



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

FILE BEGINS

ENDS

FILE TITLE

**CONFIDENTIAL**

04

FILE NUMBER

TICC PP10

PART

042603

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	Officer or Section
DIF	FI	GF	31/1/14							
Ahar	FI	G	31/1/14							
Exd	M	G	17/2/14							

AFRO AROMATIC

# MINUTE SHEET

Dokezo  
No.

1.

**EXD**

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

(a) Minimum finance investment threshold has been exceeded, the project expects to invest ~~1.85~~ 0.2 m

(b) Legal entity has been incorporated under certificate

No. 90879 of 11<sup>th</sup> May 2012

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

Submitted for signature.



N. Senzia

DIF

3<sup>rd</sup> March, 2014

APPROVED BY EXD

Sign: 

Date: 07/03/14

2.0

**EXD**

In response to the TIC letter of registration dated 16<sup>th</sup> February 2011 the project has submitted the required documents namely: -

(a) Company Board Resolution.

(b) Reference letter/Financing from National Bank of Commerce

(c) Lease Agreement as evidence of land.

With the above submission EXD is requested to sign Certificate of Incentives No. 042603 herein attached.

4/3/2014

APPROVED BY EXD

Sign: 

Date: 07/03/14



# MINUTE SHEET

Dokezo  
No.

# AFRO AROMATIC LIMITED

P.O Box 105367, Dar es salaam.

(1)

Date: 29<sup>th</sup> January 2014

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



Dear Madam,

## RE: APPLICATION FOR TIC CERTIFICATE OF INCENTIVES

We intend to establish facilities for processing sandalwood to produce sandalwood oil to be located at plot no. 35, Block A, Moshi Road, Mombo Area, Korogwe District, Tanga Region. It is due to this reason that we submit our application for TIC Certificate of Incentives to facilitate smooth execution of this project.

Attached herewith please find the following basic documents for your kind approval:

1. Duly completed and signed Application Form
2. A copy of our Certificate of Incorporation
3. A copy of the company's Memorandum and Articles of Association
4. Company Board Resolution to register with TIC
5. A copy of our Business Plan
6. Evidence of land ownership for project location
7. Bank reference letter

Thanking you for your kind cooperation.

Yours' sincerely  
**AFRO AROMATIC LIMITED**

A handwritten signature in blue ink, appearing to read "Muhammed Nazeer Parapuram".

Muhammed Nazeer Parapuram  
**MANAGING DIRECTOR**





# **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 MUHAMMED NAZEER PARAPURAM  
(director/directors/agent of AFRO AROMATIC LIMITED  
(name of business enterprise) apply for registration of CERTIFICATE OF INCENTIVES  
under Section 17 of the Act and Part IV of the Investment Regulations, 2002.
2. The registered office of the company will be situated at PLOT NO. 35, BLOCK A, MUSHI ROAD, MOMBASA AREA, KOROGWE DISTRICT, TANGA REGION.

Copies of the following documents are attached to this application:

- (i) The Memorandum and Articles of Association/or partnership agreement
  - (ii) Certificate of Incorporation/Registration
  - (iii) A copy of the Project Profile or Feasibility Study showing the implementation period, programme of implementation and operative date
  - (iv) Evidence of financing and evidence of land ownership for the project
3. The Head Office of the Company will be situated at PLOT NO. 35, BLOCK A, MUSHI ROAD, MOMBASA AREA, KOROGWE DISTRICT, TANGA REGION.
4. The Principal Officers of the Company are MUHAMMED NAZEER PARAPURAM  
ABDUL SAMAD AMEENA MANZIL
5. Auditors of the Company are .....
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\$ ..... 700,000 .....

8. The month and day of the financial year end is ..... DEC 31<sup>ST</sup> .....

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\$

..... 160,000 ..... Being the Registration Fees. *In the event this application is unsuccessful we understand that this fee will not be refunded.*

I, MUHAMMAD NAZEER PARAPURAM of Post Office Number 105367 .....

DAR ES SALAAM do solemnly and sincerely declare that I am a director/~~duly~~

~~authorized agent~~ of AFRO AROMATIC LIMITED .....

**AND** that all the requirements of the Tanzania Investment Act, 1997 in respect of matters precedent to the registration of the business enterprise under the Act and incidental thereto have been complied with, **AND** I make this solemn declaration conscientiously believing the same to be true.

Declared at Dar es Salaam }  
..... }

The 30<sup>th</sup> day of JANUARY ..... 2013 }  
..... }

Applicant

Before me:

EVANCE IGNACE JOHN  
P.O. BOX 42806 Dar Es Salaam

.....  
Commissioner for Oaths



## APPLICATION SUMMARY

Company Name: AFRO AROMATIC LIMITED

Certificate of Incorporation Number: 90879 Status: NEW

Certificate of Incorporation Date: 11/5 2012

Post Box: 205367

Town: DAR ES SALAAM

Sector: MANUFACTURING

Sub-Sector: SANDALWOOD OIL PROCESSING

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

Foreign Equity	Local Equity	Foreign Loan	Local Loan
USD 595,000	NONE	USD 105,000	NONE

Project Objectives: TO ESTABLISH A PROJECT FOR PROCESSING SANDALWOOD TO PRODUCE SANDALWOOD OIL

Capacity: 500 LITRES PER MONTH

Employment: Foreign: 5 Local: 17 Total: 22

Implementation Period: 5 YEARS

### Project Location

Site/Plot/Block No.: PLOT No. 35, BLOCK A, MOMBO AREA

Street: MOSHI ROAD District: KOROGWE Region: TANGA  
(Attach sketch map showing project location)

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

MUHAMMED NAZEER PARAPURAM	INDIAN	50%
---------------------------	--------	-----

ABDUL SAMAD AMEENA MANDIL	INDIAN	50%
---------------------------	--------	-----

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

Land/Building	.....100,000.....
Plant	.....300,000.....
Vehicles	.....150,000.....
Furniture & Fittings	.....25,000.....
Pre-expenses	.....30,000.....
Others	.....45,000.....
Working Capital	.....50,000.....
<b>TOTAL</b>	.....700,000.....

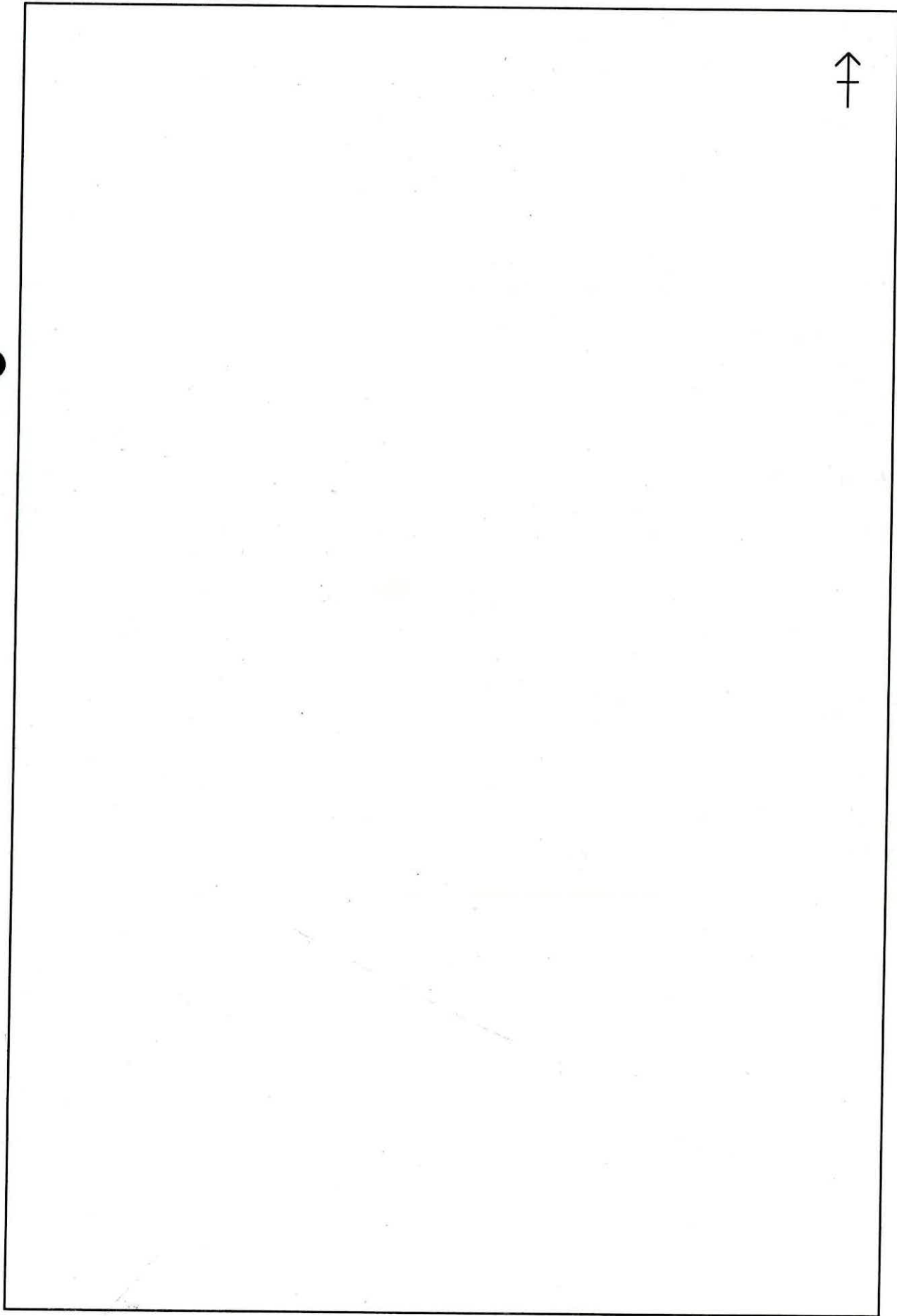
**Contact Details:**

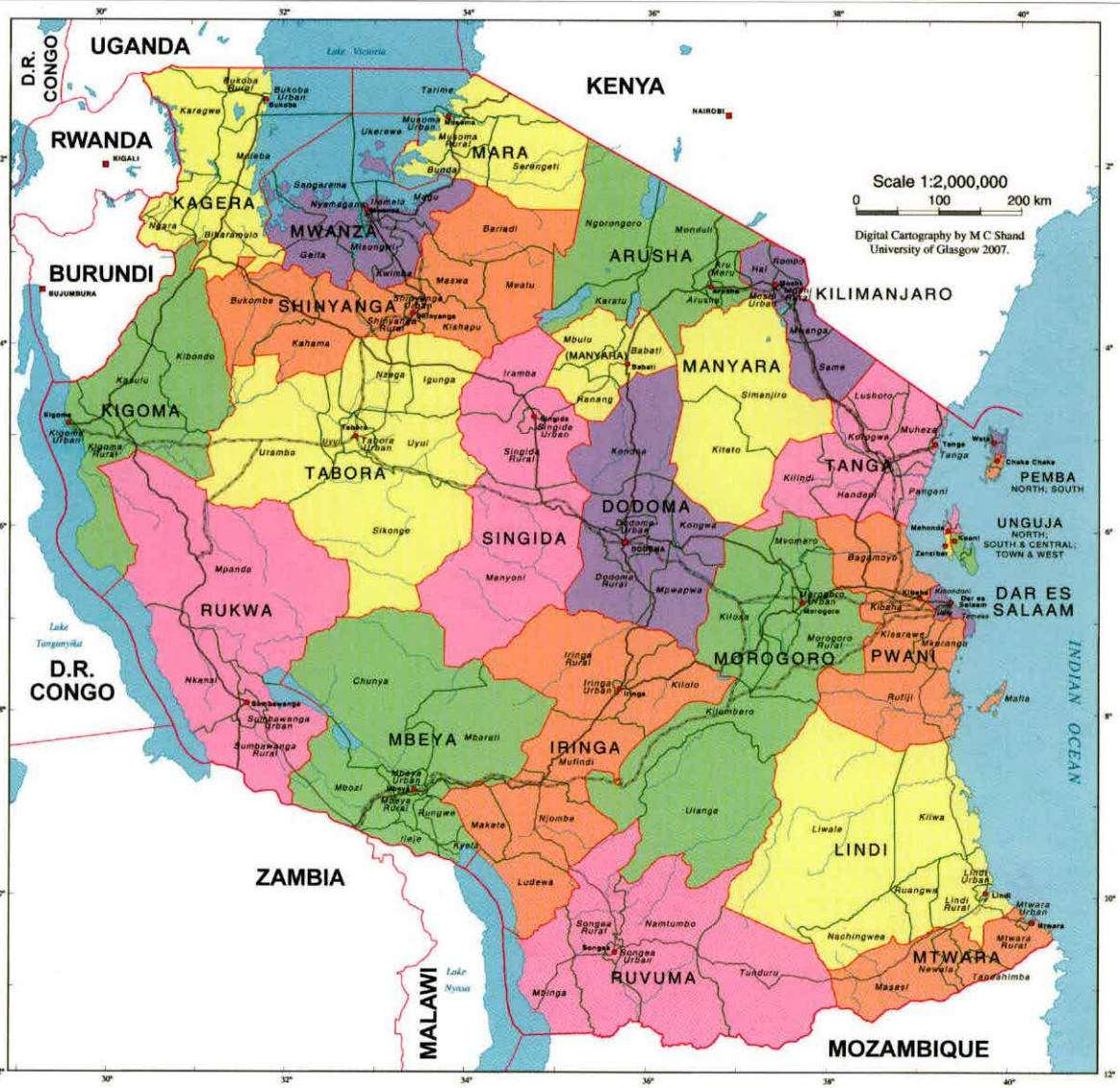
Name: MUHAMMED NAZEER PARAPURAKI      Title: MANAGING DIRECTOR  
Telephone: +255 787 002000      Fax: .....  
Email: afroaromatic@gmail.com

**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





# AFRO AROMATIC LIMITED


## EXTRACT FROM A MEETING OF THE BOARD OF DIRECTORS AND SHAREHOLDERS OF AFRO AROMATIC LIMITED

At a duly convened and constituted meeting of the board of directors of Afro Aromatic Limited held at the registered offices of the company on the 12th day of November 2013, the following resolutions were passed:

1. That the company should establish facilities for processing of sandalwood to produce sandalwood oil for export to be located at plot no. 35, Block A, Moshi Road, Mombo Area, Korogwe District, Tanga Region.
2. That funds amounting to US\$ 700,000 be raised to facilitate implementation of the project.
3. That the project be registered with Tanzania Investment Centre so as to enjoy fully investment incentives, benefits and protection as statutorily provided for under Tanzania Investment Act, 1997.

