	-	-
	2 REPAYMENT OF BANK LOAN	214,225	245,828	282,094	323,709	-
	3 INCREASE IN NET CURRENT ASSETS (EXCL CASH BAL)	312,338	(8,584)	287	(6,384)	(1,259)
	TOTAL OUTFLOWS	1,698,883	237,244	282,381	317,325	(1,259)
C	NET FLOW	82,258	281,679	315,446	369,157	773,961
D	OPENING CASH AND BANK BALANCE		82,258	363,937	679,383	1,048,540
E	CLOSING CASH AND BANK BALANCE	82,258	363,938	679,383	1,048,540	1,822,501
F	CL. CASH AND BANK AS PER B/SHEET	82,258	363,937	679,383	1,048,540	1,822,501

TABLE 9: STATEMENT SHOWING CALCULATION OF WORKING CAPITAL REQUIREMENT

TABLE 9: STATEMENT SHOWING CALCULATION OF WORKING CAPITAL REQUIREMENT						
						TSHS '000
YEARS ----->		2011/12	2012/13	2013/14	2014/15	2015/16
A BASIC DATA RELEVANT FOR CALCULATION DAYS						
1 SALES REVENUE		6,674,886	7,342,374	8,076,612	8,884,273	9,772,700
2 COST OF PRODUCTION		5,473,406	6,020,747	6,622,822	7,285,104	8,013,614
3 ADMINISTRATION		467,242	513,966	565,363	621,899	684,089
B WORKING						
1 INVENTORIES:						
RAW MATERIAL	20	304,078	334,486	367,935	404,728	445,201
FINISHED GOODS	15	228,059	250,864	275,951	303,546	333,901
WORK-IN-PROGRESS	15	228,059	250,864	275,951	303,546	333,901
2 DEBTORS	15	278,120	305,932	336,525	370,178	407,196
3 LOANS, ADVANCES & PETTY CASH		7,578	25,890	50,200	65,300	80,000
TOTAL (1+2+3)		1,045,894	1,168,037	1,306,562	1,447,298	1,600,198
4 CREDITORS	25	364,894	401,383	441,521	485,674	534,241
5 PROPOSED DIVIDENDS		-	-	-	-	-
6 OTHERS		100,000	40,000	16,000	6,400	2,560
TOTAL (4+5+6)		464,894	441,383	457,521	492,074	536,801
C NET WORKING CAPITAL (1+2+3)-(4+5)		581,000	726,654	849,040	955,224	1,063,397

TABLE 10: PROJECTED BREAK EVEN STATEMENT					
					TSHS '000
YEARS ----->	2011/12	2012/13	2013/14	2014/15	2014/16
A CAPACITY UTILIZATION	73%	85%	100%	100%	100
B SALES IN CBM	11,000	12,750	15,000	15,000	15,000
SALES REVENUE	6,674,886	7,342,374	8,076,612	8,884,273	9,772,700
C SALES REVENUE PER CBM	606.81	575.87	538.44	592.28	651.51
D COST OF PRODUCTION PER CBM	497.58	472.22	441.52	485.67	534.24
E GROSS MARGIN PER CBM	109.23	103.66	96.92	106.61	117.27
F GROSS MARGIN (%)	18.00	18.00	18.00	18.00	18.00
G ADMINISTRATION	467,242	513,966	565,363	621,899	684,089
H FINANCE COST	138,295	106,692	70,427	28,812	-
I DEPRECIATION	105,540	94,148	84,089	75,202	67,345
J TOTAL FIXED COST FOR RECOVERY	711,077	714,806	719,879	725,913	751,434
K CBM NEEDED TO COVER UP FIXED COST	6,510	6,896	7,428	6,809	6,408
L BREAK - EVEN IN % OF PRODUCTION	59.18	54.09	49.52	45.39	42.72
M MARGIN OF SAFETY IN CBM	4,490	5,854	7,572	8,191	8,592

