

KEGROW TANZ
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EXD

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

(a) Minimum finance investment threshold has been exceeded, the project expects to invest us\$1.953m

(b) Legal entity has been incorporated under certificate

No. 67581 of 17/10/2008

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

Submitted for signature.



N. A. Senzia

DIF

17th November 2008

EXD

In response to the TIC letter of registration dated 17th november 2008

the project has submitted the required documents namely: -

(a) Company Board Resolution.

(b) Reference letter/Financing from Oranb Bank Ltd

(c) Evidence of land transfer documents, sales agreement and title deed is evidence of land

With the above submission EXD is requested to sign Certificate of Incentives No. 041605 herein attached.

18/12/2008



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MINUTE

PAGE NO. _____

BUSINESS PLAN

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**KENGROW TANZANIA
LIMITED**

NOVEMBER 2008

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1. THE EXECUTIVE SUMMARY:

1.1 The Industrial and Trade sectors in the domestic economy:

The contribution of the manufacturing sub sector to the gross domestic product (GDP) for the year 2007 was 7.8%, the same as it was for year 2006. On the other hand the contribution of the hotels and restaurant sector to the country's gross domestic product was 2.7% in 2007 compared to 2.6% in the year 2006.

The proposed establishment of a New Milling Facility in Arusha complex once carried out will also contribute to the growth of both the industrial and trade sectors of Tanzania's economy. Accordingly the proposed wheat mill at Arusha should therefore be supported.

1.2 The Company:

Kengrow Tanzania Limited is a newly established Company that was incorporated on 17th October 2008 as limited liability Company with an authorised share capital of Tanzania shillings one billion (Tshs,1,000,000,000) made up of ten thousand ordinary shares (10,000 shares) each with a per value of Tanzania shillings one hundred thousand (Tshs 100,000)

1.3 Project description:

The Kengrow Tanzania Limited Directors are investing on new 50 ton wheat milling facility at the Arusha that will utilize latest technologies that is crucial for increasing the maximum output in processing the raw materials

The new plant shall include equipments for processing the raw grain in grain receiving, pre-cleaning and in cleaning stages. The application of these technologies in the above stages plays an important role in maximizing processing efficiency.

The plant will also include a complete mill plant machines and equipments will have input milling capacity of tons 50 per 24 hours; supply of various spare parts for the screening/cleaning section of the mill; and the purchase of laboratory equipment

This Flour Mill consists of both Cleaning Section and Milling Section with four wooden silos of 20 Tons each capacity. Additional storage facility for wheat grain for 3,000 Metric Tons will also be constructed. The mill is designed for low energy requirements, minimum man power requirements, low maintenance cost and high flour yield with focus on increasing plant efficiency through automation which will produce consistent quality products while achieving high flour extraction rates.

The mill has 6 roll bodies with 4 rolls gear set pulley and brush for grinding the wheat grain into flour, semolina (sooji), atta and bran with 2

plansifters for sifting flour and for sorting various granular materials. There is high efficiency dust collector, cyclone, complete with 10 air locks and pneumatic set with cyclone.

There is an intensive Dampening unit which adds water to the wheat. A scourer with Aspiration Channel provided to scour the wheat and take out the little quantity of bran adhering to the wheat.

Planned production of the rehabilitated wheat mill is as shown in the table below.

Particulars	Year 1	Year 2	Year 3 onwards
Working days per year	300	300	300
Capacity utilisation	75%	85%	95%

The extraction ratios used in the financial projections are 76% for wheat flour; 10% for pollard and 14% for wheat bran.

The new mill shall enhance wheat productivity in Arusha and Manyara Region.

1.4 Implementation programme:

Implementation of the proposed installation of the new milling facility in Arusha is expected to take 6 months from the time of shipping of the machinery to the end of its commissioning stage.

1.5 Materials and inputs:

Raw materials and other inputs required in wheat milling operations include wheat grain, labour, utilities – water and electricity. So as to put its products into the market, packaging materials will also be needed.

Kengrow Tanzania Limited will all local produced wheat grain, but due to inadequacy of local production of wheat grain, the Company will import some the wheat grain to supplement the required quantity to run the wheat mill at Arusha. All other inputs will be obtained locally.

1.6 Marketing:

As one of the three cereals forming part of the staple food of Tanzanians, wheat flour is mainly consumed in urban centres of Tanzania. Tanzania's annual demand for wheat is currently estimates to range between 730,000 and 750,000 metric tons. On the assumption that this demand will grow at an annual rate of 4.5%, it is projected to reach metric tons 1.115 million by year 2017.

Against the above currently estimated demand for wheat, the country's current total industrial wheat milling capacity of the big mills is around 1,020,000 tons. Though this capacity is well in excess of the demand, latest published data from the Annual Economic Survey of year 2007 show

that the country's actual industrial production of wheat flour for the last six years – from to 2006 - has grown from metric tons 180,098 in year 2001 to 406,160 tons in year 2007.

The big gap between demand and supply of wheat notwithstanding, Kengrow Tanzania Limited will market its products using a marketing strategy that includes five major elements, namely, (a) quality product; (b) flexible pricing policy; (c) dynamic and creative promotion; (d) segmentation of market and (e) efficient distribution system.

Although the market has many suppliers, it should be noted that the major wheat mills are concentrated in Dar es Salaam. Furthermore, given that Arusha is now a fast growing regional centre within the Great Lakes Region, wheat flour producers located in Arusha have milder competition amongst themselves than those millers located in Dar es Salaam.

So subject to appropriate implementation of its marketing strategy Kengrow Tanzania Limited is of the view that it will surmount/neutralise this competition quite considerably.

As for wheat by-products, although there are no published data to go by, Kengrow Tanzania Limited's long wheat milling experience acquired while operating a similar operation in Uganda over the last ten years, shows that there is always a big market for wheat pollard and bran, both of which may be consumed locally by manufacturers of animal feeds. Alternatively wheat bran may be exported. It is therefore expected that Kengrow Tanzania Limited will sell all their wheat by-products with much ease.

1.7 Investment cost estimates and Financing plan:

The capital investment costs for establishing a new wheat milling complex in Arusha are estimated at United States dollars (USD) 1.642 million. Initial working capital cost required to start operating the wheat mill is estimated at USD 314,941. Thus the total cost of the proposed mill programme is estimated to be USD 1,957,557.

The above estimated costs are planned to be financed initially by equity funds from Kengrow Tanzania Limited of USD 1,957,557. A bank overdraft of USD 314,941/= from the financial institution may be sought if it will be deemed necessary.

1.8 Projected financial results:

Projected profit and (loss) accounts of the proposed new wheat milling facility at Arusha show that operations of the project are expected to be profitable.

The project is expected to make profit right from the first year as it expected to generate adequate cash to meet all its operational costs.

Projected balance sheets of the proposed project show that the project is expected to have a strong financial result.

1.9 Discounted Cash Flow (IRR) and sensitivity analysis:

On basis of assumptions mentioned herein above, the proposed project's operations indicate that this investment is expected to have an after tax internal rate of return of 21.00 %, a figure considered acceptable.

The sensitivity analysis carried out has shown that the profitability of the project is expected to be most sensitive to changes in selling prices followed by changes in operating costs. Changes in yield rates come third. The operations are expected to be least sensitive to changes in capacity utilisation.

1.10 Economic impact:

The economic impact of the proposed new milling operations to the country is in two areas, namely, (a) creation of direct employment opportunities of around 53 and indirect ones as well as several multiplier effects in the national economy;(b) generation of revenue to the government by way of corporation tax estimated to range between USD 87,468- in its first year of operations to US Dollars 140,125 in the eighth year.

1.11 Environmental impact:

The project is considered and expected to be environmentally friendly.

1.12 Risk factors:

Major risk factors that the operations of the wheat mill will face are of three types, namely, (a) economic; (b) political, social and religious upheavals; and (c) industry risks.

However, the possibility of any the above risks occurring at the moment in Tanzania are remote. This is so as the country's economic is at a growing stage. Secondly, the country's leadership, the clergy and laity are all exhorting Tanzanians to work and live in harmony with one another. Finally, as a producer of foodstuffs, demand for wheat will continue to grow as the country's population grows.

1.13 Conclusion and Recommendations:

The proposed establishment of a new wheat mill at the Arusha is expected to be a profitable undertaking. The project, if implemented, is expected to have an internal rate of return of **21.00 %** that is shows a good return on investment.

The promoters of the project have also confirmed their ability to raise the equity funds to execute the proposed development.

The economic impact for implementing and operating the project is also positive. The operations of the wheat mill are friendly to the environment.

In view of the above, it is recommended that the proposed wheat milling facility be established at the Arusha at the earliest possible opportunity.

2. THE INDUSTRIAL AND TRADE SECTORS IN THE DOMESTIC ECONOMY:

2.1 Introduction:

Latest published data from the Annual Economic Survey for the year 2006 – a publication of the President's Office – Ministry of Planning and Economic Empowerment – show that for the year 2006 the industrial sector grew at an annual rate of 8.6% compared to 9.0% in year 2005. The cause in the growth rate was the high cost of electricity and water following the drought of the early part year 2006.

On the other hand the contribution of this sector to the gross domestic product during year 2006 was 9.2% compared to 9% for the year 2005. The reason for this higher contribution is the increase recorded in the production of various industrial products such as building materials like cement, roofing sheets and steel round bars, as well as an increase in the production of beverages like beer.

During the same period – year 2006, the trading and hotels sector – both retail and wholesale – grew at an annual rate of 8.4% against 8.2% in year 2005. The contribution of this sector to the country's gross domestic product was also higher – at 17.5% - than that of the year 2005 of 17.2%. The increase in the number of hotels – which are also grouped under the trading sector was the single biggest cause for the better performance of the trade and hotels sector in year 2006 compared to the year 2005.