Certified True Extract

(By order of the Board)



-----  
Chairman



-----  
Secretary

Unclaimed refund beyond three years will be forfeited



# TANZANIA INVESTMENT CENTRE

Shaaban Robert Street, P.O. Box 938, Dar Es Salaam, Tel. +255 22 2116328-31, Fax: +255 22 2118253

RECEIPT REC014546

No.008428

Received from : AFRO.AROMATIC.LIMITED

Address P.O. Box 105367, Dar Es Salaam

Received the sum of (In words): ONE THOUSAND AND ZERO CENTS ONLY

Being payment in respect of CERTIFICATE OF INCENTIVES

Amount : USD 1,000.00

Cash / Cheque No: 000009 of 24/02

Date : 24 Feb-2014

[Signature]  
Receiving Officer



Aug '11

53980



21<sup>st</sup> February 2014

Executive Director,  
Tanzania Investment Centre,  
9A&B Shaaban Robert Street,  
P.O.Box 938,  
Dar Es Salaam.

Dear Sir/Madam,

**RE: STATUS REPORT IN RESPECT OF OUR CUSTOMERS' ACCOUNT I.N.O. AFRO AROMATIC LIMITED**

This has reference to our above named customers' request to issue you with Status Report of their account with us for your official use/ decision making.


In response to the request, the following information is communicated to you without any guarantee on our part but for your private use only and upon express condition that neither this bank nor any of its officers shall in any way, be held responsible for proving it.

**General Remarks.**

AFRO AROMATIC LTD is our customers maintaining Current Accounts No. 011105031960 with us. The conduct of the account has been operated to our entire satisfaction. Judging from the account records that we have, we consider them to be good for normal business operations.

Please be informed accordingly

Yours faithfully,

  
**Raphael Kyando**  
**Branch Operations Manager**

**National Bank of Commerce Limited Reg. No. 32700**

**DIRECTORS:** Dr. M.J. ASSAD\* (Chairman), A. ST .V. DE LA RUE \*\*\*\* (Non-Executive),  
MIZINGA MELU\*\*\* (Managing Director), F. J. DU TOIT\*\* (Non-Executive), S. C. MSANGI\* (Non Executive),  
Dr. K. HUSSEIN\* (Non Executive), D. J. BRITS\*\* (Non-Executive).

(\* TANZANIAN, \*\* SOUTH AFRICAN, \*\*\* ZAMBIAN, \*\*\*\* BRITISH).

①

## LEASE AGREEMENT

This Agreement made on the first day of January in the year Two Thousand and Fourteen. (01/01/2014)

**BETWEEN**

Coastal Consortium Limited.  
P.O. BOX 67,  
Mombo.  
Tel: 255 712 443544

(hereinafter called "the Lessor" which expression shall include, where the context so admits, its successors and assigns,) of ONE PART.

**AND**

M/s. Afro Aromatic Limited.  
Represented by its Director Mr. Muhammed Nazeer Parapuram.  
P.O. BOX 105367  
Dar es Salaam.  
Tel; 255 715 400466/ 255 713 486600

(hereinafter called "the Lessee" which expression shall include, where the context so admits, its successors and assigns,) of ANOTHER PART.

WITNESSETH as follows:-

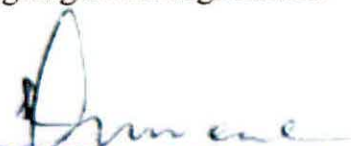
1. In CONSIDERATION of the rent and the covenants hereinafter reserved and contained, the Lessor HEREBY DEMISES unto the Lessee the buildings, plants and equipment as detailed in the attached Annexure signed by the Lessor and Lessee (hereinafter called "the Premises") situated and erected on

PLOT NO: 35 BLOCK A. Old Moshi Road, Mombo.

In the township of MOMBO (Mombo Urban Area) and to use and hold the said premises for business purposes for a term 36 months.

FROM 1<sup>st</sup> January 2014 TO 31<sup>st</sup> December 2016

YIELDING AND PAYING therefore and throughout during the said term monthly rent of Tshs:- 1,800,000/= (T shillings One Million Eight Hundred Thousand Only) excluding of 18% VAT payable in advance at the beginning of every Two Months, the first such rent to be paid upon signing of this Agreement.


  
COASTAL CONSORTIUM LTD  
P. O. Box 67  
MOMBO

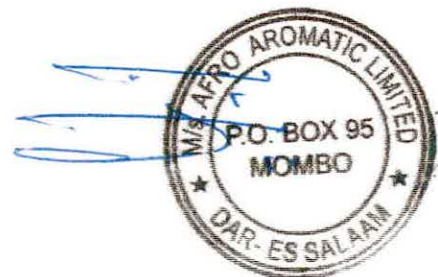


SUBJECT to renewal for another term of Lease to be agreed upon by the parties to this AGREEMENT and upon such terms and conditions as may be deemed fit PROVIDED the Lessee will issue to the Lessor a 2 month's notice of the intention to renew this Lease Agreement.

2. The Lessee HEREBY COVENANTS with the Lessor as follows:-

- i To pay during the lease period, the reserved rent in the manner herein provided.
- ii Immediately upon signing of this agreement the Lessee shall receive electricity and water bills of previous month with no liability with Tanesco or water department and the Lessee during the Lease period will pay for the electricity and water, sewage and to produce evidence of such payments to the Lessor every month during Lease period. Upon the Lessee failing to produce such proof to the Lessor, the Lessor shall have right to enquire into this default and take measures to settle this default in a manner deemed fit by the Lessor.
- iii At all times to be responsible for all normal running repairs and maintenance of the interior and exterior of the demised premises, including the demised plants, machinery, equipments, doors, windows, furniture, fixtures, fittings, electricity wires, electrical fittings, tools, structure of the premises including roofs, foundations and walls thereof. To permit the Lessor or his agents by prior appointment to enter upon the said premises for the purpose of viewing the state thereof and to bring upon on the attention of the Lessee for the repairs on the said premises as deemed fit by the Lessor.
- iv To use the premises for the business of sawmill, timber yard, furniture manufacturing, distillation and anything relevant with wood and its waste product, and shall not at any time during the said term carry out any trade, manufacture or business which are contrary to the laws of Tanzania.
- v Not to assign, sublet, in part or whole of the said premises to any third party.
- vi Not to make any structural alterations in the said premises in any form, without first obtaining the Lessor's written consent.
- vii To maintain the ground adjoining the premises in good and presentable order at all times.

  
COASTAL CONSORTIUM LTD  
P. O. Box 67  
MOMBO



- viii On the expiration or sooner determination of the term of this Lease to deliver up the said premises to the Lessor with all locks and keys and fasteners to the premises complete and in such state of repair and preservation as shall be in strict compliance with the Covenants of this Agreement.
- ix To reimburse to the Lessor the cost of any or all damages to the said property and plant arising out of the negligent conduct of the Lessee.
- x To execute and honour, if any, specific conditions, attached to this Agreement and signed by both parties.
- xi Not to do or permit to be done anything in or upon the said premises or any part thereof which may be at any time be or become a nuisance or annoyance to the neighbours or injurious or detrimental to the reputation of the said premises.
- xii To ensure that the security arrangements are made to protect the said premises, plant and machineries.
- xiii To paint in a proper manner to the satisfaction of the Lessor internal and external walls as necessary, prior to the termination of the said term and vacation of the premises.
- xiv To insure and keep insured the said premises including plant, machineries and equipment and the said property's fixed fixtures against loss or damage by fire and such other risks as natural disaster as the Lessor shall deem desirable or expedient.
- xv To make absolutely sure that all the equipment, machineries, steam boilers etc: are maintained in accordance with the regulations of factory labour laws and are certified by the Government appointed inspector.

3. PROVIDED ALWAYS AND IT IS HEREBY AGREED AND DECLARED THAT.

- i If and during the said term the said rent hereby reserved or any part thereof shall be unpaid for fourteen days after becoming payable or if any covenant on the Lessee's part herein contained shall not be performed or observed then it shall be lawful for the Lessor at any time thereafter to re-enter upon the said premises or any part thereof in the name of the whole and then this Lease Agreement shall automatically determine but without prejudice to any rights or remedies which may have accrued to either party against the other in respect of antecedent breach of any of the Covenants herein contained.

  
COASTAL CONSORTIUM LTD  
P. O. Box 67  
MOMBO



- ii Either the Lessee or the Lessor shall be at liberty to terminate this Lease Agreement before the expiration of the said term by giving to the other two month's notice in writing.
4. Any notice under this Lease Agreement shall be in writing. A notice to Lessee shall be sufficiently served if left addressed to the Lessee on the demised premises or sent to the Lessee by registered post to its registered office. Any notice to the Lessor shall be sufficiently served if sent to him by hand or registered post.

Upon determination of this Agreement, the Lessee shall not remove any plants machineries or equipment acquired and installed by it for its business purpose; but instead sell them to the Lessor at a mutually agreed price.

The Lessor will pay property tax and land rent of this demised property.


This Lease Agreement is renewed for another year ie From 01/01/2014 to 31/12/2014. with the following conditions.

- (i) The Horizontal boiler which were supposed to be replaced with new pipes and the money to buy the pipes already given should be henceforth honored.
- (ii) The submerged water pump of one bore hole should be replaced immediately.
- (iii) The stainless steel tank whose covering was removed should be replaced again without fail.
- (iv) The tanks, boiler and other equipment should be given a coat of primer paint against rust.
- (v) The factory and the adjoining ground should be kept in an orderly manner at all time.

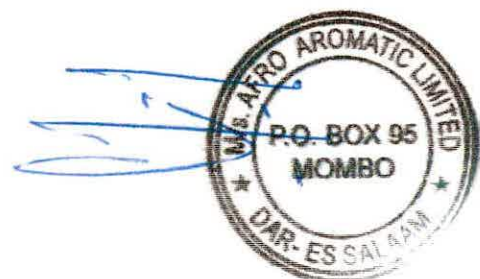
This Above conditions should be implemented with immediate effect or it will be considered as a breach of agreement.

This Lease Agreement must be respected and executed based upon the mutual goodwill of the said parties. This Lease agreement can be extended after the expiry on 31<sup>st</sup> December 2014, provided both the parties agree to the terms & conditions of the then New agreement.

Signed and Delivered by the Lessor  
Coastal Consortium Ltd

  
COASTAL CONSORTIUM LTD  
P. O. BOX 67  
MOMBO

Signed and Delivered by the Lessee  
M/s. Afro Aromatic Ltd



P. O. Box 67, Mombo

P. O. Box 105367, DSM.

SIGNED AND DELIVERED by the

SIGNED AND DELIVERED by the

LESSOR

LESSEE

Coastal Consortium Ltd.  
P. O. Box 67,  
MOMBO.

M/s. Afro Aromatic Ltd.  
P. O. Box 105367,  
Dar es Salaam.

COASTAL CONSORTIUM LTD

P. O. Box 67

MOMBO

Sign: [Signature]

Date: 10/01/2014

Witness:

Name: AIHUMANI-SHEKINULI

Address: - 67- MOMBO

Occupation: - KARAWI

Signature: [Signature]

M/s. Afro Aromatic Ltd.  
Director

Sign: [Signature]

Date: 10/01/2014

Witness:

Name: SHAN THAHAR P.

Address: P. Box 95 mombo

Occupation: Manager

Signature: [Signature]



TICC/PP.10/042603/3

10/02/2014

Managing Director,  
Afro Aromatic Ltd  
P.O. Box 105367

**DAR ES SALAAM**

**RE: CERTIFICATE OF INCENTIVES FOR PRODUCTION OF SANDAL WOOD OIL IN KOROGWE, TANGA.**

We wish to acknowledge receipt of your project proposal to establish production of sandal wood oil in Korogwe, Tanga as presented in the TIC P.A. 1 Form No. 11670 and Feasibility Study with a projected investment amounting to USD 0.7m.

We are pleased to inform you that your investment proposal is officially registered by TIC and therefore the project will be granted a certificate of incentives under authority conferred upon TIC under Part III, Section 17 (1-8) of the Tanzania Investment Act, 1997. 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 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

Also be informed that you will have to submit a project implementation Progress Report on the implementation of the project in every six months for centre's information and review. Guidelines for the preparation of the report are contained in annexure attached to this letter. Please do not hesitate to contact the Centre for any clarification if the need arises. Also note that a facilitation fee equivalent to US\$ 1000.00 is payable at the ruling exchange rate prior issuance of the Certificate of Incentives. Please make deposit direct to the bank as per bank details below:-

TICC/PP.10/042603/3

10/02/2014

*Tanzania Investment Centre  
Standard Chartered Bank (T) Ltd  
US Dollar A/C 8702006002000  
T.Shs A/C 0102006002000*

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

Yours sincerely,  
**Tanzania Investment Centre**



Juliet R. Kairuki  
**EXECUTIVE DIRECTOR**

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

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

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



# TIC Evaluation Report

Name of the Company  
**Afro Aromatic Ltd.**

Post Box	Plot No. 35 Block A, Moshi Road, Mombo Area, Korogwe District	COI Number	90879	Contact	Mr. Muhammed Nazeer Parapuram
Post Office	105367, Dar Es Salaam	COI Date	05/11/2012	Designation	Managing Director
Region	Tanga	Application F. No	11670	Phone	0
Country	Tanzania	Status	New	Direct Phone	0
		Sector	Manufacturing	Cell Phone	0787 002000
		Sub Sector	Sandal Wood Oil Processing	Fax	0
		File No	042603	E-Mail Address	0

Project Location		Investment Finance Plan in Millions USD										
Plot/Block	Plot 35 Block A Mombo Area	<table border="1"> <tr> <th>Foreign Equity</th> <th>Local Equity</th> <th>Foreign Loan</th> <th>Local Loan</th> </tr> <tr> <td>0.595</td> <td>0</td> <td>0.105</td> <td>0</td> </tr> </table>	Foreign Equity	Local Equity	Foreign Loan	Local Loan	0.595	0	0.105	0		
Foreign Equity	Local Equity		Foreign Loan	Local Loan								
0.595	0		0.105	0								
Street	Moshi Road											
District	Korogwe											
Region	Tanga											

Shareholders Detail			Investment Breakdown (USD Million)	
Name	Nationality	(%)	Land/Building	0.1
Abdul Samad Ameena Manzil	Indian	50	Plant	0.3
Mohammed Nazeer Parapuram	Indian	50	Vehicles	0.15
			Furniture & Fittings	0.025
			Pre-expenses	0.03
			Others	0.045
			Working Capital	0.05
			Total	0.7