TABLE 11: SCHEDULE SHOWING CALCULATION OF DEPRECIATION

ITEM NAME/DESCRIPTION	TSHS '000							
	SUMMARY	VAL FOR	RATE OF	DEP	DEP	DEP	DEP	DEP
	T.SHS.	DEP	DEP	2011/12	2012/13	2013/14	2014/15	2015/16
LAND AND FACTORY SHED								
LAND AND BUILDING SHED AT MAFINGA	480,000	480,000	5.00%	24,000	22,800	21,660	20,577	19,548
PLANT & MACHINERY (INCLUDING ANCILLARY EQUIPMENT)								
PNEUMATIC CLIPPER MACHINE- 2750mm(9'-0")	38,400							
AUTO VENEER WINDING UNIT (Reeling Unit)	9,440							
PEDAL CHOPPER – 1425mm (56")	26,880							
KNIFE GRINDER (For Grinding of all Ply-Knives) – 2750mm (9'-0")	20,000							
ROLLER JET DRYER: 4 SECTION 3 DECK, 4620mm (15'-2") long Roller	82,720							
COMMERCIAL GUILLOTINE JOINTER– 2600mm (8'-6")	25,600							
DOUBLE DRUM GLUE MIXER	5,600							
DOCTOR ROLL GLUE SPREADER – 1425mm (56")	68,480							
AUTO CHAIN D. D. SAW (For Size Cutting)–2400X1200mm (8'-0"x4'-0")	26,400							
WIDE BELT SANDER – LM-1300R-RP Model	51,200							
PEELING LATHE MACHINE – 2750mm (9'-0")	64,000							
THERMIC FLUID HEATER – 1.5 Million Kcal/Hr.	40,000							
HYDRAULIC HOT PRESS : 640 TON CAPACITY	40,000							
SCISSOR LIFT (For Hot Press) – 3 Ton Capacity	9,600							
GENERATORS	144,000							
PREOPERATION & CONTINGENCY		652,320	12.50%	81,540	71,348	62,429	54,625	47,797
TOTAL				105,540	94,148	84,089	75,202	67,345

TABLE 12: FINANCIAL RATIOS

					TSHS '000
	2011/12	2012/13	2013/14	2014/15	2015/16
CURRENT ASSETS	633,877	885,854	1,182,726	1,528,631	2,286,227
CURRENT LIABILITIES	239,281	218,163	199,302	182,434	167,328
CURRENT RATIO	2.65	4.06	5.93	8.38	13.66
CURRENT ASSETS (LESS STOCK)	280,371	563,546	888,284	1,259,109	2,039,021
CURRENT LIABILITIES	239,281	218,163	199,302	182,434	167,328
QUICK RATIO	1.17	2.58	4.46	6.90	12.19
CASH AND BANK BALANCE	82,258	363,937	679,383	1,048,540	1,822,501
CURRENT LIABILITIES	239,281	218,163	199,302	182,434	167,328
CASH RATIO	0.34	1.67	3.41	5.75	10.89
LONG TERM LIABILITIES	851,631	605,803	323,709	-	-
NET ASSESTS	1,461,376	1,640,323	1,871,967	2,159,538	2,864,894
DEBT RATIO	0.58	0.37	0.17	-	-
LONG TERM LIABILITIES	851,631	605,803	323,709	-	-
EQUITY	266,464	266,464	266,464	266,464	266,464
DEBT TO EQUITY RATIO	3.20	2.27	1.21	-	-
EBIT	628,697	713,514	804,338	902,068	1,007,652
DEBT SERVICE	138,295	106,692	70,427	28,812	-
DEBT SERVICE COVERAGE RATIO	4.55	6.69	11.42	31.31	-
GROSS PROFIT	1,201,479	1,321,627	1,453,790	1,599,169	1,759,086
SALES	6,674,886	7,342,374	8,076,612	8,884,273	9,772,700
GROSS PROFIT RATIO	0.18	0.18	0.18	0.18	0.18
NET PROFIT	490,402	606,821	733,911	873,256	1,007,652
SALES	6,674,886	7,342,374	8,076,612	8,884,273	9,772,700
NET PROFIT RATIO	0.07	0.08	0.09	0.10	0.10
PROFIT AFTER INTEREST	490,402	606,821	733,911	873,256	1,007,652
TOTAL NET ASSETS	1,461,376	1,640,323	1,871,967	2,159,538	2,864,894
RETURN ON ASSETS	0.34	0.37	0.39	0.40	0.35
PROFIT AFTER INTEREST	490,402	606,821	733,911	873,256	1,007,652
EQUITY	266,464	266,464	266,464	266,464	266,464
RETURN ON EQUITY	1.84	2.28	2.75	3.28	3.78