2.2 The new wheat milling facility at Arusha :

The proposed project to establish wheat mill at Arusha once carried out will also contribute to the growth of both the industrial and trade sectors of Tanzania's economy. This is due to the fact that it will increase the capacity and competition which is good news for consumers. Given that the project may process locally produced agricultural goods – wheat grain, it will also act as source of an additional market for farmers growing wheat in Tanzania. So it will be a stimulant to the increase in wheat grain growing in Arusha and Manyara regions where much of the wheat is grown.

Based on the foregoing, the proposed establishment of a wheat mill in Arusha should therefore be supported as it has positive implications to the country's economy.

3. THE COMPANY:

Kengrow Tanzania Limited is part of Kengrow Industries Limited that owns and operates milling facility in Uganda. The investors are based in Kenya and have similar businesses interest in Kenya. The investor's intent is on investing on a new wheat milling facility in Arusha, Tanzania.

3.1 Incorporation:

Kengrow Tanzania Limited (KTL) was incorporated on 17th October 2008 under the Companies Ordinance - Cap 212 of the Laws of Tanganyika as a private limited liability company. The company's certificate of incorporation is no. 67981.

Its authorised shared capital at the date of registration stands at TShs: 1.00 billion divided into 10,000 shares of TShs: 100,000/= each.

3.2 Ownership:

Kengrow Tanzania Limited (KTL) is a family business owned by three shareholders in the proportions shown hereunder.

S/n	Name of shareholder	%age shareholding
1	Mr. Rehmetullah Amirally Jamal	25
2	Mr. Feisal Amirally Hasham Jamal	25
3	Mrs. Goolshen Amirally Jamal	50
	Total	<u>100</u>

3.3 Location:

The company is located at Plot no. 51 Themu Industrial Area within Arusha Municipality. The plot is well developed and well served and linked with good transport, utilities (electricity and water) as well as communication networks.

3.4 Board of Directors:

The present board of directors of Kengrow Tanzania Limited (KTL) Limited comprises two directors namely, Mr. Rehmetullah Amirally Jamal and Mr. Feisal Amirally Hasham Jamal. These are the company's three shareholders, with Mr. Rehmetullah Amirally Jamal as the Chairman and Managing Director of the company.

The Board of Directors is responsible for all major policy decisions of the company. These include formulation of operating strategies of the company.

3.5 Management Team:

The management team of Kengrow Tanzania Limited is made up of two key people whose brief profiles are as stated hereunder.

(a) Mr. Rehmetullah Amirally Hasham Jamal:

Mr. Rehmetullah Amirally Hasham Jamal aged 53 years is an investor and a businessman with many business interests in Kenya and Uganda. As stated above, Mr. Rehmetullah Amirally Hasham Jamal is the Chairman and Managing Director of the Company. He has more than 30 years of experience in managing investment and businesses, trading, marketing and transportation of commodities as well as in the operation of large scale manufacturing enterprises

Mr. Rehmetullah Amirally Hasham Jamal, brings into the Company his extensive knowledge and experience gained over the years to assist to propel the new Company into realising its goals and objectives

He and his other director have both acquired many years experience in the milling industry (while operating their wheat mill in Uganda) to understand and respond to the needs of their clients with quality products and excellent services.

(b) Mr. Feisal Amirally Jamal

Mr. Feisal Amirally Jamal aged 49 years is an executive director of Kengrow Tanzania Limited who shall be working in the capacity of Operations Manager. He has wide experience in management and marketing matters following work in his private investment Companies where has been involved with the last twenty years.

3.6 Business activities.

(a) Business activities:

Kengrow Tanzania Limited (KTL) is a food-industrial company that shall be engaged in milling and marketing of wheat flour and wheat by-products. It will mainly be dealing in procurement of wheat grain and milling of wheat for the local market; and export markets..

(b) Past performance:

Previous performance of Kengrow Industries Limited an associated Company in Kengrow family based in Uganda shows the financial performance has been sound as the company has been able not only to operate profitably but also to grow both its turnover and its profit as indicated in the tables here below.

Table 1: Profit and (loss) statements for years ended 31st May 2008....

Particulars/Year	USHS: '000'	
	2008	2007
Turnover	17,676,115	15,930,403
Profit before tax	267,399	560,861
Pre-tax profit as a % of sales	1.51%	3.52%

Table 2: Balance sheets as at 31st May 2008

Particulars/Year	USHS: '000'	
	2008	2007
Non-Current assets	4,286,160	4,550,507
Current assets	4,024,933	2,373,680
Total Assets	8,311,093	6,924,187
Net current assets		
Equity & Liabilities		
Owners' Capital	2,525,000	2,525,000
Revaluation Reserve	1,832,753	1,892,109
Revenue reserves	(640,837)	(778,449)
Non-current liability	9,59,674	913,487
Current Liabilities	3,634,503	2,372,040
Total equity & liabilities	8,311,093	6,924,187

Kengrow Industries Limited's audited accounts as summarised in the above tables indicate that the company has, indeed, been operating profitably.

(c) Vision:

Kengrow Industries Limited's vision is to be "a leading fully integrated agro processing company that produces high quality products in Tanzania".

(d) Mission:

In line with its vision, Kengrow Industries Limited's mission is to satisfy its customers' needs by carrying out its farming through contract farmers and agro processing activities in an efficient and sustainable way."

4. PROJECT DESCRIPTION:

This Flour Mill consists of both Cleaning Section and Milling Section with four wooden silos of 20 Tons each capacity. Additional storage facility for wheat grain for 3,000 Metric Tons will also be constructed. The mill is designed for low energy requirements, minimum man power requirements, low maintenance cost and high flour yield with focus on increasing plant efficiency through automation which will produce consistent quality products while achieving high flour extraction rates.

The mill has 6 roll bodies with 4 rolls gear set pulley and brush for grinding the wheat grain into flour, semolina (sooji), atta and bran with 2 plansifters for sifting flour and for sorting various granular materials. There is high efficiency dust collector, cyclone, complete with 10 air locks and pneumatic set with cyclone.

There is an intensive Dampening unit which adds water to the wheat. A scourer with Aspiration Channel provided to scour the wheat and take out the little quantity of bran adhering to the wheat.

4.1 Background:

Following the reintroduction of trade liberalisation in Tanzania in the mid 1980s, in efforts to strengthen the country's economy, the Tanzania government simultaneously embarked on various initiatives aimed at making the private sector become the main driver of the economy.

Thus from the early 1990s the government has continued to pursue policies that have liberalized the Tanzanian markets, disciplined inflation and encourages businessmen into new global relationship.

It is against this background Kengrow Industries Limited's shareholders decided to invest in Tanzania .

4.2 New wheat mill machinery:

The new wheat mill machinery to be supplied and installed will have a milling capacity of 50 tons per 24 hrs operation for 2 shifts. The new equipment will be for various sections of the mill as indicated below.

(a) Flour mill section:

There are about 22 assortment of machinery and equipment from the elevators at receiving the wheat grain through the aspiration system to final reverse bag filters.

(b) Aspiration section:

Aspiration System – To aspirate the machine and materials and take out the impurities which are lighter in weight.

(c) Finished products packing section:

New packing equipment shall be used for hygienic packaging system to ensure the quality and safety of the product.

(d) Auxiliary equipment:

Additional new equipment for compressed air and maintenance equipment will also be availed to ensure minimum down time in-case of breakdowns.

(e) Plant automation:

Various types of machinery will also be supplied for the electrical control system of the mill.

(f) Screening/Cleaning machinery spare parts:

The following machinery shall be used for screening and cleaning wheat in production process.

- Reel Machine/Drum Sleeve – To take out the impurities which are bigger in size and separate the dust from the wheat.
- Separator with Aspiration Channels – To suck and separate the impurities from the wheat such as straw, chaffs, sand and stones.
- Cockle Cylinder – To separate the black seeds broken wheat, Kernels and cockles from the wheat

(g) Laboratory equipment:

Eight types of new laboratory equipment will also be supplied.

(h) Installation, training and commissioning:

Mill installation also includes elements of installation, training of employees and commission of the wheat mill.

4.3 Wheat milling processes:

The production of wheat flour industrially –i.e. by use of industrial wheat milling equipment - involves various processes/stages as briefly described below starting with wheat grain.

- The Kernel of Wheat

Sometimes called the wheat berry. The Kernel is the seed from which the wheat plant from. Each tiny seed contain three distinct parts that are separated during the milling process to produce flour.

- Endosperm

About 83 percent of the Kernel weight and this is the source of white flour. The endosperm contains the greatest share of protein, carbohydrates and iron as well major – B-vitamin such as riboflavin, niacin and thiamine. It is also a source of soluble fibre. The other constituents of the grain are wheat bran and wheat germ which is known as wheat pollard.

The process starts when the wheat is blended at the feeding point and the elevator takes it to the Reel machine for removing the soil and wheat husks after that it will again pass through the elevator to take it to the separator to suck and separate the impurities, broken wheat and husks and remove the light or husks by air. Then it passes through the elevator and goes to the separator doing the cleaning further. After that the wheat will go in the intensive damper for addition of moisture then it passes through the elevator to the silos for tempering for 21-24 hours. After that the wheat will pass through the conveyor to the elevator and passes to another separator for separating foreign materials metals etc which is having magnet. Again the wheat passes to another elevator to the scourer machine to remove the little bran adhering the wheat, then the wheat passes to the De-stoner for removing the stones, sand and metals from here the wheat goes to the wheat box for milling.