Employment	22	Evaluated By	wf officer4
Capacity	500 litres per month	Drawn By	wf registry2
Project Turn Over		Project Type	Foreign

Description  
To establish project for production of sand wood oil

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

Decision

**APPROVED BY EXD**

Sign: *[Signature]*

Date: 10/02/14



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

1. Shareholders
 

Abdul Samal A. Manzil	Nationality Indian	Shareholding (%) 50
Mohammed N. Parapuram	Indian	50
2. Proposed Activities : To establish project for production of sandal wood oil
3. Sector: Manufacturing Subsector Sandal wood oil processing
4. Investment cost: Foreign USD 0.7m. Local USD 0m. Total USD 0.7m.
5. Project Financing: Equity USD 0.595m. Loans USD 0.105m. Total USD 0.7m.
6. Source, terms and conditions of loan: -
7. Assets to be invested:
 

Capital items:	Foreign <u>USD 0.7m</u>	Local <u>USD 0m.</u>	Total <u>USD 0.7m</u>
----------------	----------------------------	-------------------------	--------------------------
8. Technology Agreement None
9. Date of TIC Registration: 10th February, 2014
10. Implementation period February, 2014 - January, 2017
11. Operative date February, 2017
12. Investment Incentive Grade: As defined in part III Section 19 (1), (2) and Section 20 of the Tanzania Investment Act, 1997
  - (i) Applicable Import Duty And VAT as per Customs Tariff Act, 1976 & VAT Act, 1997
  - (ii) Applicable with-holding Tax As per Income Tax Act, 2005 (as amended)
  - (iii) Eligibility of Capital Allowances As per Income Tax Act, 2004 (as amended)
13. Protection of Investment, Arbitration and Transfer of Foreign Currency: as defined in part III Section 21, 22 and 23 of the Act.
14. Conditions attached to this Certificate of Incentives
  - (i) Date of Commencement of investment has to be notified to the Centre.
  - (ii) Certificate not to be transferred, assigned or amended
  - (iii) Failure to commence implementation within two years invalidates Certificate
  - (iv) Failure to operate investment must be notified to the Centre
  - (v) Changes in shareholding, project activities and level of invested capital must be notified to the centre
15. Additional conditions attached to Certificate  
Finished goods are not allowed under this certificate

Signed   
Executive Director

AFRO

TWO THOUSAND AND TWELVE

this 11TH day of MAY

Given under my hand at Dar es Salaam  
Act, 2002 and that the Company is Limited.  
is this day incorporated under the Companies

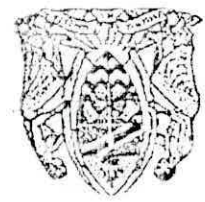
AFRO AROMATIC LIMITED

I HEREBY CERTIFY THAT

No 90879

Section 15

Certificate of Incorporation



TANZANIA

THE COMPANIES ACT  
( ACT. NO. 12 OF 2002)  
COMPANY LIMITED BY SHARES  
MEMORANDUM  
AND  
ARTICLES OF ASSOCIATION  
OF  
AFRO AROMATIC LIMITED

INCORPORATED THIS .....DAY OF .....2012

Prepared by:

ABDUL SAMAD AMEENA MANZIL

(Subscriber)

P.O. Box 105367,

MWANZA,

TANZANIA.

THE COMPANIES ACT  
(ACT NO. 12 OF 2002)  
COMPANY LIMITED BY SHARES  
MEMORANDUM  
AND  
ARTICLES OF ASSOCIATION  
OF  
AFRO AROMATIC LIMITED

24531  
10/05/12

24531  
10/05/12

Name of  
Company:

1. The name of the Company is AFRO AROMATIC LIMITED.

Registered  
Office:

2. The Registered office of the Company will be situated in the United Republic of Tanzania.

Objectives of  
the Company:

3. The objectives for which the company is established are:

- i) To acquire, takeover, promote, establish and carry on all or any of the business of seed crushers and manufacturers and processors of spices, herbs soya beans, cottonseeds, groundnuts, simsim, sunflowers and any other seeds and cake, oil extractors by crushing, chemicals or any other process from the aforementioned plants or other natural and oil substance and to prepare, manufacture, mill and render marketable any such oil within its prepared or raw state.
- ii) To carry on the business of meal manufacturers, grain, seed, cake, corn, hay straw and folder merchants, vanish and paint makers, candle and stern makers and manufacturers of land and margarine, hydrogenated oil, glycerin and ink of all kinds.
- iii) To carry on the business of agricultural, crops, production, crops processing, storage, distribution and sales of each products, to deal with the business of animals husbandry, live animals supply of meat, food, hide and skins-fats with all others products of cattle and chickens.
- iv) To engage in and carry out the business of livestock dealers, breeders, hatcheries, fatters, cheese mongers, buyers, sellers, importers, exporters, processor of animal and animal products, slaughtering, dressing preparing cuts for retail and catering, packing, providing cold storage, preparing sausages, minced meat, salami, butter, fable delicacies, hides, hooves, horns, pasteurizing, bottling preserving and include in livestock business of any kind.
- v) To carry on business as dealers, buyers, sellers, importers, exporters, manufacturers, stores, processors, blenders, of agricultural and industrial chemicals, veterinary drugs, vaccines, animal health products, natural drug extractors, pharmaceutical, chemicals, phosphorus chemicals for water treatments suppliers and stores.

- vi) To carry on the business as traders, suppliers, general merchants, stockiest, wholesalers, retailers and dealers in all types of spare parts and maintenance, tires, tubes, tools and accessories for all types of agricultural machinery, implements, equipment, all kinds of industrial projects machinery and equipment, automotive, motor vehicles, electrical goods hardware, building materials, timber, fishing gears, groceries, computers, office equipments, cooking oil, salts, foodstuffs, cosmetics, oils, paints, spirits, sheets, screws, iron monger, textiles piece goods, all types of leather goods, shoes, bags and other similar goods.
- vii) To engage in and or otherwise carry on the business as exporters of timber and or products, logs articles made out of wood, live birds, live animals, hides and skins, fish, prawns and lobsters, cereals, beeswax, canned beef, canned fruits, meerschaum products, aluminum products, gemstones, small seale gold, galvanized products, handcrafts, cooking oils, electrical fittings, fishnets, animal feeds, chicken feeds, industrial fasteners, all agricultural and nonagricultural produce be it raw, semi- processed or processed, articles of all kinds, types and description whatsoever.
- viii) To engage and or otherwise carry on the business of Timber suppliers as and exporters to carry on the business of furniture manufacturer, and suppliers, to be office furniture's and generally to be transporters and transport agents.
- ix) To carry on business as traders, general merchants whether wholesale, or retail or both, commission agents, importers and exporters, and to buy, sell, hire, manufacture, barter trade, deal in prorterty, goods, produce, articles and merchandise of all kinds and transact any and every description of agency, commission, commercial, industrial manufacture, merchandise, insurance and financial business to distribute duty free goods and commodities such as beverages, cereal, edible oils, mineral oil and petroleum products, building materials such as corrugated iron, cement and all other related materials in camps, barracks, sites ect.
- x) To carry on the business of mechanical, electrical, building and civil engineering and contractors, designers of buildings ship, civil and ship engineering works, structure maintenance, contractors, architects and quality surveyors, painters, decorators, plumbers, grazers, metal and alley workers, fineries and engineers, electricians, warehousemen, harbingers and dealers in hardware, sanitary are, plant appliances and fittings, tiles, pipes, earthen ware goods, cement concrete workers and building materials and requisites of every kind.
- xi) To carry on the business of builders, contractors, surveyors, civil, mechanical, electrical, electronics, mining, chemical and structural engineering, aeries and lime makers and to build, construct, renovate, repair, decorate, maintain, develop any building, roads, water works, railways, bridges, dams and irrigation reservoirs and carry on any other business which may seem to the company worth being carried on.
- xii) To engage and otherwise carry on the business of general civil works, electrical engineering, heat ventilation and air-conditioning, fire fighting and protection, road constructions, buildings renovations, office practitioners, decorators, maintainers of dilapidated buildings, plumbing, furniture manufactures suppliers and exporters, residential and office furnishers and generally to be designer and fabricators of all kinds of gadgets whatsoever.

- to be timber processor, saw millers and suppliers of all kind of timber, to be hardware and building materials suppliers, manufactures of electrical equipments and suppliers of same.
- xiii) To carry on the business of all types of building materials, general hardware, to quarry supply and sell all mineral and precious stones of every kind used in construction industry. To carry out estate agencies by acquiring land, sale of building, houses, godowns, industrial buildings and estates, farms, forest grazing areas and any other related field in land and securing land titles.
- xiv) To carry on business of supplying all types of office equipments, stationeries, writing material, teaching aids and other educational establishments and as agents, school uniforms, machinery services and repair of all of office equipment, assembling and exporting the same, exhibiting, distributing, renting and selling of all office decorations e.g Carpets, curtains and all materials used in offices.
- xv) To engage in and or otherwise carry on the business of secretarial services, super cleaners, removal, treatment of or garbage collectors, sewage and drainage systems contractors, rural, urban and community centers, cleaners, office cleaners, landscapers, to be professional sanitary services contractors, fumigation agents, renovators, general maintenance and decorators.
- xvi) To engage in the business of fumigation, renovation, air-conditioning and refrigeration, dry cleaning, day and night security services for offices, residential buildings, godowns, etc, private detectives, secretarial services, and advices, computer training and services, telephone, telex, fax services, education services including day and evening studies, tailoring/dress manufacturers, driving schools, and hair saloon.
- xvii) To carry on the business as training courses of computer consultancy, management consultancy, investment advisers, business consultancy, market research consultancy, analysts, researchers, business transfer agents and values, and to act as intermediaries in the introduction of sellers and purchasers, partners and employees and or otherwise for the company or its clients in but limited to every aspect of business development. To engage and or otherwise carry on the business general dealers of Information Technology installations, configuration service, and any other things which the company is fit to deal with.
- xviii) To own, operate and hire transport facilities including trucks, lorries, saloon cars, taxis, for the express or implied purpose of carrying or ferrying cargo, bus passengers, tourists and to act as transport and general agent contractors and consultants, tour operators, travel agents, clearing and forwarding agents and to own, lease or hire godowns, warehouses, bonded warehouses, goods sheds and such like facilities for the purpose of storing, preserving, packing, and repacking goods, cargo and such other articles, and, good whatsoever to facilitate transportation, and general delivery thereof to customers, clients and owners.
- xix) To carry on the business of transportation, cargo and travel agents, customs agents, manufacturers representatives, clearing and forwarding agents, road contractors, cargo superintendents, packers, machinery hoilage specialists, warehousemen, engineers, electricians, motor cars, cabs,

omnibus, lorries, oil tank and coach proprietors and transporters by any other means of conveyance of people and goods in Tanzania and the neighboring countries and in such other or places as may from time to time determined by the Company.

xx) To carry on the business of clearing and forwarding agents, commission agents, customer agents, transporters, freighters, haulers, customs bonded warehouse and goods own keepers, court brokers, insurance and assurance, insurance broker, Management, stock exchange and stock exchange brokers, shipping agents, cargo and travel agents, road, water agents, airport handling, courier services, insurance agents, tourist agents, manufacturers' representatives, road contractors, cargo superintendents, packers, machinery haulage specialists, warehousemen, engineers, electricians, motor cars, trucks, cabs, omnibus, oil tank and coach proprietors and transporters, civil transport contractors and transporters by any other means of conveyance of people and goods in Tanzania and the neighboring countries and in such other place or places as may from time to time be determined by the company, engage in and or otherwise carry on the business as transporters and transport agents, freight forwarders and related transactions whatsoever.

xxi) To carry on the business of exploration of minerals, natural gas, biogas and all kind of refineries done by engineers, electricians, warehousemen, harbingers and dealers in hardware, sanitary are, plant appliances and fittings, tiles, pipés, earthen ware goods, cement concrete workers and building materials and requisites of every kind.

xxii) To carry on business of miners, explores, processor, theaters, marketers, values of precious minerals, semi precious minerals, industrial minerals, and dealers of all kind of precious minerals, semi precious minerals, industrial minerals of any kind what so ever or by product resulting there from our in their, raw from our in the raw from or manufactured state and to act as brokers of such product and other mineral products and be jewelers, and dealers in all kinds of minerals.

xxiii) To prospect and mine gemstones, gold, diamond, minerals, all kind of precious stones and other natural resources. To purchase and sell general machinery, spare parts, accessories, transmissions, hearing pulleys, cables, belts, iron mongers and allied parts.

xxiv) To carry on the business of mines and mining in all their branches and for the said purpose to peg, purchase, take on lease, or exchange or otherwise

acquire concessions, grants, easements, options, claims, properties, cassettes and effects supposed to contain minerals, diamonds, or other precious stones and any interest therein, and to explore, mine work, excise develop and turn to account mines and mining rights and any undertaking connected therewith.

xxv) To import, export, re-export and sell locally petroleum products and herein to establish petrol stations and to engage in all mineral resources exploration and exploitation for the purpose of local use and export. To carry on or engage in economic services such as projects feasibility studies, economic project advice to various project, economic investment promotes and

advise in agricultural growth and to be as local representatives of such projects for both local institutions, foreign investors, donors and various Non Government Organizations.

- xxvi) To carry on the business of wholesalers retailers in textiles, clothing, shoes, furniture and leather products and any other type of merchandise, to purchase, acquire, takeover, promote, establish and carry on the business of manufacturers dealers, distributors, representatives and agents of goods, chattels and products made out of natural or artificial raw materials and to treat prepare, render marketable buy, sell and dispose of any such products either in their raw manufacture state.
- xxvii) To receive money on deposit on loan or to borrow or raise money in such manner as the company shall deem fit and in particular by the issue of debentures 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 its uncalled capital, also by a similar mortgage or lien to secure and guarantee the performance by the company or any other person as the case may be.

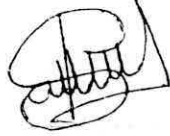

**LIABILITY  
OF MEMBERS**

- 4. The liability of members is limited.

**CAPITAL OF  
COMPANY**

- 5. The authorized share capital of the Company is Tanzania shillings 100,000,000/= divided into 1000 shares of Tanzania shillings 100,000/= each. If upon the winding up or dissolution of the company there remains after the satisfaction of all its debts and liabilities any property, whatsoever, the same shall not be paid or distributed among the members of the Company, but shall be given or transferred to some other Charitable institutions or having objects similar to the objects of the Company and which shall prohibit the distribution of agriculture and nonagricultural produce be it raw, semi-processed or processed, Articles of all kinds, types and description whatsoever.