TABLE 13: SENSITIVITY ANALYSIS PROFITABILITY STATEMENT

SR NO.	DETAILS	TSHS '000		
		-20%	BASELINE	+15%
A	SALES REVENUE			
	PLYWOOD BOARDS	5,339,909	6,674,886	7,676,119
	TOTAL TURNOVER	5,339,909	6,674,886	7,676,119
B	VARIABLE COST			
	1 RAW MATERIAL	2,627,235	3,284,044	3,776,650
	2 ENERGY	665,359	831,699	956,454
	3 LABOUR WAGES	214,558	268,197	308,426
	4 GLUE AND OTHER MATERIALS	545,734	682,167	784,492
C	FIXED COST			
	1 LABOUR SALARY	114,942	114,942	114,942
	2 FACTORY OVERHEAD	292,357	292,357	292,357
	3 ADMINISTRATION COST	467,242	467,242	467,242
	TOTAL COST OF PRODUCTION	4,927,427	5,940,648	6,700,565
C	GROSS PROFIT	412,482	734,237	975,554
	% of G.P. TO TURNOVER	7.72	11.00	12.71
E	DEPRECIATION	105,540	105,540	105,540
F	TOTAL COST OF SALES	5,032,967	6,046,188	6,806,105
G	FINANCE COST			
	1 INTEREST ON BANK-LOAN TERM LOAN	138,295	138,295	138,295
I	PROFIT (LOSS) FOR THE YEAR	168,646	490,402	731,719
	% OF NET PROFIT BEFORE TAX	2.5	7.3	9.5
J	TAXATION	50,593.93	147,120.63	219,515.66
K	PROFIT AFTER TAX	118,052	343,281	512,203
L	PROPOSED DIVIDENDS	-	-	-
M	PROFIT C/F TO THE BALANCE SHEET	118,052	343,281	512,203
N	CASH GENERATED FROM OPERATIONS	118,052	343,281	512,203

TABLE 14: SENSITIVITY ANALYSIS BALANCE SHEET				
				TSHS '000
SR NO.	DETAILS	-20%	BASELINE	+15%
A	FIXED ASSETS	1,066,780	1,066,780	1,066,780
B	CURRENT ASSETS:			
	1 INVENTORIES	282,805	353,506	424,207
	2 DEBTORS	152,428	190,535	219,115
	3 LOANS & ADVANCES	9,094	7,578	6,441
	5 CASH & BANK BALANCE	65,807	82,258	94,597
	TOTAL	510,133	633,877	744,361
C	CURRENT LIABILITIES:			
	1 ACCOUNTS PAYABLE	197,547	164,622	139,929
	2 OTHERS	143,219	74,659	40,914
	TOTAL	340,766	239,281	180,843
D	NET CURRENT ASSETS	169,367	394,596	563,518
E	TOTAL NET ASSETS	1,236,147	1,461,376	1,630,298
F	FINANCED BY:-			
	1 EQUITY SHARE CAPITAL	266,464	266,464	266,464
	2 PROFIT & LOSS APPROPRIATION A/C	118,052	343,281	512,203
	3 BANK-LOAN TERM CAPITAL	851,631	851,631	851,631
G	TOTAL FINANCING	1,236,147	1,461,376	1,630,298

TABLE 15: SENSITIVITY ANALYSIS CASH FLOW STATEMENT

		TSHS '000		
SR NO.	DETAILS	-20%	BASELINE	+15%
A	INFLOWS:-			
	1 BANK LOAN	1,065,856	1,065,856	1,065,856
	2 PROMOTERS FUNDS	266,464	266,464	266,464
	4 OPERATING PROFIT EXCL DPRECIATION & INCL TAX	223,592	448,821	617,743
	TOTAL INFLOWS	1,555,912	1,781,141	1,950,063
B				
	1 PURCHASE OF FIXED ASSETS/C.WIP	1,172,320	1,172,320	1,172,320
	2 REPAYMENT OF BANK LOAN	214,225	214,225	214,225
	4 INCREASE IN NET CURRENT ASSETS (EXCL CASH BAL)	103,561	312,338	468,921
	TOTAL OUTFLOWS	1,490,106	1,698,883	1,855,466
C	NET FLOW	65,807	82,258	94,597
D	OPENING CASH AND BANK BALANCE	-	-	-
E	CLOSING CASH AND BANK BALANCE	65,807	82,258	94,597
F	CL. CASH AND BANK AS PER B/SHEET	65,807	82,258	94,597