From the wheat box the wheat goes to the first break roll for crushing from here the crushed wheat goes to the plansifter (1st break) for sifting from the plansifter the flour goes to purifier where it separates into Semolina (sooji) and rawa, some materials can go to IR Roll and others can go to CR1 (grader). The same parator shall continue for the six Roll mills and the plansifter sifts the fine baking flour, bran, pollard and sooji(semolina). The whole baking flour comes through conveyor and arises in another conveyor where a lumping doping units adds flour improver, then it goes for packing in bags or paper bags.

The stages wheat passes through from a raw to finished products involves the following: .

(a) Storage:

When the wheat arrives by truck at the factory site it will be taken to the mill silos by tipping trucks. The Kengrow Tanzania Limited' Milling Complex shall have storage capacity of 10,000 tons.

(b) Screening/cleaning:

After silo storage, wheat is taken to mill bins, from which it is sent to the screening/cleaning. It is in this section that impurities are removed from the grain.

With imported wheat there is very little loss at the cleaning stage. If local wheat is used the loss sustained at the cleaning state is around 2%. Although the proposed project will use imported wheat, for purposes of

financial projections of this project it has been assumed that there will be a loss of 2% during the cleaning stage.

(c) Conditioning:

From the screening/cleaning section the clean wheat is taken to the conditioning section to make it attain desired milling quality parameters. In this section water is added to facilitate conditioning. The additional water comprises nearly 2% of the clean wheat.

(d) Milling:

On attainment of proper milling conditions, the wheat grain is sent to milling rollers and sifting machines which work in succession until flour and by products come out at the end of the line.

The extraction ratios in the milling process depend on type of wheat grain in use. But generally these ratios are within the ranges shown in the table below.

Product	Extraction ratios	
	From	To
Wheat flour	75%	77%
Pollard	6%	10%
Wheat bran	13%	18%

Due to the addition of water during the conditioning stage, there is usually hardly any loss during the milling process. Thus for purposes of financial projections of this project, it has been assumed that there will be no loss during the milling stage. Also the extraction ratios used in the financial projections are as indicated below.

Product	Extraction ratio
Wheat flour	76%
Pollard	10%
Wheat bran	14%

Furthermore, the milling capacity utilisation assumed in the financial projections will be as shown in the production plan below.

Particulars	Year 1	Year 2	Year 3 onwards
Working days per year	300	300	300
Capacity utilisation	75%	85%	95%

(e) Packing:

These outcomes (wheat flour and by-products – pollard and bran) of the milling process are stored in silos before they are packed for delivery to customers. The standard packaging that will be in use will initially be packages of 50 kg; 25 kg and 10 kg. Later as the market develops, units of 5 kg; 2 kg and 1 kg will also be rolled out. In this write-up's financial projections, packages used are those of 50 kg; 25 kg and 10 kg for wheat flour as well as 50 kg for both pollard and wheat bran.

(f) Delivery to customers:

After packing, finished products will be delivered to customers by either Kengrow Tanzania Limited's or customers' trucks.

5. IMPLEMENTATION PROGRAMME:

Implementation of the proposed new wheat mill plant at Arusha is expected to take 6 months from the time of finance mobilisation to the end of its commissioning stage.

The duration of each implementation activity is as indicated in the chart below.

ACTIVITY / PERIOD	No of months	DURATION OF IMPLEMENTATION - NO. OF MONTHS														
		10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
Registration of the company	1	■														
Application to TIC	1		■													
Funds mobilization	2	■	■													
Ordering of machinery by way of down payment & LC establishment	2		■	■												
Ordering & Receiving shipment to Arusha via Dar	2			■	■											
Preparation of factory building for installation	2		■	■												
Clearing of plant and machinery from customs	2					■	■									
Transport of machinery to Arusha	1							■								
Recruitment of personnel	3							■	■	■						
Installation of machinery	3							■	■	■						
Training of key personnel	4							■	■	■	■					
Dry test runs and commissioning	1											■				

The above implementation timetable is in line with the period for manufacturing and delivery of the machinery that the supplier has indicated in their quotation.

It is expected that fund full production will start anytime in June/July 2009.

6. MATERIALS AND INPUTS:

Raw materials and other inputs required in wheat milling operations include wheat grain, labour, utilities – water and electricity. So as to put its products into the market, packaging materials will also be needed. The availability of these materials and inputs is discussed below.

6.1 Wheat grain:

Tanzania's wheat production is insignificant when compared to the national demand of 750,000 metric tons per year. According to latest published data, - the Annual Economic Survey for the year 2006, Tanzania's local production of wheat was a meagre 109,531 tons only. Like the case is for most of the existing wheat mills in Tanzania at present, almost all the wheat that shall be required to run the new wheat mill at Arusha based at Themu industrial area will have to be imported.

Hereunder is brief status of the availability of wheat grain and its selling price in the world market.

(a) Wheat availability in world market:

The supply of wheat in the world market is plenty at all times. Sources of wheat in the world market include the countries of North America – Canada and the US; Australia and various European countries – inclusive of Russia. Most exporters sell wheat in minimum quantities of metric tons 10,000.

Thus subject to funding, Kengrow Tanzania Limited should be able to obtain all the wheat grain it requires to run its mill.

(b) International market wheat prices:

For the type of wheat grain – hard wheat grain with protein content of in excess of 11% - that the project will use the current international market f.o.b. prices range from US dollars 170.00 to 250.00 per metric ton depending on source.

As imported wheat will be brought to Arusha via Tanga port in vessels and be transported to mill silos by company/hired trucks, after customs clearing formalities have been completed, the price of imported wheat grain landed Arusha Kengrows' Milling Complex has been taken at US dollars 460.00 per ton.

6.2 Labour:

Industrial wheat milling requires both skilled and unskilled labour. Both skilled and unskilled labour for this purpose is available in Arusha. Thus it will not be necessary for this project to incur undue high costs to acquire these two types of labour.

Kengrow Tanzania Limited shall be are using the services of a qualified industrial engineer to coordinate the purchase of the new machinery for the wheat mill. It is this same engineer who will also coordinate the recruitment of skilled and unskilled labour to run the operations of the mill on completion of its rehabilitation.

6.3 Utilities:

The Kengrow Tanzania Limited's industrial site in Arusha is located in Themis industrial area. This is an industrial area that is well served with both electricity and water – essential utilities that are needed during the operation of the wheat mill. Barring occasional outages – interruptions – the continuous supply of both electricity and water within the Themis Limited industrial area is reasonably reliable.

6.4 Packing Materials:

Wheat flour and its by-products from the rehabilitated wheat mill will be packed in polypropylene (pp) bags in sizes of 50 kg, 25 kg, 10 kg. In line with the marketing strategy, smaller size packages will be rolled out later depending on the way such market develops. These are expected to be packages of 5 kg, 2 kg and 1kg. The smaller size packages will be in paper bag packets wrapped in six packet balers.

There are many pp bags and paper bags manufacturers in Tanzania. So the supply of packing materials is expected to be smooth throughout the operations of the rehabilitated wheat mill.

7. MARKETING:

Tanzania's population has several types of staple foodstuffs. Maize is the major cereal staple food for the majority of Tanzanians. This is followed by rice, sorghum/millet and wheat respectively. Non-cereal stable foodstuffs include bananas and Irish potatoes. While cassava leads the other non-cereal staple foods in its importance and quantity of production, it is followed by bananas and sweet potatoes.

Tanzanians' preference - particularly that of urban dwellers - for eating food made out of wheat flour has been there for decades. This phenomenon notwithstanding, here below is an analysis of the market for wheat flour products in Tanzania. The marketing strategy that will be adopted by Kengrow Tanzania Limited is also discussed in this chapter.

7.1 Demand for wheat flour:

(a) Main consumers:

As stated in the above preceding section, wheat flour is mainly consumed in urban centres of Tanzania. It is eaten in the form of bread, doughnuts, buns, chapattis and different types of confectionaries such as cakes etc. It is also an industrial raw material for the manufacture of biscuits and various pasta products.

According to the year 2002 population and housing census Tanzania's urban residents totalled nearly 8.00 million out of a total population of 34.60 million. Other non-urban consumers of wheat products include institutions such as boarding schools, training centres for occupations such as the police, prisons and military. Yet there are still other consumers of wheat products such as mining communities (both formal and informal) and small trading centres not as yet officially recognized as urban places. These other non-urban consumers of wheat flour products are estimated to amount to around 2.00 million.

Assuming 50 % of the urban dwellers consume wheat flour based products as their main source of calories, the number of urban dwellers that requires wheat flour based products is 4.00 million. Assuming also that 25% of the non-urban dwellers consume wheat based products as their main source of calories, the number of non-urban dwellers that requires wheat flour based products is 0.50 million.

With the Tanzanian urban dwellers population growing at around 4.5% annually and that of non-urban consumers of wheat flour based products growing at 0.25% annually, the total number of consumers of wheat flour based products is currently estimated at around 5.50 million people.

(b) National demand for wheat:

According to food and nutrition data, a normal person whose main source of calories is from wheat flour based products needs the equivalent of a 350 gram loaf of bread per day. To produce a 350 gram loaf of bread 280 grams of wheat flour are needed. At a 76% extraction yield of wheat flour, 368 grams of wheat grain are required to get that quantity of wheat flour to make one 350 gram loaf of bread. Based on the current number of people who consume wheat as their main source of calories as indicated in section 7.1 (a) above, the national daily wheat grain requirement is 2,020 metric tons. Consequently, inclusive of the demand for manufacturers of biscuits and pasta products, Tanzania's annual demand for wheat grain currently ranges between 730,000 and 750,000 metric tons.

(c) Projected demand for wheat:

As one source of the country's staple foodstuffs, the demand for wheat is set to grow annually as the population grows. According to the TRA wheat importation data, the country has been consuming imported wheat products – mostly wheat grain for milling into flour - of the magnitude shown in the table below.