We, the several persons whose names, addresses and description are subscribed as hereunder are desirous of being formed into a company in pursuance of this Memorandum of Association and we respectively agree to become founder members and Directors of the Company.

NAMES, ADDRESSES OF SUBSCRIBERS	NUMBER OF SHARES TAKEN BY EACH SUBSCRIBER	SIGNATURE OF SUBSCRIBERS
1. ABDUL SAMAD AMEENA MANZIL. P.O. Box 105367 DAR ES SALAAM	500	
1. MUHAMMED NAZEER PARAPURAM. P.O. Box 105367 DAR ES SALAAM	500	

Dated at Dar es Salaam this <sup>16</sup> day of <sup>11</sup>AY 2012

WITNESS to the above signatures:

NAME.....  
SIGNATURE.....  
ADDRESS:.....  
QUALIFICATION:.....



STAMP DUTY RECEIPT NO. 153/2012  
TANZANIA  
21/5/2012  
Assn. Registrar of Companies

THE COMPANIES ACT  
(ACT NO. 12 OF 2002)  
COMPANY LIMITED BY SHARES  
ARTICLES OF ASSOCIATION  
OF  
AFRO AROMATIC LIMITED

Seal  
153/2012  
21/5/12

INTERPRETATION

1. In these articles

The "Act" means the Companies Act;

The Articles means the articles of the company;

"Clear days" in relating to the period of a notice means that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect;

The "Seal" means any person appointed to perform the duties of the secretary of the company.

"Secretary" shall mean any person appointed to perform the duties of Secretary of the Company;

Expressions referring to writing shall, unless the contrary intention appears, be construed as including references to printing, lithography, photograph, and other moderns of representing or reproducing words in a visible form.

Unless the context otherwise requires, words or expressions contained in these articles shall bear the same meaning as in the Act or any statutory modification thereof in force at the date at which these articles become binding on the company.

PRIVATE  
COMPANY

2. The company is private company and accordingly;

(a) The right to transfer shares is restricted in manner hereinafter prescribed

(b) number of members of the Company (exclusive of persons who are in the employment of the Company and of the persons who having been formerly in the employment of the Company were in such employment to be members of the Company) is limited to fifty, provided that where two or more persons holding one or more shares in the Company jointly they shall for purpose of this regulation be treated as a single member.

**GENERAL  
MEETING**

3. The number of members with which the company proposes to be registered is but the directors may from time to time register an increase of members.
4. The subscribers to the memorandum of association and such other persons as the directors shall admit to membership shall be members of the company.
5. 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 meeting as such in the notice 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.

Provided that so long as the company holds its first annual general meeting within eighteen months of its incorporation, it need not hold it in the year of its incorporation or in the following year. The annual general meeting shall be held at such time and place, as the directors shall appoint.

All general meetings other than annual general meetings shall be called extraordinary general meetings.

6. The directors may, whenever they thin 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 requisitions, as provided by section 133 of the Act. If any time there are not within the Tanzania sufficient directors capable of acting to form a quorum, any director or any two members of the company may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meeting may be convened by the directors.
7. The Directors may in their discretion and without assigning any reason thereof refuses to register the transfer or any person whom it shall in their opinion is undesirable for any person whatsoever to admit the membership.
8. Subject of clause 2 and 3 hereof the right to members to transfer their shares shall be restricted as follows;
9. No share shall be transferred to a person who is not a member so long as member of any person selected by the Directors as one whom it is desirable in the interest of the Company to admit to membership.
10. Every shareholder or trustee in bankruptcy, or any personal representative of a deceased shareholder shall give notice in writing to the Directors that the desires to make such sale or transfer. Such notice shall constitute the Board of Directors or any member or members of the company at a price to be agreed upon between the party giving such notice and the Board, or in case of difference to be determined by the auditor of the company.
11. Upon price of such shares being agreed on or determined as per clause (b) above, the Board shall forthwith give notice to such of the shareholders other than the shareholders desiring to sell or transfer the said shares stating the number and the price of such shares inviting the person to whom notice is sent to state within 21 days from the date of such notice whether he is willing to purchase any, if so, what maximum number of such shares. At the expiration of such days 21 notice the board shall apportion such shares amongst the

**TRANSFER  
OF SHARE**

shareholders (if more than one) who shall have expressed their desire to purchase number of shares already held by them respectively, or if there be only one such shareholder, that the whole of such shares shall be sold to him, provided no shareholder, that the whole of such shares shall be sold to him, provide no shareholder shall be obliged to take more than the maximum number of such shares stated in his answer to the said notice.

12. Upon such apportionment being made or such one shareholder notifying his intention to purchase, as the case may be, the party desiring to sell or transfer such shares shall be bound upon payment of the said price to transfer the shares to the respective shareholders or single shareholder who shall have agreed to purchase the same.

**SHARE CAPITAL  
AND SHARE**

- (a) The shares of the Company shall under the control of the Board of Directors, Subject to the provisions in that behalf of the Act and the Memorandum of Association and without prejudice to any special rights previously conferred on the holders of existing shares or class of shares, may be issued with such preferred, deferred or other special rights, or such restrictions, whether in regard to dividend, voting, return of Capital or otherwise, as the Company may from time to time, by special resolution determine, and any preference share may, with the sanction of a special resolution, be issued on the terms that it is, or at the option of the Company is liable, to be redeemed.
- (b) If at any time, the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied with the consent in writing of the holders of three - fourths of any extra ordinary resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting, the provisions of these regulations applying to general meetings shall mutatis mutandis apply.
- (c) Every person, whose name is entered as a member in the register of members shall without payment be entitled to a certificate under the seal of the company, specifying the share or shares held by him, and the amount paid up thereon, provided that in respect of a share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all.
- (d) The company shall be entitled to treat the person whose name appears upon the Register in respect of any share or shares as the absolute owner thereof and shall not be under any obligations to recognize any trust or equity per equitable claim to, or partial interest in such share or shares whether or not it shall have been given notice thereof.
- (e) If share certificate is defaced, lost or destroyed, it may be renewed on payment of such fee, if any, not exceeding one shilling, and on such terms, in any, as to evidence and indemnity as the directors think fit.

**DIRECTORS**

13. (a) The Number of the directors and the names of the first directors shall be determined in writing by the subscribers of the memorandum of association or a majority of them and until such determination the signatories to the Memorandum of Association shall be the first directors. Unless otherwise determined by ordinary resolution, the number of directors shall not be subject to any maximum but be not less than two.

(b) The remuneration of the directors shall from time to time be determined by the Company in general meeting. Such remuneration shall be deemed to accrue from day to day. The directors shall also be paid all traveling, hotel and other expenses properly incurred by them in attending and returning from meetings of the directors or any committee of the directors or general meeting of the company or in connection with the business of the company.

(c) The following shall be the first directors of the Company:

1. **MUHAMMED NAZEER PARAPURAM.**
2. **ABDUL SAMAD AMEENA MANZIL**

(d) The director may exercise all the powers of the company to borrow money and to mortgage or charge its undertaking and property, or any part thereof, and to issue debentures, debenture stock and other securities, whether outright or as security for any debt, liability or obligation of the company or any third party.

**THE MANAGING  
DIRECTOR**

15. (a) The Directors may from time to time appoint one or more of their body to the office of Managing Director for such period and on such terms as they think fit and may at any time revoke such appointment; the appointment of managing Director shall be automatically determined if the person appointed to such office shall cease from any cause to be a director.

16. A Managing Director shall receive such remuneration (whether by way of salary, commission or participation in profits or partly in one way or partly in another) as the directors may determine.

17. The Directors may entrust to and confer upon a Managing Director any of the power exercisable by them upon such terms and conditions and with such restrictions as they think fit and either collaterally with or to the exclusion of their own powers and may from time to time revoke, withdraw, alter or vary all or any such powers.

18. The Directors shall provide for the safe custody of the seal; which shall only be used by authority of the directors or a committee of the directors authorized by the directors in that behalf, and every instrument to which the seal shall affixed shall be signed by two directors and the secretary or by a director and some two other persons appointed by the directors for that purpose.

**SECRETARY**

19. To be appointed by the Board of Directors, who will sign his contract and enumeration and other conditions of work. Any Secretary so appointed by the Board of Directors may be removed by it. A person appointed to the office of the Secretary, should be a member of the Company.

**TREASURER**

20. A Treasurer shall be appointed by the Board of Directors. The powers of the Board of Directors include appointing persons to act in the absence of the Treasurer or when there is no suitable person to fill the post. No person who is not a member of the Company in any circumstances shall be eligible to hold office of Treasurer or Assistant Treasurer.

**PERIOD OF OFFICE  
FOR MEMBER OF THE  
BOARD OF DIRECTORS**

21. Members of the Governing Council shall hold office for two consecutively. At the end of their one period (two years), they will retire for one period (two years) and then they can seek re election.

22. The Company may by extra-ordinary resolution remove any member of the Board of Directors before expiration of his office.

#### BORROW POWERS

23. The Directors may from time to time in their discretion raise or borrow for the purpose of any Company's business such sum of money as they think fit. The Directors may secure the repayment of or raise any such sum or sums as aforesaid by mortgage or charge upon the whole or 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 may 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.

24. On a show of hands every member present in person shall have one vote. On a roll every member shall have one vote only for the shares of which he is holder.

25. No member shall be entitled to vote at any general meeting unless all calls or other sums presently by him in respect of shares in the Company have been paid.

#### DISQUALIFICATION OF DIRECTORS

26. The office of a Director shall be vacated if the Directors:

- a) Becomes bankrupt; or
- b) Is found to be a lunatic or becomes of unsound mind; or
- c) Resigns his office by notice in writing to the Company
- d) Abstains himself from meeting of the Directors for a period of six months without special leave of absence from the other Directors.
- e) Ceases to be a director by virtue of any provision of the act or becomes prohibited law from being a director;

#### PROCEEDING OF THE GOVERNING COUNCIL

27. 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 for the meeting shall have a second or a casting vote.

28. Three quarters of members of the Board of Directors, may, request the Secretary, at any time, to summon a meeting of the Board of Directors by notice served upon members of the Board of Directors.

29. A meeting of the Board of Directors which a quorum is present shall be competent to exercise all the authorities, powers and discretion by or under the regulation of the company for the time being vested in the Board of Directors generally.

30. The board of Director may delegate any of their powers to committee consisting of such members of Board of Directors, as they think fit, and any committee so formed shall in the exercise of the power so delegated, conform to any regulations imposed on it by the Board of Director. The meeting and proceeding of any committee so formed shall be governed by the provisions of the Article regulating the meetings and proceeding of the Board of Directors so far as the same shall not superseded by any regulations may be the Board of Directors and all acts and proceedings of any subcommittees shall fully report back to the Board of Directors.

31. The Board of Directors shall prepare proper minutes to be made to all appointments of officers, and all business transacted at such meetings to be signed by the Chairman of the meeting.

32. Once at least in every year, the accounts of the Company shall be examined and the correctness of the income and expenditure accounts and balance sheet ascertained by one or more property qualified auditors.

33. Qualified auditors shall be nominated by the Board of Directors.

#### NOTICE

34. A notice may be served by the Company upon any member either personally or by sending it through the post in prepaid letter, addressed to such member at his registered address as appearing in the register of members.

35. Clause 5 of the Memoranda of Association relating to winding up and dissolution of the Company shall have effect as if the provision thereof were repeated in these Articles of Association.

#### WINDING UP

36. With the sanction of a special resolution of the shareholders any part of the asset of the company including any shares in other companies may be divided between the members of company in specie or may be vested in trustees for the benefit of such member and liquidation of the company may be closed and the company dissolve but so that no member shall be completed and accept any shares where upon these is any liability.

#### INDEMNITY

37. Every Director, Agent, Auditor, secretary and other officer for the time being of the company shall be indemnified but of the assets of the company against any liability incurred by him in defending in such capacity any proceeding whether civil or criminal in which judgment is given in his favor or in which he is acquitted.

#### ALTERATION DIRECTORS

38. Subject to the provision of the Act and those contained in the Memorandum of Association of the company the Board of Directors may by special resolution make alteration or additions so made shall be valid and effectual as if they were originally contained in these articles and in the like manner be subject to alteration by special resolution.

39. Unless otherwise decided by the Directors the quorum necessary to transact business of the Directors shall be two Directors personally present.

#### SEAL

40. The seal shall only be used by the authority of the directors or of a committee of the directors authorized by the directors. The directors may determine who shall sign any instrument to which the seal is affixed and unless otherwise so determined it shall be by a director and by the secretary or by a second director.

41. The seal shall cause proper books of account to be kept with respect to:-

a. all sums of money received and expended by the company and the matters in respect to which the receipt and expenditure takes place;

b. all sales and purchases of goods by the company; and

c. the assets and liabilities of the company.

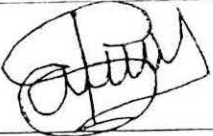

Property books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

42. The books of account shall be kept at the registered office of the company, or subject to section 151 (4) of the Act, at such other place or places as the directors think fit and shall always be open to the inspection of the company.
43. No member shall (as such) have right of inspecting any accounting records or other book or document of the company except as conferred by status or authorized by the directors or by ordinary resolution of the company.
44. The directors shall from time to time in accordance with sections 153, 155 and 150 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 reports as are referred to in those sections.
45. In accordance with section 164 of the Act, the copy of the company's annual accounts to be laid before the company in general meeting together with a copy of the directors report and the auditors shall not less than twenty one days before the date of the meeting be sent to every holder of debentures of the company. Provided that this regulation shall not require a copy of those documents to be sent to any person of whose address the company is not aware or to more than one of the joint holders of any debentures.

**AUDIT**

47. Auditors shall be appointed and their duties regulated in accordance with sections 170 to 179 of the Act.

Any notice to be given to or by any person pursuant to the articles shall be in writing except that a notice calling a meeting of directors need not be in writing. The company may give any notice to a member either personally or by sending it by post in a prepared envelope addressed to the member at his registered address, or by leaving it at that address. Where a notice is sent by post service of the notice shall be deemed to be effected by properly addressing, prepaying, and posting a letter containing the notice, and to have been effected at the expiration of seventy-two hours after the letter containing the same was posted. A member whose registered address is not within the Tanzania and who gives to the company an address within Tanzania at which notices may be given him shall be entitled to have notices given to him at that address, but otherwise no such member shall be entitled to receive any notice from the company.