Appendix II

References

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TIC Evaluation Report

Name of the Company

A. J. Quality Timber Exporters Ltd.

Post Box	Changarawe, Mafinga	COI Number	71520	Contact	Mr. Ralph D. Shauri
Post Office	488	COI Date	18/06/2009	Designation	It & Front Office Manager
Region	Iringa	Application F. No	09488	Phone	0
Country	Tanzania	Status	New	Direct Phone	0
		Sector	Manufacturing	Cell Phone	0784 371 128
		Sub Sector	Forestry Products	Fax	022 2137427
		File No	042107	E-Mail Address	Info@Ajqtimber.Com

Project Location		Investment Finance Plan in Millions USD											
Plot/Block	Changarawe	<table border="1"> <thead> <tr> <th>Foreign Equity</th> <th>Local Equity</th> <th>Foreign Loan</th> <th>Local Loan</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>0.167</td> <td>0</td> <td>0.67</td> </tr> </tbody> </table>	Foreign Equity	Local Equity	Foreign Loan	Local Loan	0	0.167	0	0.67			
Foreign Equity	Local Equity		Foreign Loan	Local Loan									
0	0.167		0	0.67									
Street	Changarawe												
District	Iringa Urban												
Region	Iringa												

Shareholders Detail			Investment Breakdown (USD Million)	
Name	Nationality	(%)	Land/Building	0.3
Jaya B. Shanghavi	Tanzanian	1	Plant	0.408
Ashok B. Shanghavi	Tanzanian	99	Vehicles	0
			Furniture & Fittings	0
			Pre-expenses	0
			Others	0.025
			Working Capital	0.1
			Total	0.833

Employment	320	Evaluated By	wf officer2
Capacity	15,000 cbm finished products p.a.	Drawn By	wf registry1
Project Turn Over		Project Type	Local

Description

To establish a plywood board factory

Recommendations

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

Decision

Approved

 AG EXD
 30/09/11

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



10th September 2011

TIC Certificate of Incentive Application

Dear Sir or Madam:

We would like to introduce ourselves as a fully owned Tanzanian company wishing to apply for the certificate of incentive through the TIC. The project we are going to implement in is the production of plywood boards in Mafinga, Iringa. This is to add value to timber products within the country before exporting them. Further, the booming construction industry will allow us to substitute imported plywood with locally made products for the furniture and construction industry. Hence, the project will both generate foreign exchange and provide for import substitution. The total investment of the project is approximately 1.4 billion Tanzanian shillings. Please find attached the following documents in support of our application:

1. 3 copies of the business plan;
2. 3 copies of the application forms duly filled;
3. A copy of the memorandum and articles of association;
4. A certified copy of the certificate of company incorporation;
5. A brief profile of the investors;
6. Company's board resolution to register the project with the TIC
7. Evidence of land ownership for location of the project
8. Project implementation schedule (part of the business plan)

We look for your favorable consideration,

Thanking you in advance,

Truly yours



Ashok Shanghavi
(Director)



TANZANIA



I Certify that this is a true Copy of the Original

Sign 
KINGUJI & CO-ADVOCATES

14/9/2011



Certificate of Incorporation

Section 15

No **71520**

I HEREBY CERTIFY THAT

A.J.QUALITY TIMBER EXPORTERS 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 **18TH** day of **JUNE**

TWO THOUSAND AND NINE

Asst. Registrar of Companies

10th September 2011

Board of Directors Resolution

The Board of Directors meeting was held on 10th September 2011 at their office premises at 10.30am present.

ASHOK B SHANGHAVI DIRECTOR

JAYA B SHANGHAVI DIRECTOR

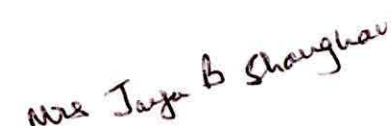
EMMANUEL KIGOBE SECRETARY


The Board of Directors passed a resolution:

1. The company should be registered with TIC for its project of erecting a plywood board factory in Mafinga, Iringa.

As there was no other business, the meeting was adjourned at 11.00am.