Metric tons:

Year	2003	2004	2005	2006	2007
Wheat products imported	494,830	612,834	485,415	645,653	815,516

Though the above import data are varying from year to year, it is apparent from the above data that the annual growth in imports of wheat products is averaging 16.20%. It should be noted that imports are also subject to availability of foreign currency to import the particular item.

On the other hand, assuming the annual growth in demand for wheat is pegged at the same annual growth rate as that of Tanzania's urban population – i.e. 4.5% according to the year 2002 population and housing census – then the national demand for wheat over the next ten years will be as indicated in the table below.

MTons: '000'

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Wheat demand	750	784	819	856	894	935	977	1,021	1,067	1,115

The data in the above table shows a lower annual growth rate in demand for wheat products by Tanzanians. For conservative purposes, this may therefore be taken as the realistic one.

7.2 Wheat Flour Supply:

Up to the late 1980s, the NMC had a monopoly in the supply of wheat flour in the country. There were then only two wheat mills in the country with a combined capacity of 450 metric tons per 24 hours. Both of these belonged to NMC and their capacity utilization was low (reportedly at 50%). One of these mills was in Dar es Salaam and the other in Arusha. While the one in Dar was sold to Said Salum Bakhressa Company Limited, the one in Arusha has remained the property of the NMC. However, from the early 1990s, it was being operated either by the NMC itself or other private businessmen under lease.

Following the reintroduction of trade liberalization policies by the Tanzanian government in the country from the mid nineteen eighties, permits were issued to private entrepreneurs to lease, and so use, NMC wheat milling capacity at a fee. At the same time, private entrepreneurs were also allowed to establish privately owned wheat mills. As of to day, Tanzania has a vibrant wheat milling sub-sector comprising not less than 8 different private entrepreneurs, some of whom are now owning more than one wheat mill.

The country's current total industrial wheat milling capacity of the big mills is around 1,020,000 tons as listed below.

OWNER	MILL	LOCATION	CAPACITY (mt/24h)
Said Salum Bakhressa & Co. Ltd	MZIZIMA	Dar es Salaam	500
	KIPAWA	Dar es Salaam	250
	BUGURUNI (Formerly NMC's)	Dar es Salaam	1,000
Sub total - SSB			1,750
Mikoani	Azania 1	Dar es Salaam	200
	Azania 2	Dar es Salaam	350
Sub total - Mikoani			550
Coast Millers Limited	Mabibo (Nelson Mandela Expressway	Dar es Salaam	200
Mohamed Enterprises Ltd	Kurasini	Dar es Salaam	300
Jumbo Millers Ltd	Njiro	Arusha	120
National Milling Corporation	Unga Limited	Arusha	180
Sunkist Millers Ltd	Unga Ltd	Arusha	50
Pembe Millers Limited	Gofu	Tanga	250
TOTAL			3,400

Although the installed capacity of industrial wheat milling in the country is in excess of the national demand for wheat, actual capacity utilisation appears to be below the demand. To wit, according to latest published data from the Annual Economic Survey for the year 2006, industrial production of wheat flour for the last six years has been as shown in the table below.

Year	Metric tons:					
	2001	2002	2003	2004	2005	2006
Wheat flour	180,098	219,118	355,616	338,076	368,019	412,973

It is apparent from the above that some of the wheat mills listed in above are either closed or operating far below their installed/rated capacities. For example the NMC mill in Arusha has been inoperative since 1998 to date.

7.3 Marketing strategy:

To market its products Kengrow Tanzania Limited will use a marketing strategy that includes five major elements, namely, quality product; flexible pricing policy; dynamic and creative promotion; segmentation of market and efficient distribution system. These elements are elaborated hereunder.

(a) Maintenance of a high quality product:

So as to ensure that high quality wheat flour is produced all the time, management will ensure that good quality of wheat grain procured at all times as well. As stated in chapter 6, most of the wheat grain used to produce the wheat flour will be imported. At the same time, so as to maintain the production of high quality wheat flour, well trained staff will be employed and supervision will be stringent in all stages of the milling process.

(b) Flexible pricing policy:

Although standard packaging of the main product – i.e. wheat flour – will be units of 50 kg, 25 k and 10 kg, smaller packets will be rolled out to the market so as to enable the consumers who cannot afford the bigger packages to access the product. Accordingly, small packages will be priced in such a way that they are more affordable to this lower end of the market.

Selling prices of wheat flour, pollard and bran currently prevailing in Arusha are as indicated in the table below.

Product/Bag	50 kg	25kg	10 kg
	TShs	TShs	TShs
Wheat flour	39,000	19,500	8,000
Pollard	8,750	-	-
Wheat bran	6,000	-	-

The above prices are the ones that have been used in the financial projections of the proposed new wheat project Kengrow Tanzania Limited.

Furthermore, opportunities will be explored to see how bulk consumers may benefit from quantity discounts so as to capture them and free the company from tying too many resources in finished goods.

(c) Dynamic and creative promotion:

Dynamism and creative promoting of a product is these days key and crucial in the success any business activity. Accordingly, Kengrow Tanzania Limited is planning to promote its products by use of specialised marketing companies. The specialised marketing companies will be responsible for designing the type of packages as well as the type of advertising and its frequency to be used. The company is currently exploring which of these companies will be suitable for this activity. At the same time, plans are on hand to enter into agreement with electronic and print media to advertise its products.

Yet other promotional methods Kengrow Tanzania Limited. intends to use include:

- (i) Personal selling of its products to various small consumers at trading centres within Arusha region and its neighbouring ones.
- (ii) Mailing leaflets to institutional consumers such as hotel establishments based on a mailing list which will be compiled as installation of the project is about to draw to an end.

(d) Segmentation of the market:

So as to enhance the utility of its resources, Kengrow Tanzania Limited. will carry out a segmentation of its market. This will greatly help the company in allocating its resources so that maximum market penetration is attained. For example institutional consumers will be serviced differently from individual bulk consumers and so on. At the same time market segmentation will assist the company to know the behaviour of its markets and so enable it to appropriately respond in line with their requirements.

(e) Efficient distribution:

Though Kengrow Tanzania Limited does not have a fleet of vehicles for the distribution of its products, arrangements are on hand to enter into agreements with separate distributors to undertake this job. In this way the company will be able to properly reach distant markets like those in Manyara and Singida regions as well as other farther off regions at minimal costs and much more easily.

7.4 Competition:

As seen in section 7.2 above, the market has many suppliers. So Kengrow Tanzania Limited will have some stiff competition to contend with. It should, however, be noted that the major wheat mills are concentrated in Dar es Salaam. Furthermore, given that Arusha is now a fast growing regional centre within the Great Lakes Region, wheat flour producers located in Arusha have milder competition amongst themselves than those millers located in Dar es Salaam.

So subject to appropriate implementation of its marketing strategy described in the preceding section Kengrow Tanzania Limited is of the view that this market strategy will enable it to surmount/neutralise this competition quite considerably. In this way it will be able to increase its share of the market.

7.5 Demand for wheat by-products:

Although there are no published data to go by, Kengrow Tanzania Limited's extensive experience in wheat milling and marketing shows that there is a big market for wheat pollard and bran, both of which may be consumed locally by manufacturers of animal feeds. Alternatively wheat bran may be exported.

It is therefore expected that Kengrow Tanzania Limited will sell all their wheat by products with much ease.

8. COST ESTIMATES FOR THE NEW INVESTMENT:

8.1 Capital investment cost estimates:

The capital investment costs for investing in the new wheat plant are estimated at United States dollars (USD) **1.642** million. The breakdown of this cost estimates is given below.

USD

Particulars	Local	Foreign	Total
Land and buildings		1,115,000	1,115,000
Plant and equipment	17,374	505,393	522,766
Preoperational expenses	4,850		4,850
Total	22,224	1,620,393	1,642,616

Detailed cost estimates of the new wheat plant investment programme are shown in annexes 1(a) to 1 (b) which is hereon attached.

8.2 Basis of capital investment cost estimates:

Basis of the capital investment cost estimates is discussed below.

(a) Land and buildings

Land and building cost estimates relates to civil works that will be carried out on the factory building so as to make it ready for installation of the new wheat milling equipment. These cost estimates have been prepared by an industrial engineer who will supervise the installation of the new wheat milling equipment.

(b) Plant and equipment

Plant and equipment cost estimates are based on a quotation from Buhler (Pty) Limited of South Africa, the suppliers and engineers representing Buhler, the world wide suppliers of milling machinery and equipments. Buhler is major supplier of wheat milling plants in the world and have supplied many existing plants in Tanzania.

Other costs - e.g. transport costs from Dar es Salaam, insurance on equipment and installation - are also based on current prevailing rates in Tanzania of the particular cost items as well on estimates made by the industrial engineer

(c) Preoperational expenses:

These expenses are based on a registration of the Company, engagement of lawyers, TIC application as well for carrying out the feasibility study in Tanzania on wheat industry

8.3 Initial working capital cost estimates:

8.3 Initial working capital cost estimates:

Initial working capital cost is estimated at USD 310,385. Details of this working capital are shown in annex 3 (c) which is also attached to this project write-up.

8.4 Total – investment and working capital – cost estimates:

The total cost estimates for carrying out the proposed established of a new of the wheat mill is thus summarised as shown below.

USD

	Local	Foreign	Total
Land and buildings		1,115,000	1,115,000
Plant and equipment	17,374	505,393	522,766
Preoperational expenses	4,850		4,850
Sub Total	22,224	1,620,393	1,642,616
Initial working capital	332,385		310,385
Grand Total	332,608	1,620,393	1,953,001

Except for initial working capital, all the other cost estimates include an element of contingencies varying from 5% to 10%.

9. PROPOSED FINANCING PLAN:

The capital investment costs for the new wheat milling plant are estimated at US Dollars 1,953,001 excluding the initial working capital required to commence milling operations. The finances are planned to be financed by way of equity contribution as detailed in the table below.