NAMES, ADDRESSES OF SUBSCRIBERS	NUMBER OF SHARES TAKEN BY EACH SUBSCRIBER	SIGNATURE OF SUBSCRIBERS
1. ABDUL SAMAD AMEENA MANZIL. P.O. Box 105367 DAR ES SALAAM	500	
1. MUHAMMED NAZEER PARAPURAM. P.O. Box 105367 DAR ES SALAAM	500	

Dated at Dar es Salaam this <sup>Tu</sup> 10 day of MAY 2012

WITNESS to the above signatures:

NAME.....

SIGNATURE.....

ADDRESS:.....

QUALIFICATION:.....



# AFRO AROMATIC LTD

PROPOSED PROJECT FOR PROCESSING OF SANDALWOOD TO  
PRODUCE SANDALWOOD OIL.

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## 1. INTRODUCTION

### 1.1 FOREWORD

Afro Aromatic Limited plans to establish facilities for processing of sandalwood to produce sandalwood oil for export. The company will import sandalwood from Uganda, Kenya, South Sudan and Democratic Republic of Congo. The project promoters expect to import state of the art machinery and equipments to facilitate sandalwood oil extraction.

Afro Aromatic Limited will acquire specially designed steam distillation machinery for distilling sandalwood. These will be employing state of the art technology. The company will use latest type of condensers with more tubes and surface area to condense the vapors and to avoid evaporating/damaging the most delicate ingredients of the oil. The distillation unit will be equipped with stainless steel extractors. There is huge demand for supply of sandalwood oil due to lots of restriction and scarcity of the Raw material.

The company, M/s Afro Aromatic Limited is a license holder for distillation of sandalwood oil and for its export all over the world to its customers. All the activities in procuring wood will be legal and all exports will be subjected to inspection and approval by relevant authorities.

### 1.2 MISSION STATEMENT

The company is entering the sandalwood processing sub sector operating as an innovative, creative, conservative and aggressive provider of high quality sandalwood

oil and related support services. The company looks forward to offering unparalleled quality service and value for its products and services.

### 1.3 OBJECTIVE OF STUDY

The purpose of this feasibility study is to work out the technical and commercial details and the financial viability for the establishment of facilities for processing sandalwood to produce sandalwood oil.

### 1.4 PROJECT PROMOTERS

The following sponsors are promoting the proposed project. Directors (shareholders) are namely:

S/NO	NAME OF SHAREHOLDER	SHARES HELD
1.	Mr. Abdul Samad Ameena Manzil	500
2.	Mr. Muhammed Nazeer Parapuram	500

### 1.5 ECONOMIC BENEFITS

The promoters' mission is to contribute maximum benefits to the society and economy at large. They will create a good livelihood for their employees and their families. They will have strong tax generation capabilities as their enterprise believes that, if there is more national development & government spending, then there will be even a bigger market for their products. This in turn will bring the nation's living and social standards on par with the world at large.

### 1.6 STUDY LAYOUT

This study is presented in one document comprising the following major chapters.

Chapter One	-Introduction
Chapter Two	-Executive Summary
Chapter Three	-Market and Marketing
Chapter Four	-Manufacturing Sector in Tanzania
Chapter Five	-Production Technology
Chapter Six	-Machinery and Equipment
Chapter Seven	-Production Inputs
Chapter Eight	-Manpower and Plant Organization
Chapter Nine	-Investment and Financing
Chapter Ten	-Operating Costs
Chapter Eleven	-Financial Analysis
Chapter Twelve	-Economic Benefits
Chapter Thirteen	-Conclusion and Recommendations

## 2. EXECUTIVE SUMMARY

### 2.1 INTRODUCTION

The Study examines the possibility of establishing processing facilities for sandalwood to produce sandalwood oil for export. A techno-economic evaluation has been carried out to determine the feasibility of this project.

Sandalwood oil is perhaps best known in the west as a sweet, warm, rich and woody essential oil used as is for a body fragrance, and as an ingredient in fragrant products such as incense, perfumes, aftershaves and other cosmetics. But the story of sandalwood, the divine essence, goes much further. Sandalwood has been a part of the religious and spiritual traditions of India since prehistory and has been effectively used in traditional medicine for thousands of years.

The heartwood is the most precious part of the Sandalwood tree, and the best heartwood comes from the roots. Sapwood yields lower quality oil. Older trees have more heartwood, and so are more highly prized. For each extraction method, the quality of the final sandalwood oil will depend upon the quality of the wood, the length of distillation time, and the experience of the distiller. Sandalwood essential oil is extracted primarily by steam distillation, a process in which super heated steam is passed through the powdered wood. The steam helps to release and carry away the essential oil that is locked in the cellular structure of the wood. The steam is then cooled and the result is sandalwood hydrosol and sandalwood essential oil.

The extracted oil is used in the manufacture of soaps, talcum powder, perfume and other toiletry items. Traditionally sandalwood has been used for treating digestive complications arising from diarrhoea, nausea, colic and gastritis. It is listed as a

carminative and digestive muscle relaxant. Its antiseptic properties have been successfully employed for treating gonorrhoea and leucorrhoea. It has long been valued for treating these types of genito-urinary infections. Indigenous physicians observed that the oil and heartwood possessed antispasmodic properties and so utilized it for treating bronchitis, catarrh, coughs, sore throat and related diseases. Its use in treatment of skin problems is legendary. It is an excellent moisturizer and nourishes all skin types.

## 2.2 MARKET AND MARKETING ASPECTS

Recognition of market needs will be the hallmark of the anticipated success in the company's sandalwood oil production operations. The project will be properly developed using leading edge technology to enable Afro Aromatic Limited enjoy rapid growth in all target markets. The company will develop capability to produce high quality sandalwood oil to suit this market.

Sandalwood oil is rare and expensive and the price is going up rapidly as countries place tighter regulations on its production and export. The oil has a variety of uses as explained hereunder:

### Aromatherapy Use:

Sandalwood oil has a long history of use as a traditional medicine. It is part of traditional medical systems such as Chinese medicine and the Indian healing science known as Ayurveda. It has been used in a wide variety of applications such as genital and urinary infections, digestive complaints, dry coughs, persistent coughs, throat irritations, laryngitis, nervous disorders, depression and anxiety. Sandalwood is used widely and effectively in skin care, being useful for dry, cracked and chapped skin, rashes and acne. It is suitable for all skin types and is non toxic.

### Use in Perfumery:

Sandalwood oil is used extensively in natural perfumery as a harmonizing agent, base note and fixative. It helps to bring together other oils and adds a graceful aroma without taking away or overpowering other oils. It is a base note that helps to hold the scent of other lighter oils that tend to dissipate quickly. Sandalwood is central to the making of traditional attars in India. These natural perfumes are made by distilling essential oils of rare and/or difficult to distill plants into pure sandalwood oil. This method of distilling unique oils into sandalwood oil produces wonderful natural perfumes containing the essences of both plants combined in an almost magical way.

#### Spiritual Use:

Sandalwood is used in many different ways in the spiritual traditions of the East. It is considered beneficial for meditation and for calming and focusing the mind. It is used as incense in temples or on personal altars to remind users of the fragrant realms of the heavenly realms. Deities of various kinds are fashioned from Sandalwood, then installed in a shrine or temple or placed upon the home altar. The oil of sandalwood is used to anoint deities. In this way the fragrance which is emitted over time also helps to remind one of the spiritual realms. Sandalwood oil is one of the best fragrant aids to meditation.

Afro Aromatic Limited has well established overseas markets for sandalwood oil. However the marketing team will be appropriately developed to ensure that this market is expanded by establishing and building a brand identity. The company will attempt brand itself and its product in many ways, including advertising, media, word-of-mouth, and customer contact with its products or services.

### 2.3 QUALITY CONTROL

Afro Aromatic Limited recognizes the importance of producing quality products. This enables manufacturers to easily access local and international markets through use of

internationally accepted standard marks of quality. The use of such standard marks of quality increases market access and makes consumers comfortable with the products they are buying. The company will adhere to an international (ISO) standard for sandalwood oil which stipulates a minimum free alcohols (santalol) content of 90 percent (m/m).

Quality will be built into the company processes and will involve checks and verifications along the entire process. All wood delivered will be analyzed and the chemistry of the oil in the wood checked. From here the whole process will be monitored to ensure that the final product is within specification and will perform according to expectations; analysis will include bench methods such as optical rotation, refractive index and specific gravity, and gas chromatography which measure the concentration of the various constituents.

It is obvious that quality will be the nucleus of company operations and Afro Aromatic Limited has resolved not to compromise this crucial aspect at any cost. It expects to incorporate a strict quality management system, which will be responsible for keeping the entire business proceeding under a strict vigil. The products will undergo strict quality check at each level. A variety of measures will be taken to ensure that the sandalwood oil meets specifications based on international standards. Similarly, sourcing of materials will be done with great care to ensure that the best materials are used in the sandalwood oil production process.

#### 2.4 BYPRODUCTS/WASTE

The by products from sandalwood oil production process will be collected and sent out of the factory for proper disposal to ensure that no harm is done to the environment.

Using more efficient production processes and better materials will generally reduce the generation of waste. The application of waste minimization techniques is expected to lead to the development of innovative and commercially successful replacement products.

Waste minimization will however require investment, which will be compensated by the savings.

## 2.5 PRODUCTION INPUT

The main production input in the sandalwood oil production process is sandalwood which will be imported from Uganda, Kenya, South Sudan and Democratic Republic of Congo.

## 2.6 LOCATION

The factory will be located at rented premises on plot no. 35, Block A, Moshi Road, Mombo Area, Korogwe District, Tanga Region. This will be the location of company sandalwood oil manufacturing operations and will have an area large enough to accommodate all project production operations, materials storage and office space.

## 2.7 MANPOWER REQUIREMENTS

The project will comprise of a total work force of 22 permanent as well as part time employees. Maximum employment will be given to the local work force. The plant will be organized into three functions namely:

Production and Technical Services

Marketing

Finance and administration

## 2.8 IMPLEMENTATION

The project is planned to undergo two phases:

**Phase I:** Major activities involved include registration of the project and approvals by the Tanzania Investment Centre (TIC), and mobilization of funds from sponsors. Other activities include identification of appropriate sandalwood oil processing technology, sourcing of machinery and equipment, construction of factory buildings, staff recruitment and training of core personnel.

**Phase II:** The second phase will involve commencement of sandalwood processing operations to produce sandalwood oil envisaged to start in the second quarter of year 2014.

## 2.9 PROJECT ECONOMICS

### 2.9.1 Capital Investment Requirements

Afro Aromatic Limited would like to import new machinery for sandalwood oil production. The equipment will be imported as a complete unit including its core machinery, auxiliaries and all accessories. The total cost is estimated at US\$ 0.700 Million.

### 2.9.2 Expenditure and Profitability

The major expenditure item is the purchase of sandalwood which is the basic raw materials used in the sandalwood oil production operations. Project revenue will accrue from export of sandalwood oil. Total revenue from this project will increase from USD

1,100,000 in the first year of operation to USD 1,337,057 in the fifth year. Trend for this growth in revenue is shown in the attached summary.

#### 2.10 RECOMMENDATIONS

The study shows the establishment by M/s Afro Aromatic Limited of facilities for sandalwood oil processing in Tanga is both technically and financially a feasible undertaking. Furthermore, it will create local employment for the national benefit. In view of the findings, the project is recommended for implementation.

### **3. MARKET AND MARKETING**

Afro Aromatic Limited has secured export markets for sandalwood oil that will be produced. The state-of-the-art sandalwood oil production facilities will produce sandalwood oil of high quality, and cater to stringent requirements for critical applications. A highly responsive and flexible production capability will result in the company becoming a preferred supplier to key overseas markets.

#### **3.1 MARKET**

Strong demand from overseas markets for sandalwood oil is working in the industry's favor. Consumption is certainly high in India and probably greater than the combined total for the rest of the world. The United States and France are also major importers of sandalwood oil. Opportunity for export of sandalwood oil into the Middle East is also available.

#### **3.2 PRODUCT**

Sandalwood oil comes from the heartwood of the *Santalum* tree, a heiparasitic evergreen that grows by joining the root system of other trees. Its use dates back over four thousand years, making it one of the oldest known materials used specifically for its exotic scent. It's used in fragrances, cosmetics, meditative practices, and offers more skin-related benefits by itself than any other essential oil.

#### **3.3 RECENT DEVELOPMENTS**

Afro Aromatic Limited has identified three priority areas for itself: customer relationship development, up gradation of supply channels and value-added services. As

an added empowerment, customers will also be encouraged to register their feedback and suggestions throughout the distribution network.

### 3.4 PROMOTION

Sandalwood oil has aromatherapy, perfumery as well as spiritual uses. In addition to that, cultivation and processing of sandalwood to produce sandalwood oil provides livelihood for millions of people and families in developing countries, either in the form of formal employment or informal economic activities. Afro Aromatic Limited will conduct periodic training at regular intervals to educate Tanzanians on the various benefits of sandalwood and sandalwood oil.

The Afro Aromatic Limited sandalwood oil brand will be an iconic symbol which will make a difference to its users. As an exercise in social marketing, the company plans to take commercial space on television and radio and use several special-interest newspapers and magazines to educate readers on all aspects of sandalwood oil production and usage.

### 3.5 BRAND VALUES

Afro Aromatic Limited expects to bring to the market sandalwood oil of the highest quality. Its reputation will be built on the bedrock of trust that the company will develop with many long term users of its products. Its multipronged platform of safety, convenience and reliability will be an integral part of the brand's growth and success.

## 4. MANUFACTURING SECTOR IN TANZANIA

### 4.1 INTRODUCTION

Although an underdeveloped sector in Tanzania, manufacturing is nevertheless an important contributor to the country's GDP. But the burdens it struggles under are substantial. Hampered by the variability of the agricultural sector on which it is based, Tanzania's industries must also contend with high costs of production, low labour productivity, high interest rates and increased competition arising out of the policy of trade liberalization.

In this context, the sector is characterized by a narrow industrial base dominated by agro-industries, limited diversification, reliance on imported inputs of raw materials and intermediates, relatively underdeveloped industry linkages, prevalent use of obsolete technologies and production that is mainly focused on the domestic market.

Government recognizes that significant transformation of the sector is vital. In order to achieve this, it is necessary to promote and stimulate a change process which will make the sector exhibit a diversified structure of production; undertake processing of more of the natural resources with which Tanzania is endowed; and become export-oriented.