ASHOK B SHANGHAVI
DIRECTOR


JAYA B SHANGHAVI
DIRECTOR


EMMANUEL KIGOBE
SECRETARY





GROUPE BANK OF AFRICA

MCO/CORP/071/2011

13th September, 2011

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

Dear Sir/Madam,

RE: BANK REFERENCE FOR AJ QUALITY TIMBER EXPORTERS LIMITED

We are writing in reference to our customers' request as per the subject above. The above named company has been our customer since August 2011.

AJ QUALITY TIMBER EXPORTERS LIMITED has applied for a term loan of USD 666,160 which is under consideration.

Please note that this letter is for recommendation purposes only and does not give any liability to the bank or its officers.

Yours faithfully,

For and on Behalf Of Bank of Africa Tanzania Limited

A handwritten signature in red ink, appearing to read "Litty Kisuda", written over a horizontal line.

**LITTY KISUDA
SENIOR MANAGER-
LARGE CORPORATES**

A handwritten signature in blue ink, appearing to read "Mjabwa Hanzuruni", written over a horizontal line.

**MJABWA HANZURUNI
MANAGER
SMALL & MEDIUM CORPORATES**

TICC/PP.10/042107/3

3rd October, 2011

Managing Director,
A. J. Quality Timber Exporters Ltd.,
P.O. Box 488,
Iringa.

**RE: CERTIFICATE OF INCENTIVES FOR INVESTMENT IN THE
ESTABLISHMENT OF A PLYWOOD BOARD FACTORY**

We wish to acknowledge receipt of your project proposal to establish a plywood board factory as presented in the TIC P.A. 1 Form No. 09488 and Feasibility Study with a projected investment of USD 0.833m.

We have studied your project proposal and we 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:-

Certified document showing evidence of Land ownership for the location of the project.

You will 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

TICC/PP.10/042107/2

3rd October, 2011

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

Yours sincerely,

TANZANIA INVESTMENT CENTRE



B.D. Chonjo

For: Executive Director

Copy to: Permanent Secretary,
Ministry of Finance,
P. O. Box 9111,
DAR ES SALAAM

Permanent Secretary,
Ministry of Industry, Trade and Marketing,
P.O. Box 9503,
DAR ES SALAAM

Commissioner General,
Tanzania Revenue Authority,
P. O. Box 11491,
DAR ES SALAAM

HALMASHAURI YA WILAYA YA MUFINDI
OFISI KUU, S.L. P 223, SIMU. 026 - 2772614, FAX 026 - 2772070
(Barua zote zitumwe kwa Mkurugenzi Mtendaji wa Wilaya)



MKURUGENZI MKUU
AJQ TIMBER LTD
P.O. BOX 488
DAR- ES- SALAAM

**YAH: KUANDALIWA MCHORO WA MIPANGOMIJI KATIKA KITONGOJI CHA
CHANGARAWE - MAFINGA**

Husika na kichwa cha habari hapo juu.

Rejea mazungumzo yetu kati ya Mr. Kigobe kama mwakilishi wako .

Kwa barua hii nakutumia gharama za uandaaji wa mchoro wa Mipangomji ambao utakuwa mwongozo wa uendelezaji wa eneo hilo.

B. Kajembe

Kny. MKURUGEDNZI MTENDAJI (W)
MUFINDI

GHARAMA ZA UANDAAJI MCHORO WA MIPANGOMIJI CHANGARAWE

A. BASE MAP UPDATING

Field work allowance 8 days x 2 Town planners x 20,000/=	320,000/=
Detail survey and plotting 7 days x 2 surveyors x 20,000/=	280,000/=
Plotting of details 7 days x 2 Town planners & 1 Surveyor x 20,000/=	280,000/=
Printing base map	300,000/=
SUB TOTAL	1,180,000/= ✓

B. MATERIALS

Buying Topographical maps 5 @ 5,000/=	25,000/=
Buying base maps 5 @ 25,000/=	125,000/=
Tracing paper 1 roll @ 60,000/=	60,000/=
Printing paper 1 roll @ 60,000/=	60,000/=
Rot ring drawing pens set of 4 pens @ 80,000/=	80,000/=
Drafting film 1 roll @ 50,000/=	50,000/=
Buying materials DSM- Night allowances 65,000/= x 4 days	260,000/=
Fare 20,000/= x 2 DSM	40,000/=

SUB TOTAL 700,000/= ✓

C. DESIGNING TOWN PLANNING DRAWING

Extra duty Allowances 2 Town planners x 14 days x 20,000/=	560,000/=
Drawing and tracing by Cartographer x 15 days x 20,000/=	300,000/=
Printing of TP drawing	200,000/=