Type of funding	Amounts: USD:		
	Local	Foreign	Total
Equity	332,608	1,620,393	1,953,001
Bank overdraft			
Total	332,608	1,620,393	1,953,001

Kengrow Tanzania Limited's Limited has confirmed its ability to raise the equity of USD 1,953,001. The financial statement (Audited financial statement by Delotte herein attached) for their Uganda operations shows that they have the capacity to meet the initial investment costs.

The company may look also for a bank overdraft of USD xxxxxx/= if it is deem necessary..

10. PROJECTED FINANCIAL RESULTS:

10.1 Assumptions underlying the financial projections:

Financial projections have been prepared based on eight-year period of the operations of the proposed new wheat milling plant.

The results of these projections appear in appendices 1 to 4, which are hereon attached. These are based on operating assumptions contained in annexes 1 to 3 which are also hereon attached.

The basic assumptions underlying the three sets of financial projections are as stated here below.

(a) TIC tax incentives:

It is the intention of Kengrow Tanzania Limited to apply for a certificate of approved enterprise for the new wheat mill. Accordingly the projections have been prepared on the assumption that the project will get a Tanzania Investment Centre (TIC) certificate of approved enterprise as the investment in the proposed project is in one of the sectors whose investments are accorded certificates of approved enterprise by the Tanzania Investment Centre. This certificate will entitle the project to claim tax benefits. Thus taxes – customs duty and value added tax (VAT) - on imported and local items required for the importation of the wheat mill have not been included in the computations.

Furthermore, due to the TIC certificate of approved enterprise which is expected to be obtained once applied for corporation the corporation tax rate has been projected at 25% which is a little lower than the standard rate of 30% for those businesses not holding TIC certificates of approved enterprise.

(b) Inflation index:

In addition to the above, an inflation index based on an annual inflation rate of 2% has been taken into account to reflect the impact of inflation on both income and operating costs for the projected period of this proposed enterprise. Though the annual inflation rate that the Tanzania government is desirous of maintaining is 5%, an annual inflation rate of 2% has been assumed due to the fact that both revenues and operating cost do not go up by the inflation rate prevailing at any particular time. Furthermore, the cost of raw materials – the largest component of operating costs – is import driven. Inflation in the countries where wheat will be imported from is currently around 2%.

(c) Kengrow Industries Limited Existing operations:

As earlier stated Kengrow Tanzania Limited is a sister Company to Kengrow Industries Limited that is based in Kampala, Uganda. The

Company will therefore benefit from the manufacturing experiences of Uganda wheat mill plant that operates under Kengrow Industries Limited. It is expected such knowledge and experience will help to ensure successful operations at the new milling plant.

In view of the above, the results of the financial projections of the new plant are detailed in section 10.2 here below.

10.2 Projected financial results – New Wheat Milling Plant:

A summary of the projected financial results of the proposed establishment of the wheat mill project is given below.

(a) Profit and (Loss) accounts – Appendix 1

Projected profit and (loss) accounts of the proposed new milling facility of at Arusha Themu Industrial Area show that operations of the project are expected to be profitable as shown below.

USD: '000':

Year	2009	2010	2011	2012	2013	2014	2015	2016
Revenue	5,943,	6,870	7,832	7,988	8,148	8,311	8,477	8,647
Profit / (Loss) before tax	349	421	496	508	520	534	547	560
Corporation tax	87	105	124	127	130	133	136	140
Profit / (Loss) after tax	262	316	372	381	390	400	410	420

(b) Cash flow statements – Appendix 2

Projected cash flows show that the proposed project may initially be provided by the sponsors of the project or a bank overdraft to meet its total cash requirements for the first year of its operations. Thereafter, the project is expected to generate adequate cash-flow to sustain its operations. The project's closing cash balance is expected to be as per table below.

USD: '000':

Year	2009	2010	2011	2012	2013	2014	2015	2016
Total cash inflows	2,413	532	607	619	631	644	657	670
Total cash outflows	2,040	153	174	135	138	142	145	148
Closing cash balance	373	752	1,185	1,669	2,162	2,664	3,176	3,697

(c) Balance sheets – Appendix 3

Projected balance sheets of the proposed project show that the project is expected to have a strong financial base as indicated below.

USD: '000':

Year	2009	2010	2011	2012	2013	2014	2015	2016
Total capital employed	2,215	2,531	2,903	3,285	3,675	4,076	4,487	4,907
Shareholders' funds	2,215	2,531	2,903	3,285	3,675	4,076	4,487	4,907
Net tangible assets	2,215	2,531	2,903	3,285	3,675	4,076	4,487	4,907

Projected balance sheets of the proposed project show that the project is expected to have a strong financial result.

11. ECONOMIC IMPACT:

The economic impact of the proposed rehabilitation project to the country is three fold as stated hereunder.

11.1 Employment:

The rehabilitation project is expected to provide direct employment to about 53 people. Its operations are also expected to contribute in generating indirect employment and other multiplier effects in the country's economy through the businesses that will be selling their services and goods to the project.

11.2 Government revenue:

Operations of the proposed project are expected to generate various taxes to the government. Subject to tax incentives given by the Tanzania Investment Centre, which Kengrow Tanzania Limited the promoter of the proposed project will seek, as indicated in appendix 1, the project's operations are expected to pay income taxes ranging from USD 87,468/= during the first year to USD 140,125/= during the eighth year.

11.3 Improving the health of Tanzania's population:

The project is expected to increase the availability of protein/vitamin supplementing foodstuffs. The increase in these items should therefore lead to easier access to such foodstuffs by the majority of Tanzanians, thus enabling them to improve their diet and so their health.

12 ENVIRONMENTAL IMPACT:

The project is considered and expected to be environmentally friendly for the mainly two reasons that are stated here below.

During the installation of new wheat milling machinery, there will be very little noise from the installation activities. Even the level of this type of noise is acceptable and tolerable.

When the project becomes operational, there will hardly also be any negative environmental impact as there is equally very little dust and noise during the operation of the mill. Furthermore, there are no undesirable effluents from the milling process that need special disposal processes. Liquid waste will be disposed of through the existing sewage system. Solid waste will be collected and periodically picked up by refuse trucks of either the municipality or any other authorised refuse collectors for dumping at various approved city refuse dump pits.

13. RISK FACTORS:

Major risk factors that the operations of the rehabilitated wheat mill will face are of three types, namely, economic; political, social and religious upheavals; as well as industry risks.

13.1 Economic risks:

The major economic risk the project will face is that of a recession happening in Tanzania.

If Tanzania's economy plunges into a recession, thus decreasing its economic growth, the level of economic activities may also decrease. Though the demand for the project's products is unlikely to decrease as the consuming public will not decrease as a result of an economic recession, the capacity utilisation of project may decrease since effective demand for its products may go down due to decreased purchasing power of the consumers.

That an economic recession may occur in Tanzania is a risk the project will continue to face throughout its operations. However, the possibility of such a recession happening in Tanzania at present is remote despite the high petroleum prices currently prevailing in the world and Tanzania.

13.2 Political, social, and religious risks:

The biggest risk associated with political, social, and religious is that of disturbances/upheavals. The effects of political, social and religious upheavals to businesses are usually bad. The less politically, socially and religiously stable a country is, the greater the risks of business failure. The success of the proposed project as a commercial undertaking is very much linked to the country having a stable political, social, and religious climate. As it is in the case of an economic recession that political, social, and religious disturbances/upheavals may occur in Tanzania is a risk the project will also continue to face throughout its operations.

It is, however, reassuring to note that Tanzania's political, social and religious stability is presently strong and it is likely to continue in this way for quite some time. Nearly all Tanzanians of every walk of life yearn, pray and preach for the sustenance of political, social and religious stability. Thus the possibility of such political, social, and religious disturbances/upheavals happening in Tanzania at present is remote.

13.3 Industry risks:

The major risks associated with the cereal grain milling industry in Tanzania are two, namely competition and increase in operating costs.

(a) Competition:

Since the markets that the project will service will also be sought after by other producers from within and outside Tanzania, there is always the risk that these markets may be flooded by similar goods from new local producers/importers. If this happens then existing local producers usually will suffer due to a decrease in either the prices of their products or their markets.

With the project at hand, there is little possibility of many new producers coming up with similar projects as the set up costs for a new project are quite high. These high establishment costs for a new wheat mill act as a deterrent to new producers coming up. As for importers emerging to exploit the existing demand for the project's products, this is also unlikely since imports of foodstuffs have so far been confined to items such as rice and processed foodstuffs such as sugar, edible oils and canned goods but not wheat flour.

(b) Increase in operating costs:

In Tanzania, industrial producers/operators, more often than not, have little control on their operating costs, particularly those of utilities. The inability to determine and control the prices of some of its inputs is therefore another risk the proposed project will have to face and live with.

To mitigate the adverse impact of this risk Kengrow Tanzania Limited management will need to have a close watch on its operating costs so as to eliminate as much as possible all factors that may lead to the project suffering losses as a result of increases in the cost of its inputs.

14. CONCLUSION AND RECOMMENDATIONS:

In the context of what has been stated regarding the proposed Kengrow Tanzania Limited investment in wheat milling operations in Tanzania the foregoing chapters, one may draw the conclusions and recommendations stated hereunder.

14.1 Conclusions:

It is apparent from the above chapters that the proposed project to new investment in wheat mill in Arusha is expected to be a profitable undertaking. The project, if implemented, is expected to have an internal rate of return of 21.00 % that is above the interest rate that would have gained if monies were invested in the banks.

The promoters of the project have also confirmed their ability to raise the equity funds to execute the proposed development.

The economic impact for implementing and operating the project is also positive.