Taking into account the above factors, Government's goals for the industrial sector in the medium term are to optimize the exploitation of domestic natural resources; to strengthen backward and forward linkages within the manufacturing sector and between the sector and rest of the economy; to ensure that industries are competitive in the domestic and international markets; to raise levels of technological capabilities; to create new employment opportunities; to absorb the rapidly growing labour force; to strengthen the SME sector and put emphasis on sub regional collaboration and south-south cooperation.

## 4.2 IMPORTANCE OF THE SECTOR AND PERFORMANCE

In terms of importance, the manufacturing sector, though not strong as it should be, continues to play a respectable role in the economy, contributing to 18.9% of export earnings and 8.6% to GDP - but this is still short of the planned target of 15% by 2020.

In the country's Development Vision-2025, it is projected that the contribution of the industrial sector to the economy will reach 25% like the semi-industrialized countries of South East Asia.

Tanzania's most important industries include agro food processing, beverages, oil refining, and cement. Other industries include the production of textiles, apparel, tobacco products, glass, paints, plastics, chemicals and pharmaceuticals, and the processing of metals and wood products.

The sector provides employment for an estimated workforce of over 100,000 people. Growth rate of the sector decelerated from 9.9 percent in 2008 to 8.0 percent in 2009. This trend was due to the effects of the global economic meltdown.

## 4.3 EXPORT DEVELOPMENT

The export market for manufactured goods comprises cotton yarn, manufactured coffee, manufactured tobacco, sisal products, plastics, textiles and apparel and iron steel.

During 2009, the export value of manufactured goods decline from US\$ 662.3 million recorded in 2008 to US\$ 497.6 million. The decline is partly attributable to the drop in demand for the manufactured products in the neighbouring countries following the global financial crisis.

## 4.4 MAJOR PRODUCTION AND INDUSTRIAL UNITS

### *4.4.1 Food, Beverages and Tobacco*

The food manufacturing in Tanzania include manufacturing of dairy products, canning and preserving of fruits and vegetables, canning fish and similar foods, manufacture of animal and vegetable oils, grain milling, baking, sugar and confectionery as well as prepared animal feeds. The beverages include the distilling and blending of spirits;

manufacture of wines, cider and beer; production of soft drinks and carbonated waters and the bottling of natural spring and minerals waters. The tobacco subsector comprises manufacturing of cigarettes, tobacco and other tobacco production.

#### *4.4.2. Textiles, Clothing, Leather and Footwear*

Activities undertaken in this category include spinning, weaving and finishing of textiles as well as garments, knitting and the manufacture of carpets, rugs, cordage, rope and twines. The leather and footwear subsector include tanneries; leather finishing and manufacturing of products from leather such as luggage, handbags and purposes.

#### *4.4.3 Wood products activities Accounted in the subsector*

Includes sawmills, planing and other wood mills manufacturing goods. Also included is the manufacturing of wooden containers, cane products and wooden products.

#### *4.4.4 Paper and Paper Products*

This comprises the manufacturing of pulp, paper, paperboard, fibreboards, light packaging, heavy packaging, stationery and other paper products.

#### *4.4.5 Chemicals, Petroleum, Rubber and Plastics*

The chemical subsector comprises the manufacture of basic industrial chemicals, fertilizers, pesticides, plastic materials and products, medicinal and pharmaceuticals, soap, detergents, perfumes and other cosmetics, paints and other chemical products. While the petroleum subsector comprise of petroleum refineries, fuel oils, lubricating oils and manufacture of asphalt materials.

Rubber products produced in the country include tyres and tubes conveyors and fan belts, rubber mats, groves, pipes and tanks, plastic sheets, kitchenware, furniture and footwear.

#### *4.4.6 Non-metallic Mineral Products*

This includes manufacture of pottery, china and earthenware, glass and glassware products, bricks, tiles, cement, concrete, gypsum and plaster products.

Boosted by robust growth in construction, Tanzania's cement industry has grown rapidly over the years, with three cement producers and a combined production capacity of 1.9 million tonnes per year.

#### *4.4.7 Basic Metal Products*

This comprises rolling mills and foundries to produce products such as slabs, bars, sheets, plates, strips, tubes, pipes and rods.

#### *4.4.8 Fabricated Metals, Machinery and Equipment*

These include manufacture of cutlery, hand tools and general hardware, furniture and fixtures, doors, metal staircases and window frames. Others are electrical motors transformers, electrical control devices and switchboard apparatus as well as radios and transport equipment, mainly bicycles and animal and auto-pulled carts.

#### *4.4.9 Other Manufacturing Industries*

This covers products such as jewels and related articles, furniture manufacture, measuring and controlling equipment and optical goods. Production in this category has experienced an average growth of over 12 percent over the last decade.

### 4.5 NOTABLE PERFORMANCE OF SOME LOCAL INDUSTRIES

The goods whose production skyrocketed include Konyagi, which increased by 151.9 %, from 4,049,000 litres in 2008, up to 10,201,000 litres in 2009. Production of pyrethrum agro-chemicals also increased from 73 tonnes in 2008, up to 266 tonnes, equivalent to 264.4 % increase.

Production of wheat flour increased from 287,925 tonnes in 2008 to 368,885 tonnes in 2009, representing 28.1 % increase. Production of Chibuku brew also increased sharply from 10,235 litres in 2008, up to 16,141 tonnes in 2009, equivalent to 57.7 % increase.

Likewise, production of iron sheets ballooned to 50,664 tonnes in 2009, from 31,743 tonnes in 2008, equivalent to 59.6 % increase.

Production of batteries also increased to 78 million batteries in 2009, from 53 million batteries in 2008, representing 47.2 % increase.

Moreover, production of cement increased from 1,756 tonnes in 2008 up to 1,941 tonnes in 2009. This was caused by high demand of the commodity as consumption of cement skyrocketed from 1,940,845 tonnes in 2008 to 2,399,458 tonnes in 2009, equivalent to 58.5% increase.

However production of aluminum declined from 105 tonnes in 2008 to 58 tonnes in 2009, registering a 44.8 % decrease. Production of garments also declined from 7,783,000 square metres in 2008 to 7,913,000 square metres in 2009, a 34.9 % decrease. Other goods whose production declined during the period under review include logs (16.6%), biscuits and spaghetti (1.5%), beers (2 %), cigarettes (4.4%) and iron (13%).

#### 4.6 INVESTMENT OPPORTUNITIES

The priority sectors for investment include the following export-oriented manufacturing operations: Textile and garments; leather processing and leather products; lapidary, including gold, diamonds and gemstones; agro processing; fish processing; wood and wood products; electrical and electronic appliances; and ICT industries.

#### 4.7 POLICIES AND REGULATORY FRAMEWORK

The future discourse for industrial development in Tanzania is elaborated in the Sustainable Industrial Development Policy - SIDP". The main purpose of SIDP is to chart out a path for industrializing Tanzania so that by the turn of the first quarter of the 21st Century it becomes a semi industrialized country.

In its approach SIDP embraces the principles of a market-led economy and competitiveness. It points out plainly that industry would only prosper in the hands of increased private sector participation both in decision making and implementation.

The government in this aspect has vowed to increasingly provide an environment which is welcoming, attractive, and stable and that can encourage private sector investment.

The private sector in its part should take all necessary initiatives to respond and manage challenges of globalization. Firms are challenged to pursue firm strategies which are

geared towards building the necessary capabilities to enable them compete in the world market.

#### 4.8 INDUSTRIAL SUPPORT ORGANISATIONS

The government has established several institutions to render support services to the industrial sector. Among them are: The National Development Corporation (NDC), the Small Industries Development Organization (SIDO), the Centre for Agricultural Mechanization and Rural Technology (CARMATEC), the Export Processing Zones Authority (EPZA), the Tanzania Industrial Research Development Organization (TIRDO), the Tanzania Engineering and Manufacturing Design Organisation (TEMDO) and Tanzania Bureau of Standards (TBS).

#### 4.9 CHALLENGES FACING THE MANUFACTURING SECTOR

- Poor technology;
- Insufficient industries/ factories;
- Unreliable market for the final processed goods;
- High cost of power, unreliability of power and underdeveloped infrastructure;
- Unreliable availability of raw materials;
- Small number of trained manpower.

The manufacturing sector holds the key to Tanzania's economic growth given the desire to diversify from agriculture and tourism to other sectors. Although the sector's contribution to the national economy has not significantly improved lately, there is every reason to believe that with proper policies and investment incentives in place, manufacturing sector is a growth area.

## **5. PRODUCTION PROCESS AND TECHNOLOGY**

### **5.1 BASIC PRODUCTION PROCESS**

Essential oils such as sandalwood oil are aromatic materials of vegetable origin, which are used in perfumery and flavourings. They represent the "essential aroma" of the plant from which they are obtained. The majority of essential oils are produced by the process of steam distillation.

#### **5.1.1. Water and Steam (Wet Steam) or Steam (Dry Steam) Distillation Methods**

Afro Aromatic Limited looks forward to acquire state of the art technology for steel manufacturing from leading suppliers of such technology. The company will use either water and steam or "wet steam" or steam or "dry steam" methods in sandalwood oil distillation.

- Water/steam distillation :

Under this method, the still contains a grid which keeps the plant material above the water level. The water is boiled below the charge and "wet" steam passes through the plant material. Consequently, if an open fire is used the plant material is protected from direct heat. It is important in both water/steam and steam distillation that the still is packed evenly and not too tightly so that steam can extract from the complete charge efficiently. Over packing of the still can cause the steam to force "rat holes" through the charge and leave other parts of the charge unextracted.

#### o Steam Distillation :

The most advanced type of distillation is by direct steam provided from a separate boiler. The still contains a grid plate under which an open steam pipe is fitted. The advantages of this type of "dry" steam distillation are that it is relatively rapid, therefore charging and emptying the still is much faster and energy consumption is lower.

#### 5.1.2 Condensers and Separators

The steam containing essential oil vapour leaves the still and passes into a condenser by way of a "gooseneck". Some sort of gauze or screen will be fitted at the mouth of the gooseneck to prevent plant material being blown over into the condenser. In the condenser the vapours are cooled and condense. The vapours pass through a coiled tube contained in a water bath and condensate is obtained at the bottom of the condenser tube. At this stage it is crucial to ensure that condensation is complete or oil may be lost by evaporation.

A more efficient type of condenser is the multi-tubular type in which a series of parallel tubes are mounted inside a cylindrical jacket through which cooling water is passed. This design provides a large surface area for cooling in relation to its volume. The mixture of water and essential oil leaves the condenser and flows into a separator, called a florentine flask, in which they separate into two layers. The essential oil will generally be lighter than water, the oil floats to the surface and the distillate water drains away.

The oil separators will be large enough in volume to minimize turbulence because significant amounts of oil can be lost with the distillate water if the oil is not allowed to separate completely. In addition, the temperature of the distillate will have an important

bearing on the efficiency of separation of essential oil and water. The optimum temperature for obtaining the best separation will be determined by trial and error.

Condensers and separators will be constructed of materials which do not react with essential oils or water. The optimum material for stills, condensers and separators is stainless steel which is resistant and durable but relatively expensive.

### 5.1.3 Storage and packaging

After production sandalwood oil will be stored in barrels ready for export. To ensure that the oil is not wet it will be left to stand for some time before being filtered into its container. Oils generally show no cloudiness when thoroughly dry. Freshly distilled sandalwood oil will often possess some "still odours" which are unpleasant. These generally disappear after several weeks storage.

## 5.2 ENVIRONMENT PROTECTION

With a conscious mind, the company will undertake eco-friendly manufacturing processes and make sure that less effluent and smoke are released. It will take the following three concerns seriously as defined by some of the well-known regulatory bodies.

- Reduction in hazardous environmental release
- Recycling of waste products
- Use of environmentally preferable products

For this, it will source some of the latest and high performing machines for its factory.

The factory surroundings will be kept clean and trees are to be planted as part of environment conservation efforts.

### 5.3 FINANCIAL ASPECTS

Sandalwood oil processing is an expensive business. The process uses enormous amount of electricity and the equipment used is also expensive leading to high overheads. High electricity tariffs are the major challenge in the processing of sandalwood to produce sandalwood oil. There is a need for the Government to intervene and subsidise electricity tariffs for local manufacturers to reduce the cost of production.

## **6. MACHINERY, EQUIPMENT AND CIVIL WORKS**

### **6.1 MACHINERY**

As mentioned earlier Afro Aromatic Limited will acquire specially designed steam distillation machinery for distilling sandalwood. These will be employing state of the art technology. The company will use latest type of condensers with more tubes and surface area to condense the vapors and to avoid evaporating/damaging the most delicate ingredients of the oil. Already promoters of this project are negotiating with suppliers of such machinery to facilitate supply, installation, testing and commissioning to commence production.

### **6.2 PLANT LOCATION AND CIVIL WORKS**

#### **6.2.1 Site and Location**

The project location will be at plot no. 35, Block A, Moshi Road, Mombo Area, Korogwe District, Tanga Region. This will be the location of company sandalwood oil processing operations and it has an area large enough to accommodate all manufacturing operations, materials storage and office space

#### **6.2.2 Production Buildings Required**

The buildings required for production have ample space. A stock yard is available for storage of sandalwood oil for onward delivery to the customers.

#### **6.2.3 Office Buildings**

An office block accommodating administrative and clerical staff is available within the premises.

## 6.3 UTILITY SERVICES

### 6.3.1 Water

A three-inch diameter pipeline to project location from the main pipeline is available. The plant water requirement is basically for cooling and other factory uses. About 20,000 liters of water will be required per day at the industrial site. Therefore, a water reservoir with capacity of around 40,000 liters is planned for construction. The company will put effort to save water based on improvements and innovations in recycling and harvesting of rain water from the factory's roof.

### 6.3.2 Electricity

The Tanzania Electric Supply Company Ltd. (TANESCO) will provide electricity to the factory site facilitating smooth production. Standby power generators are to be acquired to supply electricity in case there is failure by power utility company to supply required electricity.

## **7 MANPOWER AND ORGANIZATION**

The focus of all aspects of human resource development are on developing the most superior workforce so that the organization and individual employees can accomplish their goals in servicing customers.

Human resource development efforts at Afro Aromatic Limited will mainly be formal such as in classroom training, college courses, or organizational planned change effort. Informal development effort such as in employee coaching by a manager may also be used.