SUB TOTAL 1,060,000/= ✓

D. FOWARDING TP DRAWING DSM FOR APPROVAL (MINISTRY OF LANDS)

Night allowances to Iringa (RAS Office) 1 Town Planner 6 days x 65,000/=	390,000/=
Fare from Mafinga to Iringa x 2 @ 3,000/=	6,000/=
Night allowances to DSM (Ministry of Lands for Approval) 1 Town planner x 15 days x 65,000/=	975,000/=
Fare from Mafinga to Dar x 2 @ 20,000/=	40,000/=
Night on transit 2 days x 32,500/=	65,000/=

SUB TOTAL

1,476,000/=

TOTAL COST

4,416,000/=

MR. RALPH STAWEL

0784 371128.

MAMLAKA YA KIST MDOKA

MAFUNGA

MWENYEKI

KITONGOSI CHAMBAWANE

SEP 146 MAFUNGA

04/08/2011

YAH KUZITANA KIWANJA

N.D.G. AULELIA MUTHAVA

• LAZARO MSITWA

• AIDAN MUTHAVA

• CHARLES MUTHAVA

Wanaku Watajwa hep juu kwa hali ya kwenye
na wakulima na akid haramu wamemuzia viwaji vyao
ndj. AIQ TIMBER LTD leo ofisini Bwe linafikana
na Bethanix George wamemuzi kwa Bei ya TSH 30,000,000

MILIONI TRELATHINI Mmumaji ameta zote taalimu leo ofisini
Mbele ya vishulizi ufuetoo

Wazazi 1: Aulelia Muthava A. Muthava

2: Lazaro Msitwa L. M. Msitwa

3: Aidan Muthava A.

4: Charles Muthava Muthava

Mumaji

E. Y. KIROBE

Jub.

Shahidi wa Shikani Mjumba Sevelino Sevelino Sevelino Saka

Shahidi wa Mumaji Bernard Hoffman (Hawiki)

Nimeshuhudia kukubidiana haye leo 04/08/2011

 04/08/2011

Sevelino Sevelino

MWENYEKI WA SEWAKI

KITONGOSI CHAMBAWANE

MAMLAKA YA MUDUGO MAFUNGA

STAKABADHI YA FEDHA

HALMASHAURI YA WILAYA YA MUFINDI KIJJI/CHAMA

CHA USHIRIKA

Changarawe

16833



S.L.P 223

Mafinga

Tarehe 02/09/2011

Nimepokea kutoka kwa

A. J. Q. Timber Ltd

Kijiji

Changarawe

Kata

Ipili

Jumla ya T/Shilingi

Milioni Mox Tu

Kwa ajili ya

Maendeleo changarawe

Taslimu/Hundi Na.

1,000,000

T

Sahihi ya Mpokeaji

[Signature]
Mwenyekiti wa CERIKALI
KITONG'ANI CHA CHANGARAWA
MAMLAKA YA MUMBOGO MAFINGA

STAKABADHI YA FEDHA

HALMASHAURI YA WILAYA YA MUFINDI KIJJI/CHAMA

CHA USHIRIKA

Changarawe

16827



S.L.P 223

Mafinga

Tarehe 01/08/2011

Nimepokea kutoka kwa

A. J. Q. Timber Ltd

Kijiji

Changarawe

Kata

Ipili

Jumla ya T/Shilingi

haki mbili Tu

Kwa ajili ya

Maendeleo changarawe

Taslimu/Hundi Na.

200,000

T. HS

Sahihi ya M. Mpokeaji

[Signature]
Mwenyekiti wa CERIKALI
KITONG'ANI CHA CHANGARAWA
MAMLAKA YA MUMBOGO MAFINGA

MINUTE SHEET

Dokezo

No. 10

Ag. EXD

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

- (a) Minimum finance investment threshold has been exceeded, the project expects to invest ... US\$ 0.833 m
- (b) Legal entity has been incorporated under certificate

No. 71520 of 18/06/2009

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

Submitted for signature.



N.A Senzia

DIF

3rd October, 2011

MINI SHEET

Dokezo
No.

MINUTE SHEET

Dokezo
No.