Lastly and most important, the operations of the rehabilitated wheat mill are friendly to the environment.

14.2 Recommendations:

In view of point 14.1 above, it is recommended that the proposed project to invest in the new wheat mill in Arusha be implemented at the earliest possible opportunity in the manner detailed herein above.

KENGROW TANZANIA LIMITED							Annex 1(a)		
NEW WHEAT MILL FACILITY IN ARUSHA									
INVESTMENT CAPITAL COST ESTIMATES									
YEAR							2008		
INFLATION INDEX									
Annual inflation index				2.00%				1.00	
EXCHANGE RATES									
USD / TZS		1 USD	TZS	1250					
CHF (SwFr) / U		1 CHF	USD	0.90					
BASIC REHABILITATION WORKS - WHEAT MILL BUILDING									
COST ESTIMATES							USD:		
1.0 WHEAT MILL INVESTMENT							Local	Foreign	Total
1.1 Civil works									
Land including transfer & Stamp Duty							600,000	600,000	
Building for factory & ware house							400,000	400,000	
Installation & local materials							50,000	50,000	
Contingency (physical and price) - as a percentage of total of above costs				10.00%			65,000	65,000	
Sub total							-	1,115,000	
1.2 Mill Equipment - C & F D'Salaam									
Wheat milling equipment				388,889			-	350,000	
Spares for wheat grain screening section				35,000			-	31,500	
Laboratory				30,000			-	27,000	
C & F - Dar es Salaam				76,379			-	68,741	
Insurance during sea freight - as a percentage of total of above costs					1.00%		-	4,085	
Land transport & insurance DSM - ARS: - as a percentage of total of above costs					1.50%		7,220	-	
Contingency (physical and price) - as a percentage of total of above costs					5.00%		565	24,066	
Sub total							7,785	505,393	
1.3 Installation									
Installation cost (labour and consumables) - as a percentage of item 1.4					1.00%		5,132	-	
Hire of installation equipment - crane							4,000	-	
Contingency (physical and price) - as a percentage of total of above costs					5.00%		457	-	
Sub total							9,588	-	
TOTAL WHEAT MILL REHABILITATION COST ESTIMATES (Items 1.1 - 1.5)							17,374	1,620,393	1,637,766

							Annex 1(b)		
2.0 PRE OPERATIONAL EXPENSES							USD		
							Local	Foreign	Total
2.1 Project Management fees:									
Professional Fees							0.00%	3,500	3,500
TIC Certificate								850	850
Company Registration								500	500
Sub total - project management fees									4,850
TOTAL PREOPERATIONAL EXPENSES (Items 2.1 to 2.4)									4,850
3.0 SUMMARY OF INVESTMENT CAPITAL COST ESTIMATES:							USD		
							Local	Foreign	Total
Land and buildings							-	1,115,000	1,115,000
Plant and equipment							17,374	505,393	522,766
Preoperational expenses							4,850	-	4,850
TOTAL INVESTMENT CAPITAL COST ESTIMATES							22,224	1,620,393	1,642,616
INITIAL WORKING CAPITAL							310,385	-	310,385
GRAND TOTAL INVESTMENT & INITIAL WORKING CAPITAL COSTS ESTIMATES							332,608	1,620,393	1,953,001
4.0 INVESTMENT & INITIAL WORKING CAPITAL COST ESTIMATES FINANCING PLAN									
FINANCING PLAN							USD		
							Local	Foreign	Total
Equity							-	1,953,001	1,953,001
Bank overdraft							-	-	-
Loan							-	-	-
TOTAL							-	1,953,001	1,953,001

KENGROW TANZANIA LIMITED										Annex 2	
NEW WHEAT MILL FACILITY IN ARUSHA											
REVENUE ASSUMPTIONS											
YEAR											
				2009	2010	2011	2012	2013	2014	2015	2016
Production days annually			300								
Rated capacity of milling machinery per 24 hours	Tons		50								
Planned milling capacity utilisation %				75%	85%	95%	95%	95%	95%	95%	95%
Output quantity of wheat products											
			Extraction Rate - %								Tons
Flour			76%	8,550	9,690	10,830	10,830	10,830	10,830	10,830	10,830
Pollard			10%	1,125	1,275	1,425	1,425	1,425	1,425	1,425	1,425
Bran			14%	1,575	1,785	1,995	1,995	1,995	1,995	1,995	1,995
Total			100%	11,250	12,750	14,250	14,250	14,250	14,250	14,250	14,250
5.0 Revenue											
5.1 Inflation index											
Annual inflation			2%								
Inflation index				1.04	1.06	1.08	1.10	1.13	1.15	1.17	1.20
5.2 Quantities sold											
			Packing Proportion -%								No. of bags
Wheat Flour											
50	kg bags		20%	34,200	38,760	43,320	43,320	43,320	43,320	43,320	43,320
25	kg bags		30%	102,600	116,280	129,960	129,960	129,960	129,960	129,960	129,960
10	kg bags		50%	427,500	484,500	541,500	541,500	541,500	541,500	541,500	541,500
Total				564,300	639,540	714,780	714,780	714,780	714,780	714,780	714,780
Pollard											
50	kg bags			22,500	25,500	28,500	28,500	28,500	28,500	28,500	28,500
Bran											
50	kg bags			31,500	35,700	39,900	39,900	39,900	39,900	39,900	39,900
5.3 Sales revenue											
			Price/bag: USD								USD
Wheat Flour											
50	kg bags		31	1,110,148	1,283,332	1,462,998	1,492,258	1,522,103	1,552,545	1,583,596	1,615,268
25	kg bags		16	1,665,223	1,924,997	2,194,497	2,238,387	2,283,155	2,328,818	2,375,394	2,422,902
10	kg bags		6	2,846,534	3,290,594	3,751,277	3,826,302	3,902,828	3,980,885	4,060,503	4,141,713
Total				5,621,905	6,498,923	7,408,772	7,556,947	7,708,086	7,862,248	8,019,493	8,179,883
Pollard											
50	kg bags		7	163,863	189,426	215,945	220,264	224,669	229,163	233,746	238,421
Bran											
50	kg bags		5	157,308	181,849	207,307	211,454	215,683	219,996	224,396	228,884
Total sales revenue				5,943,077	6,870,197	7,832,024	7,988,665	8,148,438	8,311,407	8,477,635	8,647,188

KENGROW TANZANIA LIMITED											Annex 3 (a)		
NEW WHEAT MILL FACILITY IN ARUSHA													
OPERATING ASSUMPTIONS													
OPERATING COSTS													
YEAR						2009	2010	2011	2012	2013	2014	2015	2016
1. Inflation index													
Annual inflation		2%											
Inflation index						1.04	1.06	1.08	1.10	1.13	1.15	1.17	1.20
2.0 DIRECT OPERATING COSTS													
2.1 Raw materials													
(a) Quantity of raw wheat grain required													
Loss during cleaning		2%											
Quantity of wheat grain required to meet planned production				Tons		11,475	13,005	14,535	14,535	14,535	14,535	14,535	14,535
(b) Cost of raw materials													
Wheat													
				Cost/kg: USD									USD
				0.44		5,205,225	6,017,240	6,859,654	6,996,847	7,136,784	7,279,520	7,425,110	7,573,612
2.2 Packaging materials													
(i) New poly bags - for wheat/maize flour													
50	kg bags			0.36		12,809	14,808	16,881	17,218	17,563	17,914	18,272	18,638
25	kg bags			0.28		29,889	34,551	39,388	40,176	40,980	41,799	42,635	43,488
10	kg bags			0.16		71,163	82,265	93,782	95,658	97,571	99,522	101,513	103,543
Sub total - cost of new poly bags						113,861	131,624	150,051	153,052	156,113	159,235	162,420	165,669
(ii) Second hand poly bags for wheat bran/pollard													
50	kg bags			0.08		4,495	5,196	5,923	6,042	6,162	6,286	6,411	6,540
Total cost of poly bags						118,356	136,819	155,974	159,094	162,275	165,521	168,831	172,208
(iii) Miscellaneous materials - e.g. sewing thread													
Cost as a percentage of cost of poly bags				1.00%		1,184	1,368	1,560	1,591	1,623	1,655	1,688	1,722
Total cost of packaging materials						119,539	138,188	157,534	160,685	163,898	167,176	170,520	173,930
2.3 Direct labour cost													
(i) Raw materials receiving													
				0.10%		5,205	6,017	6,860	6,997	7,137	7,280	7,425	7,574
(ii) Processing													
Cleaning				0.05%		2,603	3,009	3,430	3,498	3,568	3,640	3,713	3,787
Milling				0.05%		2,603	3,009	3,430	3,498	3,568	3,640	3,713	3,787
Bagging (packing)				0.05%		2,603	3,009	3,430	3,498	3,568	3,640	3,713	3,787
(iii) Packing materials handling													
				0.05%		2,603	3,009	3,430	3,498	3,568	3,640	3,713	3,787
(iv) Finished products/by products storage													
				0.10%		5,205	6,017	6,860	6,997	7,137	7,280	7,425	7,574
Total cost of direct labour						20,821	24,069	27,439	27,987	28,547	29,118	29,700	30,294
2.4 Factory utilities (electricity and water)													
Cost as a percentage of cost of raw materials				0.50%		26,026	30,086	34,298	34,984	35,684	36,398	37,126	37,868
2.5 Factory repair and maintenance													
Cost as a percentage of cost of raw materials				0.01%		521	602	686	700	714	728	743	757