The proposed project by M/s Afro Aromatic Limited will be undertaken under three independent departments, namely:

- Production and Technical Services
- Sales and Marketing
- Administration and Finance

### **7.1 ORGANIZATION**

The Board of Directors of Afro Aromatic Limited will manage the project at policy level. The top most officer in the day to day running of the company will be the Managing Director. Under the Managing Director's office will be the three departments mentioned above. Each department will be under a manager and will comprise a number of sections each headed by a section head as follows.

Production & Technical Services Department:

- Sandalwood Oil Production Section
- Raw Materials Stores
- Quality Control section
- Research and Development section
- Repair / Maintenance section

Sales & Marketing Department:

- Marketing Section
- Sales and Distribution Section
- Finished Goods Stores
- Procurement and Logistics Section

Administration & Finance Department:

- Procurement
- Accounts
- Personnel and Administration
- Security

Each section will be manned by a number of personnel with varying education levels and work experiences.

The management team will comprise the Managing Director, Production Manager, Finance & Administrative Manager and the Marketing Manager.

## 7.2 RESPONSIBILITIES

Responsibilities will be as follows:

### 7.2.1 Production and Technical Services Department

The Production Manager will head the department. The Manager will be responsible for production planning and overseeing that daily production activities are carried. He will

further be responsible for repair and maintenance of company assets and research and development activities.

A quality controller and Maintenance Supervisor will assist the Production Manager execute his duties.

#### 7.2.2 Finance and Administration Department

A qualified Finance & Administrative Manager with experience in administrative issues will head the department. He will be responsible for the administration of the company as well as overseeing its financial aspects. The administration and finance department will comprise three sections, namely:

- The personnel and administrative section which will be responsible for the general administrative matters of the company as well as personnel issues.
- The finance section, which will be responsible for financial issues. It will also be responsible for the proper maintenance of books of accounts and financial planning.
- The purchasing section which will be responsible for the purchase of raw materials, spare parts and equipment. This section will also be responsible for the receipt, storage and issue of purchased materials.

#### 7.2.3 Sales and Marketing Department.

This Department will be headed by the Sales and Marketing Manager who will be responsible for the development of a sustainable sales and distribution network. This will involve recruitment and training of qualified and well motivated marketing and sales personnel.

### 7.3 MANPOWER REQUIREMENT

The permanent and part time manpower requirement for running the proposed plant is 22, with the breakdown mentioned in attached schedules.

#### 7.4 SOURCE OF MANPOWER AND WAGE BILL

Manpower for proposed project will be employed from local sources, except for a few expatriates who would basically be engaged in the training of local staff. The workers will be given on-the-job training to familiarize them with the proposed machinery and equipment. The total wage bill per annum will be US\$ 117,600 as shown in attached schedule.

## **8. INVESTMENT AND FINANCING**

The financial projections prepared by Afro Aromatic Limited to determine the viability of the project are based on the following key assumptions:

- The proposed sandalwood oil production operations will start from the second quarter of the year 2014.
- The whole project output will be exported during initial years of project implementation.
- Financial calculations are based on current market prices and costs are assumed constant throughout the operating period under view on the assumption that if operation costs change, selling prices will change proportionally to preserve the profit margins.
- The project has adopted the currency exchange rate of United States Dollar 1 = Tanzania Shilling 1,620.00.

### **8.1 SUMMARY OF CAPITAL COSTS**

On completion of project implementation, the total investment will reach to US\$ 0.700 million as per attached schedules.

### **8.2 BUILDING AND CIVIL WORKS COSTS**

This involves cost for acquisition of land and construction of factory buildings in which the plant and machinery are to be installed and operated. Other work will involve partitioning, electrification, water supply, installation of overhead tank, etc. This aspect is expected to cost US\$ 100,000

### 8.3 PLANT MACHINERY AND EQUIPMENT COSTS

The main machinery for the envisaged project has been explained earlier. The total investment on machinery and equipment is based on a quotation received from suppliers for main production machinery as well as equipments and amount of to US\$ 300,000 approximately.

### 8.4 MOTOR VEHICLES

For company work, M/s Afro Aromatic Limited will procure the following vehicles at total cost of US\$ 150,000:

UNITS	TYPE OF VEHICLE	UNIT PRICE (US\$)	TOTAL COST (US\$)
5	Pick-Up	20,000	100,000
2	Light Trucks	25,000	50,000
	TOTAL		150,000

### 8.5 PRE-PRODUCTION CAPITAL EXPENDITURES

These include project development cost for feasibility study and start-up expenses, market survey and other overheads before the project becomes operational. A budget of US\$ 30,000 is considered adequate for this item

### 8.6 OTHERS

This covers contingencies such as those related to unexpected increase in costs for acquisition of capital/deemed capital goods. A budget of US\$ 45,000 is considered adequate for this item.

## 8.7 FINANCING PATTERN

The financing of the project will be from shareholder's equity contribution as well as bank loans. The company shareholders will provide US\$ 595,000 of the amount required to finance this investment, while banks will provide loans amounting US\$ 105,000.

## 9. FINANCIAL ANALYSIS

### 9.1 INCOME AND EXPENDITURE

- Income

The proposed project expects to earn its income through the export of sandalwood oil. At sustainable level of production, the total sales are expected to increase from US\$ 1,100,000 in the first year of production to US\$ 1,337,057 in the fifth year of operation.

REVENUE PROJECTION					
PRODUCTS	YR 1 USD	YR 2 USD	YR 3 USD	YR 4 USD	YR 5 USD
Sandalwood Oil	1,100,000	1,155,000	1,212,750	1,273,388	1,337,057
	1,100,000	1,155,000	1,212,750	1,273,388	1,337,057

- Expenditure

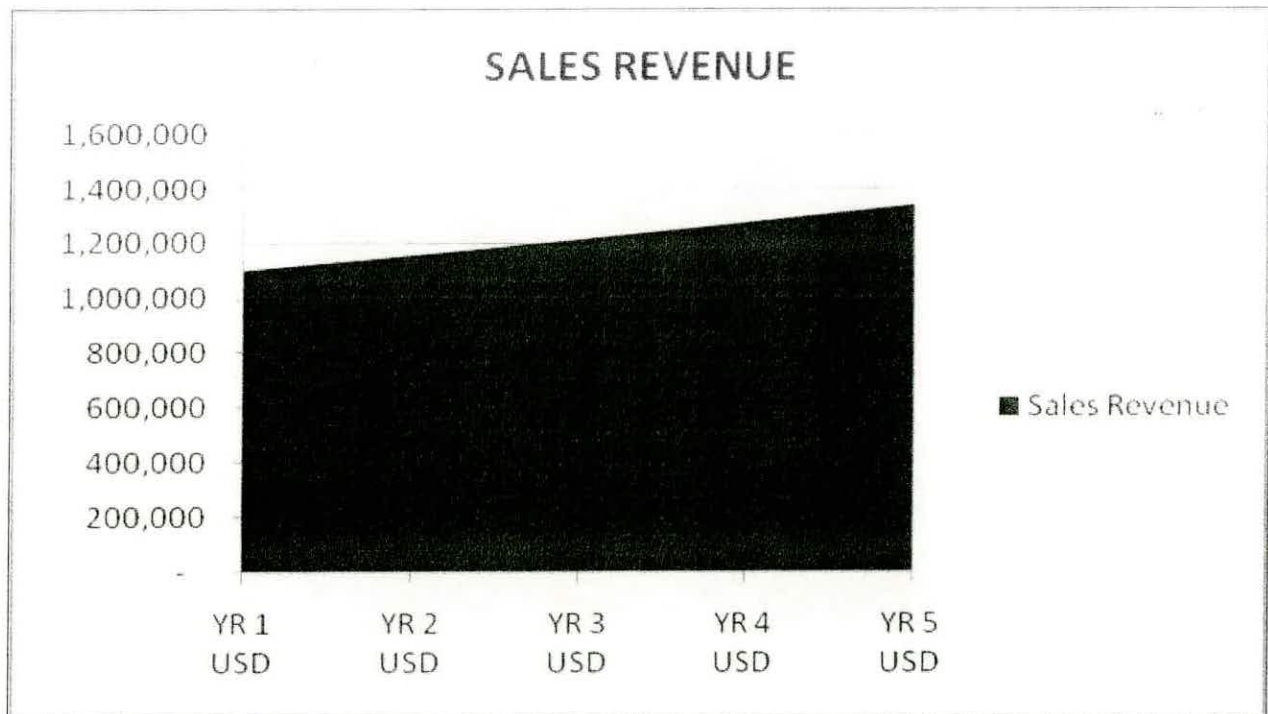
All expenditures related to this project implementation for a period of five years have been summarized in attached schedules.

### 9.2 NET INCOME STATEMENT HIGHLIGHTS

The project generates profit from the first year of operation and can easily meet both its long term and short-term obligations in less than five years.

*Project for Processing Sandalwood to Produce Sandalwood Oil*

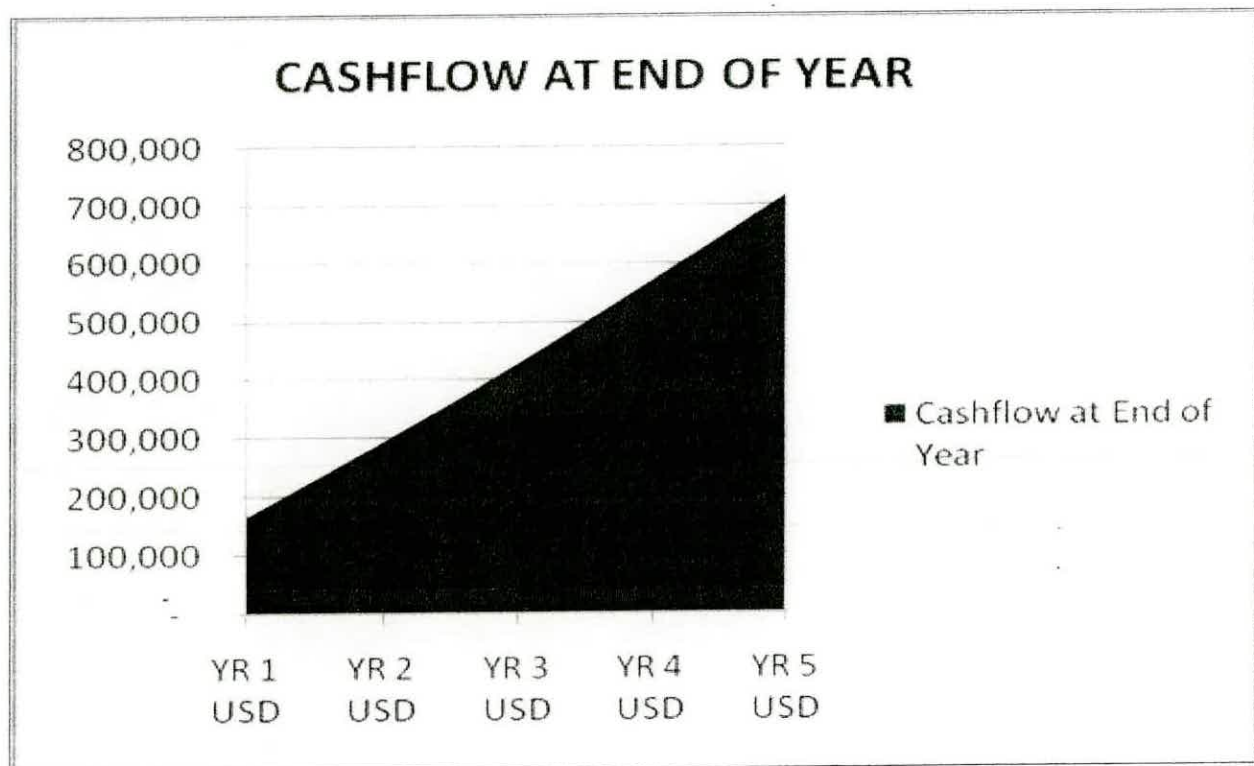
1 <sup>st</sup> Year	69,181.00
2 <sup>nd</sup> Year	74,971.00
3 <sup>rd</sup> Year	80,936.00
4 <sup>th</sup> Year	87,071.00
5 <sup>th</sup> Year	92,674.00



### 9.3 CASH FLOW HIGHLIGHTS

The project's cash flow is impressive as the project has positive end of the year cash flow from first to fifth year of operation.

1 <sup>st</sup> Year	165,580.00
2 <sup>nd</sup> Year	292,760.00
3 <sup>rd</sup> Year	426,705.00
4 <sup>th</sup> Year	567,572.00
5 <sup>th</sup> Year	714,507.00



## **10. ECONOMIC BENEFITS OF THE PROJECT**

### **10.1 EMPLOYMENT**

The establishment of this project by M/s Afro Aromatic Limited will provide additional permanent and part time employment to 22 individuals mostly local Tanzanians.

### **10.2 TAXES**

The government will earn revenue from company taxes standing at US\$ 29,649 in the first year of operation. This figure is anticipated to increase to US\$ 39,717 during the fifth year of operation. The same is summarized in the attached schedules.

### **10.3 FOREIGN CURRENCY EARNINGS**

The project will bring in the country foreign currency as it will be exporting sandalwood oil that will be produced under this project.

### **10.4 PRODUCTION OF HIGH QUALITY PRODUCTS**

The project will produce high quality sandalwood oil due to employment of state of the art technology in sandalwood processing operations.

## 11. CONCLUSION AND RECOMMENDATIONS

### 11.1 CONCLUSION

In all aspects, the project is feasible, sustainable and beneficial not only to the investors but also to the ultimate consumers and the economy as a whole. M/S Afro Aromatic Limited is expected to produce high quality sandalwood oil for export market.

### 11.2 RECOMMENDATIONS

Provided all other economic factors remain substantially the same, it is strongly recommended that the project be implemented with immediate effect. It is further recommended that an application for TIC Certificate of Investment Incentives be submitted to Tanzania Investment Centre with a view to benefit from investment benefits and protection as statutorily allowed under Tanzania Investment Act, 1997.