EXD

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

(a) Minimum finance investment threshold has been exceeded, the project expects to invest USD 2.66M

(b) Legal entity has been incorporated under certificate

No. 78453 of 8TH SEPTEMBER 2010

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

Submitted for signature.

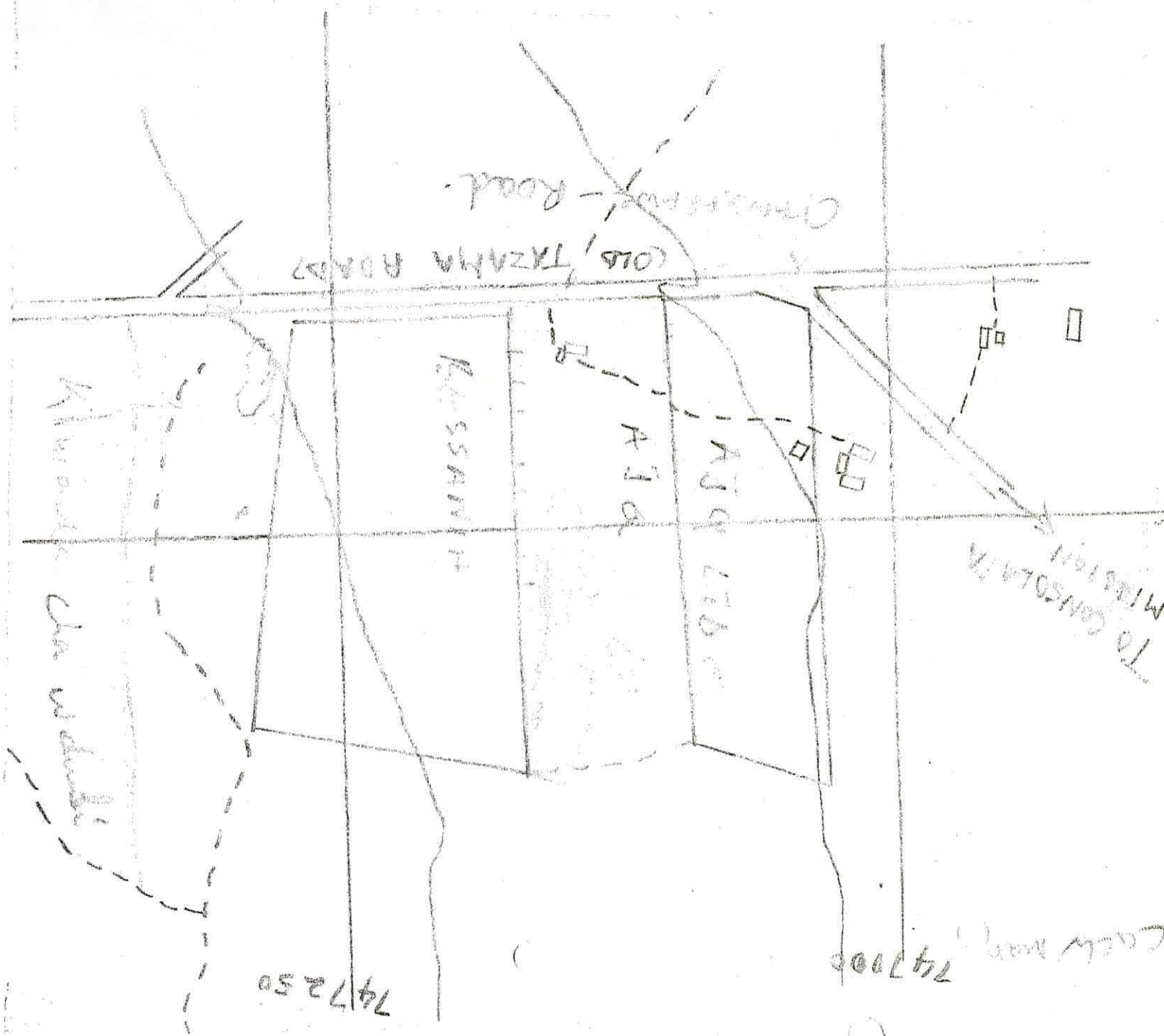

N. A. Senzia

DIF

5 November 2010

MINUTE SHEET

Dokezo
No.



(OLD) TAKAMA ROAD

KISSANAH

A 30

A 30 LIB

Khuwaib al wadi

TO CONSULTE
MISION

9000000

N

Scale map 1:47000

747250