													Annex 3 (b)													
YEAR												2009	2010	2011	2012	2013	2014	2015	2016							
2. DIRECT OPERATING COSTS																										
2.6 Lease fees													Rate/ton: USD						USD							
Based on tonnage of wheat milled																										
Wheat based lease fees													16	-	-	-	-	-	-	-	-					
Less: Amount recouped as per clause 2.7 of Milling Agreement																										
Amount recouped annually as a percent of rehabilitation cost													20%	-	-	-	-	-	-	-	-					
Net total lease fees														-	-	-	-	-	-	-	-					
2.7 Storage/Cleaning fees													Rate/ton: USD						USD							
Based on tonnage of wheat stored/cleaned																										
Wheat grain stored/cleaned													4	47,754	55,204	62,933	64,191	65,475	66,785	68,120	69,483					
Total Direct costs													5,419,887	6,265,389	7,142,543	7,285,394	7,431,102	7,579,724	7,731,319	7,885,945						
3. INDIRECT OPERATING COSTS																										
Cost as a percentage of revenue													%													
Administration													0.75%	44,573	51,526	58,740	59,915	61,113	62,336	63,582	64,854					
Utilities - other than factory													0.15%	8,915	10,305	11,748	11,983	12,223	12,467	12,716	12,971					
Repair and maintenance - other than factory													0.07%	4,160	4,809	5,482	5,592	5,704	5,818	5,934	6,053					
Marketing													0.05%	2,972	3,435	3,916	3,994	4,074	4,156	4,239	4,324					
Normal finance charges													0.03%	1,783	2,061	2,350	2,397	2,445	2,493	2,543	2,594					
Total indirect operating costs													62,402	72,137	82,236	83,881	85,559	87,270	89,015	90,795						
4. AMORTISATION OF REHABILITATION COSTS (DEPRECIATION)													Year						2009	2010	2011	2012	2013	2014	2015	2016
Fixed assets																			USD							
Land and buildings													1,115,000	1,115,000	1,115,000	1,115,000	1,115,000	1,115,000	1,115,000	1,115,000	1,115,000					
Plant and equipment													522,766	522,766	522,766	522,766	522,766	522,766	522,766	522,766	522,766					
Preoperational expenses													4,850	4,850	4,850	4,850	4,850	4,850	4,850	4,850	4,850					
TOTAL													1,642,616	1,642,616	1,642,616	1,642,616	1,642,616	1,642,616	1,642,616	1,642,616	1,642,616					
Annual depreciation													Method						Rate p.a.							
Land and buildings													Straight line						4.00%							
Plant and equipment													Straight line						12.50%							
Preoperational expenses													Straight line						20.00%							
TOTAL													44,600	44,600	44,600	44,600	44,600	44,600	44,600	44,600	44,600					
Accumulated depreciation																										
Land and buildings													44,600	89,200	133,800	178,400	223,000	267,600	312,200	356,800	356,800					
Plant and equipment													65,346	130,692	196,037	261,383	326,729	392,075	457,420	522,766	522,766					
Preoperational expenses													970	1,940	2,910	3,880	4,850	4,850	4,850	4,850	4,850					
TOTAL													110,916	221,832	332,747	443,663	554,579	664,525	774,470	884,416						
Net fixed assets																										
Land and buildings													1,070,400	1,025,800	981,200	936,600	892,000	847,400	802,800	758,200	758,200					
Plant and equipment													457,420	392,075	326,729	261,383	196,037	130,692	65,346	-	-					
Preoperational expenses													3,880	2,910	1,940	970	-	-	-	-	-					
TOTAL													1,531,700	1,420,785	1,309,869	1,198,953	1,088,037	978,092	868,146	758,200						

5. WORKING CAPITAL SCHEDULE													Annex 3 (c)
													USD
ITEM	BASIS	PERIOD	Year DURATION	2009	2010	2011	2012	2013	2014	2015	2016		
STOCKS													
Wheat	Raw materials costs	Month	0.5	216,884	250,718	285,819	291,535	297,366	303,313	309,380	315,567		
Packing materials	Packing materials costs	Week	1	2,299	2,657	3,029	3,090	3,152	3,215	3,279	3,345		
	TOTAL			219,183	253,376	288,848	294,625	300,518	306,528	312,659	318,912		
DEBTORS													
Sales revenue	Total revenue	Week	1	114,290	132,119	150,616	153,628	156,701	159,835	163,031	166,292		
TOTAL STOCKS AND DEBTORS				333,473	385,495	439,464	448,254	457,219	466,363	475,690	485,204		
Less: CREDITORS													
Packing materials	Packing materials costs	Month	1	9,962	11,516	13,128	13,390	13,658	13,931	14,210	14,494		
Factory conversion	Factory conversion	Month	1	3,947	4,563	5,202	5,306	5,412	5,520	5,631	5,743		
Storage/cleaning fees	Storage fees	Month	1	3,980	4,600	5,244	5,349	5,456	5,565	5,677	5,790		
Indirect op'ng costs	Indirect operating costs	Month	1	5,200	6,011	6,853	6,990	7,130	7,272	7,418	7,566		
	TOTAL			23,089	26,690	30,427	31,036	31,656	32,290	32,935	33,594		
NET WORKING CAPITAL				310,385	358,805	409,037	417,218	425,562	434,073	442,755	451,610		
CHANGE IN WORKING CAPITAL				310,385	48,420	50,233	8,181	8,344	8,511	8,681	8,855		

KENGROW TANZANIA LIMITED												Appendix 1
NEW WHEAT MILL FACILITY IN ARUSHA												
PROJECTED PROFIT AND (LOSS) ACCOUNTS FOR YEAR ENDED 31ST DECEMBER.....												USD
	Reference	YEAR	2009	2010	2011	2012	2013	2014	2015	2016		
REVENUE			5,943,077	6,870,197	7,832,024	7,988,665	8,148,438	8,311,407	8,477,635	8,647,188		
Less: Operating costs												
Direct milling costs												
Wheat grain	Annex 3 (a)		5,205,225	6,017,240	6,859,654	6,996,847	7,136,784	7,279,520	7,425,110	7,573,612		
Packing materials	Annex 3 (a)		119,539	138,188	157,534	160,685	163,898	167,176	170,520	173,930		
Labour	Annex 3 (a)		20,821	24,069	27,439	27,987	28,547	29,118	29,700	30,294		
Factory conversion	Annex 3 (a)		26,547	30,688	34,984	35,684	36,398	37,126	37,868	38,625		
Lease fees	Annex 3 (b)		-	-	-	-	-	-	-	-		
Storage/cleaning fees	Annex 3 (b)		47,754	55,204	62,933	64,191	65,475	66,785	68,120	69,483		
Total			5,419,887	6,265,389	7,142,543	7,285,394	7,431,102	7,579,724	7,731,319	7,885,945		
Gross profit			523,190	604,808	689,481	703,271	717,336	731,683	746,317	761,243		
Less: Indirect operating costs	Annex 3 (b)		62,402	72,137	82,236	83,881	85,559	87,270	89,015	90,795		
OPERATING PROFIT / (LOSS) BEFORE DEPRECIATION			460,788	532,671	607,245	619,390	631,778	644,413	657,301	670,447		
Less: Depreciation	Annex 3 (b)		110,916	110,916	110,916	110,916	110,916	109,946	109,946	109,946		
OPERATING PROFIT / (LOSS) BEFORE FINANCE CHARGES			349,872	421,755	496,329	508,474	520,862	534,467	547,356	560,502		
Less: Loan interest			-	-	-	-	-	-	-	-		
PROFIT / (LOSS) BEFORE TAX			349,872	421,755	496,329	508,474	520,862	534,467	547,356	560,502		
Add: recouped lease fees			-	-	-	-	-	-	-	-		
TAXABLE PROFITS			349,872	421,755	496,329	508,474	520,862	534,467	547,356	560,502		
Less: Corporation tax	@	25%	87,468	105,439	124,082	127,119	130,215	133,617	136,839	140,125		
PROFIT / (LOSS) AFTER TAX			262,404	316,316	372,247	381,356	390,646	400,851	410,517	420,376		
Profit / Loss brought fwd			-	262,404	578,721	950,967	1,332,323	1,722,969	2,123,820	2,534,336		
PROFIT / (LOSS) C/FWD			262,404	578,721	950,967	1,332,323	1,722,969	2,123,820	2,534,336	2,954,713		
Interest cover												

KENGROW TANZANIA LIMITED											Appendix 2
NEW WHEAT MILL FACILITY IN ARUSHA											USD
PROJECTED CASHFLOW STATEMENTS FOR YEAR ENDED 31st DECEMBER ...											
YEAR	Reference	2009	2010	2011	2012	2013	2014	2015	2016		
CASH INFLOWS											
CAPITAL											
Equity	Annex 1	1,953,001	-	-	-	-	-	-	-		
Loan	Annex 1	-	-	-	-	-	-	-	-		
TOTAL		1,953,001	-	-	-	-	-	-	-		
REVENUE											
Profit before tax	Appendix 1	349,872	421,755	496,329	508,474	520,862	534,467	547,356	560,502		
Depreciation	Annex 3(b)	110,916	110,916	110,916	110,916	110,916	109,946	109,946	109,946		
TOTAL		460,788	532,671	607,245	619,390	631,778	644,413	657,301	670,447		
TOTAL CASH INFLOWS		2,413,789	532,671	607,245	619,390	631,778	644,413	657,301	670,447		
CASH OUTFLOWS											
CAPITAL											
Investments	Annex 1 (c)	1,642,616	-	-	-	-	-	-	-		
Loan repayment	Annex 3 (c)	-	-	-	-	-	-	-	-		
TOTAL		1,642,616	-	-	-	-	-	-	-		
REVENUE											
Corporation tax	Appendix 1	87,468	105,439	124,082	127,119	130,215	133,617	136,839	140,125		
Change in working capital	Annex 3 (d)	310,385	48,420	50,233	8,181	8,344	8,511	8,681	8,855		
TOTAL		397,853	153,859	174,315	135,299	138,560	142,128	145,520	148,981		
TOTAL CASH OUTFLOWS		2,040,469	153,859	174,315	135,299	138,560	142,128	145,520	148,981		
NET CASHFLOWS		373,320	378,812	432,930	484,091	493,218	502,285	511,781	521,467		
Beginning cash balance		-	373,320	752,132	1,185,062	1,669,153	2,162,370	2,664,655	3,176,436		
CLOSING CASH BALANCE		373,320	752,132	1,185,062	1,669,153	2,162,370	2,664,655	3,176,436	3,697,903		
Debt service coverage ratio		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		