## AFRO AROMATIC LIMITED

### PROJECTED INCOME & EXPENDITURE STATEMENT

	YR 1 USD	YR 2 USD	YR 3 USD	YR 4 USD	YR 5 USD
Sales Revenue	1,100,000	1,155,000	1,212,750	1,273,388	1,337,057
Cost of Sales	418,000	438,900	460,845	483,887	508,082
Gross Profit	682,000	716,100	751,905	789,500	828,975
Operating Expenses:					
Administrative Expenses:	132,000	138,600	145,530	152,807	160,447
Motor Vehicle running expenses	162,400	127,600	133,980	140,679	147,713
Salaries and wages	117,600	123,480	129,654	136,137	142,944
Pension contribution	11,760	12,348	12,965	13,614	14,294
Depreciation	57,500	57,500	57,500	57,500	57,500
Marketing Costs	55,000	57,750	60,638	63,669	66,853
Interest Expense	2,310	2,310	2,310	2,310	2,310
Utility costs	33,000	36,300	39,930	43,923	48,315
Insurance	39,800	39,800	39,800	39,800	39,800
Communication	6,600	6,930	7,277	7,640	9,022
Total Expenses	583,170	608,998	636,282	665,113	696,584
Profit before Tax	98,830	107,102	115,623	124,388	132,391
Tax (30%)	29,649	32,131	34,687	37,316	39,717
Profit After Tax	69,181	74,971	80,936	87,071	92,674

## AFRO AROMATIC LIMITED

### PROJECTED BALANCE SHEET

	YR 1 USD	YR 2 USD	YR 3 USD	YR 4 USD	YR 5 USD
<u>Fixed Assets</u>					
Long-term Assets	575,000	517,500	460,000	402,500	345,000
Depreciation	57,500	57,500	57,500	57,500	57,500
Total Long-term Assets	517,500	460,000	402,500	345,000	287,500
<u>Current Assets</u>					
Cash	165,580	292,760	426,705	567,572	714,507
Accounts Receivable	275,000	288,750	303,187	318,347	334,264
Stock	306,900	322,245	338,357	355,275	373,039
Total Current Assets	747,480	903,755	1,068,249	1,241,194	1,421,810
Total Assets	1,264,980	1,363,755	1,470,749	1,586,194	1,709,310
<u>Current Liabilities</u>					
Accounts Payable	462,359	484,490	508,794	535,323	563,829
Other Current Liabilities	33,440	35,112	36,868	38,711	40,647
Subtotal Current Liabilities	495,799	519,602	545,661	574,034	604,476
<u>Long-term Liabilities</u>					
Long-term Liabilities	105,000	105,000	105,000	105,000	105,000
Total Liabilities	600,799	624,602	650,661	679,034	709,476
Net Assets	664,181	739,153	820,089	907,161	999,835
<u>Capital and Reserves</u>					
Owners Contribution	595,000	595,000	595,000	595,000	595,000
Retained Earnings	69,181	144,153	225,089	312,161	404,835
Total Capital	664,181	739,153	820,089	907,161	999,835

AFRO AROMATIC LIMITED					
PROJECTED CASHFLOW					
	YR 1	YR 2	YR 3	YR 4	YR 5
	USD	USD	USD	USD	USD
CASHFLOW FROM OPERATIONS:					
Cash Sales	902,000	947,100	994,455	1,044,178	1,096,387
VAT Receipt	198,000	207,900	218,295	229,210	240,670
Subtotal Cash Received	1,100,000	1,155,000	1,212,750	1,273,388	1,337,057
Expenditures from Operations:					
Purchases	376,200	395,010	414,761	435,499	457,273
Additional Cash Spent	525,670	551,498	578,782	607,613	639,084
VAT payments	75,240	79,002	82,952	87,100	91,455
Interest Expense	2,310	2,310	2,310	2,310	2,310
Subtotal Cash payment	979,420	1,027,820	1,078,805	1,132,521	1,190,122
CASH FROM OPERATIONS	120,580	127,180	133,945	140,867	146,935
CASH FLOW FROM INVESTMENTS:					
Purchase of Assets	- 575,000				
Working capital	- 80,000				
CASH FLOW FROM INVESTMENTS:	- 655,000	-	-	-	-
CASH FLOW FROM FINANCING:					
Owners Equity	595,000				
Bank loan	105,000				
CASH FLOW FROM FINANCING	700,000	-	-	-	-
NET CASHFLOW FOR PERIOD	165,580	127,180	133,945	140,867	146,935
CASHFLOW AT START OF YEAR	-	165,580	292,760	426,705	567,572
CASHFLOW AT END OF YEAR	165,580	292,760	426,705	567,572	714,507

AFRO AROMATIC LIMITED  
SCHEDULES AND GRAPHS

SCHEDULE 1

REVENUE PROJECTION

PRODUCTS	YR 1 USD	YR 2 USD	YR 3 USD	YR 4 USD	YR 5 USD
Sandalwood Oil	1,100,000	1,155,000	1,212,750	1,273,388	1,337,057
	1,100,000	1,155,000	1,212,750	1,273,388	1,337,057

SCHEDULE 2

OTHER OPERATING COSTS

OTHER OPERATING COST	YR 1 USD	YR 2 USD	YR 3 USD	YR 4 USD	YR 5 USD
Motor vehicle running expenses	127,600	133,980	140,679	147,713	155,099
Salaries and wages	117,600	123,480	129,654	136,137	142,944
Pension contribution	11,760	12,348	12,965	13,614	14,294
Depreciation	57,500	57,500	57,500	57,500	57,500
Administrative expenses	132,000	138,600	145,530	152,807	160,447
Marketing Costs	55,000	57,750	60,638	63,669	66,853
Interest Expense	2,310	2,310	2,310	2,310	2,310
Utility costs	33,000	36,300	39,930	43,923	48,315
Insurance	39,800	39,800	39,800	39,800	39,800
Communication	6,600	6,930	7,277	7,640	8,022
Total costs	583,170	608,998	636,282	665,113	695,584

SCHEDULE 3

COST STRUCTURE

PARTICULAR	AMOUNT USD
Land and Buildings	100,000
Plant, Machinery & Equipment	300,000
Motor Vehicles	150,000
Furniture & Fittings	25,000
Pre expenses	30,000
Others	45,000
Working Capital	50,000
TOTAL	700,000

SCHEDULE 4

FIXED ASSETS SCHEDULE

NAME OF ASSETS	YR 1 USD	YR 2 USD	YR 3 USD	YR 4 USD	YR 5 USD
Land and Buildings	100,000	90,000	80,000	70,000	60,000
Machinery & Equip.	300,000	270,000	240,000	210,000	180,000
Motor Vehicles	150,000	135,000	120,000	105,000	90,000
Furniture & Fixtures	25,000	22,500	20,000	17,500	15,000
TOTAL	575,000	517,500	460,000	402,500	345,000
DEPRECIATION	YR 1 USD	YR 2 USD	YR 3 USD	YR 4 USD	YR 5 USD
Land and Buildings	10,000	10,000	10,000	10,000	10,000
Machinery & Equip.	30,000	30,000	30,000	30,000	30,000
Motor Vehicles	15,000	15,000	15,000	15,000	15,000
Furniture & Fixtures	2,500	2,500	2,500	2,500	2,500
ANNUAL DEPRECIATION	57,500	57,500	57,500	57,500	57,500
CLOSING FIXED ASSETS	517,500	460,000	402,500	345,000	287,500

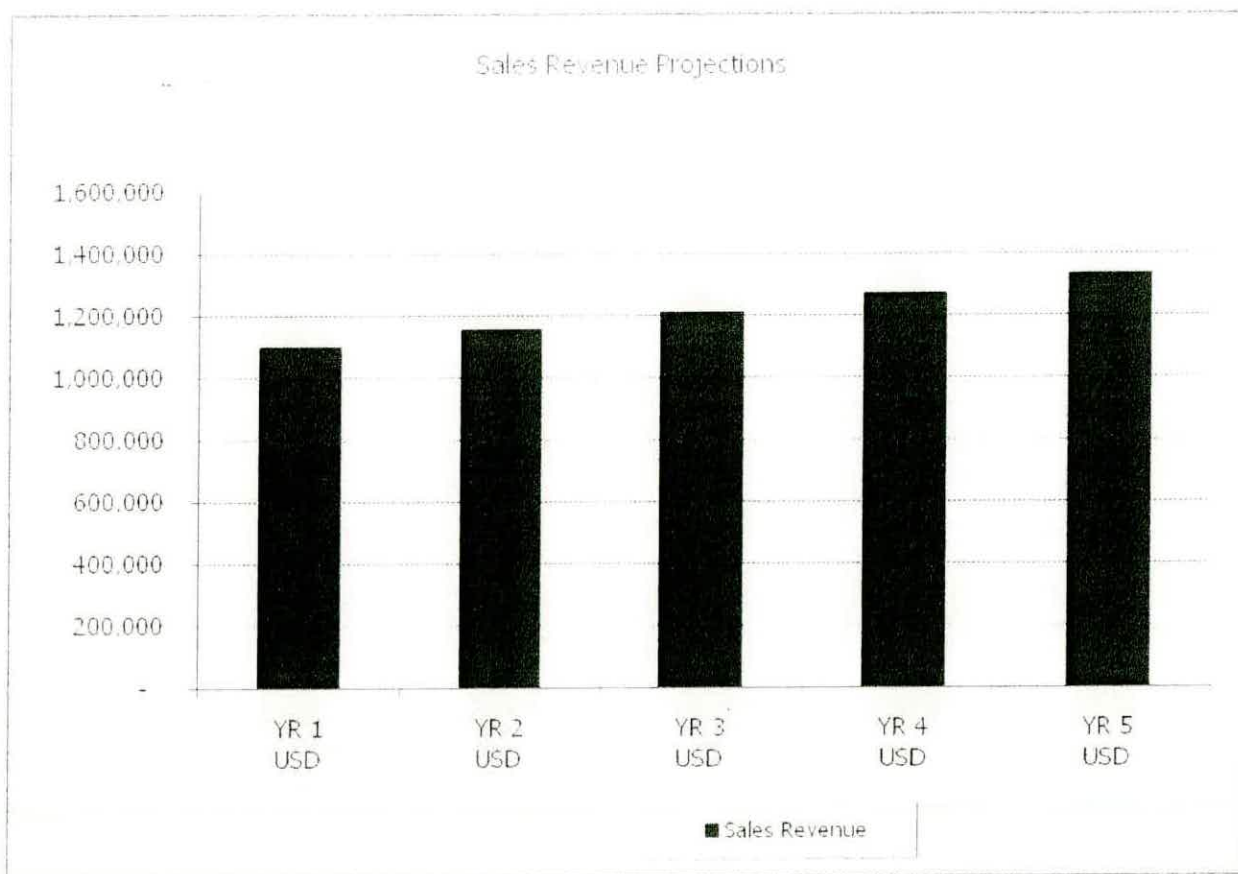
## SCHEDULE 5

## SALARIES &amp; WAGES

N O	DEPARTMENTS/DESIGNATION	NO.	SALARY PER MONTH	SUBTOTAL MONTHLY SALARY	ANNUA L GROSS SALARY
1	Managing Director	1	1200	1200	14,400
2	Finance and Administration Manager	1	1000	1000	12,000
3	Production Manager	1	1000	1000	12,000
4	Sales and Marketing Manager	1	1000	1000	12,000
5	Marketing Officer	1	600	600	7,200
6	Accountants	1	600	600	7,200
7	Machine Operators	3	500	1500	18,000
8	Technicians	2	500	1000	12,000
8	Secretary	1	300	300	3,600
9	Drivers	3	300	900	10,800
10	Casual Labourers	5	100	500	6,000
11	Security Guards	1	100	100	1,200
12	Office Assistant	1	100	100	1,200
	TOTAL USD \$	22	7,300	9,800	117,600

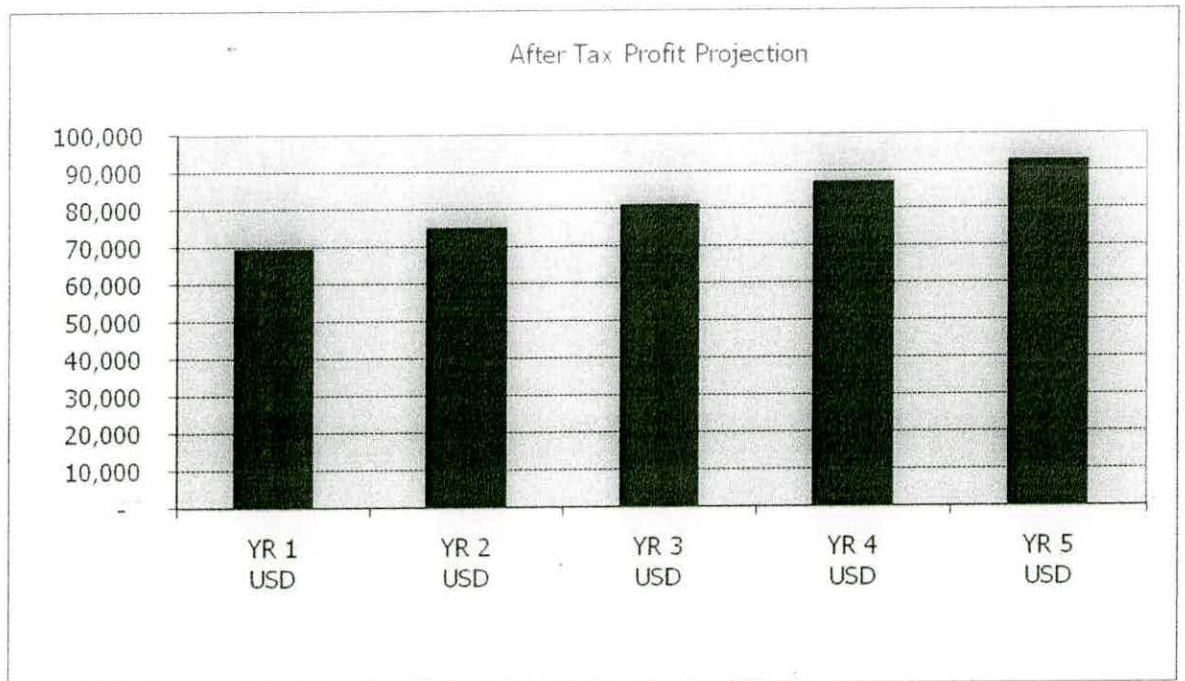
REVENUE PROJECTION

	YR 1 USD	YR 2 USD	YR 3 USD	YR 4 USD	YR 5 USD
Sales Revenue	1,100,000	1,155,000	1,212,750	1,273,388	1,337,057



PROFIT PROJECTION

	YR 1 USD	YR 2 USD	YR 3 USD	YR 4 USD	YR 5 USD
Profit After Tax	69,181	74,971	80,936	87,071	92,674



### CASH FLOW PROJECTION

	YR 1 USD	YR 2 USD	YR 3 USD	YR 4 USD	YR 5 USD
Cashflow at End of Year	165,580	292,760	426,705	567,572	714,507

Cashflow at end of Year Projection