KENGROW TANZANIA LIMITED											Appendix 3
NEW WHEAT MILL FACILITY IN ARUSHA											
PROJECTED BALANCE SHEETS AS AT 30TH DECEMBER... ..											USD
YEAR			2009	2010	2011	2012	2013	2014	2015	2016	
	Reference										
Assets											
Net Fixed assets	Annex 3 (h)		1,531,700	1,420,785	1,309,869	1,198,953	1,088,037	978,092	868,146	758,200	
Current assets											
Stocks	Annex 3 (h)		219,183	253,376	288,848	294,625	300,518	306,528	312,659	318,912	
Debtors	Annex 3 (h)		114,290	132,119	150,616	153,628	156,701	159,835	163,031	166,292	
Cash	Appendix 2		373,320	752,132	1,185,062	1,669,153	2,162,370	2,664,655	3,176,436	3,697,903	
Sub total			706,793	1,137,627	1,624,526	2,117,406	2,619,589	3,131,018	3,652,127	4,183,107	
Current liabilities											
Creditors	Annex 3 (h)		23,089	26,690	30,427	31,036	31,656	32,290	32,935	33,594	
Sub total			23,089	26,690	30,427	31,036	31,656	32,290	32,935	33,594	
Net Current assets			683,704	1,110,937	1,594,099	2,086,370	2,587,933	3,098,729	3,619,191	4,149,513	
Total Capital Employed			2,215,405	2,531,721	2,903,968	3,285,323	3,675,970	4,076,820	4,487,337	4,907,713	
Financed by											
Shareholders Funds											
Equity	Appendix 2		1,953,001	1,953,001	1,953,001	1,953,001	1,953,001	1,953,001	1,953,001	1,953,001	
Revenue reserves	Appendix 1		262,404	578,721	950,967	1,332,323	1,722,969	2,123,820	2,534,336	2,954,713	
Sub total			2,215,405	2,531,721	2,903,968	3,285,323	3,675,970	4,076,820	4,487,337	4,907,713	
Long term loan	Annex 3 (f)		-	-	-	-	-	-	-	-	
Total Employment of capital			2,215,405	2,531,721	2,903,968	3,285,323	3,675,970	4,076,820	4,487,337	4,907,713	
Net tangible assets			2,215,405	2,531,721	2,903,968	3,285,323	3,675,970	4,076,820	4,487,337	4,907,713	
Gearing ratio			0.01	0.01	0.01	0.01					
Security cover			0.00	0.00	0.00	0.00					

B. Previous Financial Statement of Kengrow

KENGROW INDUSTRIES LIMITED

FINANCIAL STATEMENTS

31 MAY 2008

KENGROW INDUSTRIES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2008

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KENGROW INDUSTRIES LIMITED

DIRECTORS AND PROFESSIONAL ADVISORS

DIRECTORS

Mrs. Goolshen A. Jamal
Mr. Rehmetullah Amir Jamal
Mr. Feisal Amir Jamal

CHIEF EXECUTIVE

Mr. K. K. Radhamohan

COMPANY SECRETARY

Mr. Hussain H. Ali
P. O. Box 1469
Jinja

REGISTERED OFFICE

Factory Road, Industrial Area
P. O. Box 1469
Industrial Area
Jinja

AUDITORS

Deloitte & Touche
Certified Public Accountants (Uganda)
3rd floor, Rwenzori House
P. O. Box 10314
Kampala

BANKERS

Bank of Africa (Uganda) Limited
P. O. Box 2095
Jinja

Orient Bank Limited
Jinja Branch
P. O. Box 368
Jinja

Standard Chartered Bank (Uganda) Limited
P. O. Box 1583
Jinja

Stanbic Bank Uganda Limited
P.O.Box 89
Jinja

LAWYERS

J B Byamugisha Advocates
P O Box 9400
Kampala

KENGROW INDUSTRIES LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2008

The directors present their report together with the audited financial statements of the company for the year ended 31 May 2008.

ACTIVITIES

The principal activities of the company continue to be manufacture and distribution of wheat flour, soap and edible oil and the sale of rice. The company also has a business equipment and consumer electronics division which trades in Sharp and DELL products.

RESULTS

	Ushs '000
Profit before taxation	267,399
Taxation charge	(189,143)
Net profit for the year	<u>78,256</u>

DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year.

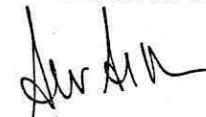
DIRECTORS

The current members of the board are shown on page 2.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office in accordance with the provisions of Section 159(2) of the Companies Act.

BY ORDER OF THE BOARD


Secretary

Kampala

25th October 2008

KENGROW INDUSTRIES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the directors to ensure that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with applicable International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with applicable International Financial Reporting Standards and in the manner required by the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Signed on behalf of the board of directors by:



Director

25th October 2008



Director

25th October 2008

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KENGROW INDUSTRIES LIMITED

1 We have audited the financial statements of Kengrow Industries Limited set out on pages 7 to 22 which comprise the balance sheet as at 31 May 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, together with the summary of significant accounting policies and other explanatory notes, and except for the matters referred to in paragraph 4 below have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

2 Respective responsibilities of the directors and auditors

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with applicable International Financial Reporting Standards and the provisions of the Ugandan Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. Our responsibility is to express an opinion on these financial statements based on our audit.

3 Basis of opinion

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

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

We believe that our audit provides a reasonable basis for our opinion.

4 Qualification

Included in Plant and Machinery is machinery for the oil and soap divisions with an NBV of Ushs 634,548,000 that has been idle since September 2005 when these divisions were temporarily halted. This machinery could be impaired as per IAS 36.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KENGROW INDUSTRIES LIMITED (continued)

5 Opinion

Except for the matter referred to in paragraph 4 above, in our opinion, proper books of account have been kept by the company and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the company at 31 May 2008 and of the profit and cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards and comply with the Ugandan Companies Act.

Deloitte Touche

Certified Public Accountants (Uganda)
Kampala

29 OCTOBER 2008

KENGROW INDUSTRIES LIMITED
 INCOME STATEMENT
 FOR THE YEAR ENDED 31 MAY 2008

	Note	2008 Ushs '000	2007 Ushs '000
TURNOVER		17,676,115	15,930,403
COST OF SALES		(16,022,474)	(14,469,008)
GROSS PROFIT		1,653,641	1,461,395
OTHER INCOME		9,102	5,142
ADMINISTRATIVE EXPENSES		(1,108,093)	(854,585)
SELLING AND DISTRIBUTION EXPENSES		(206,665)	(240,339)
NET FINANCE (COSTS)/INCOME	6	(80,586)	189,248
PROFIT BEFORE TAXATION		267,399	560,861
TAXATION CHARGE	7(a)	(189,143)	(209,775)
PROFIT FOR THE YEAR		<u>78,256</u>	<u>351,086</u>


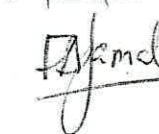
KENGROW INDUSTRIES LIMITED

BALANCE SHEET

31 MAY 2008

ASSETS	Note	2008 Ushs '000	2007 Ushs '000
Non-current assets			
Property, plant and equipment	8	4,173,783	4,434,345
Operating lease prepayments	9	112,377	116,162
		<u>4,286,160</u>	<u>4,550,507</u>
Current assets			
Inventories	10	1,055,695	714,515
Trade and other receivables	11	2,904,810	1,535,737
Withholding tax receivable		32,829	4,505
Cash and bank balances		31,599	118,923
		<u>4,024,933</u>	<u>2,373,680</u>
Total assets		<u><u>8,311,093</u></u>	<u><u>6,924,187</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	2,525,000	2,525,000
Revaluation reserve		1,832,753	1,892,109
Revenue reserve - deficit		(640,837)	(778,449)
		<u>3,716,916</u>	<u>3,638,660</u>
Non-current liability			
Deferred income tax liability	7(c)	959,674	913,487
Current liabilities			
Shareholders' loan	12(a)	1,948,099	1,955,000
Trade and other payables	14	1,000,760	417,040
Bank overdrafts	15	685,644	-
		<u>3,634,503</u>	<u>2,372,040</u>
Total equity and liabilities		<u><u>8,311,093</u></u>	<u><u>6,924,187</u></u>

The financial statements on pages 7 to 22 were approved by the board of directors on 25-10-2008 and were signed on its behalf by;

)
) Directors

KENGROW INDUSTRIES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2008

	Share capital Ushs '000	Revenue reserve deficit Ushs '000	Revaluation reserve Ushs '000	Total Ushs '000
2007				
At 1 June 2006	2,525,000	(1,223,012)	1,907,547	3,209,535
Transfer of excess depreciation	-	93,477	(93,477)	-
Deferred tax on excess depreciation	-	-	78,039	78,039
Profit for the year	-	351,086	-	351,086
At 31 May 2007	<u>2,525,000</u>	<u>(778,449)</u>	<u>1,892,109</u>	<u>3,638,660</u>
2008				
At 1 June 2007	2,525,000	(778,449)	1,892,109	3,638,660
Transfer of excess depreciation	-	84,794	(84,794)	-
Deferred tax on excess depreciation	-	(25,438)	25,438	-
Profit for the year	-	78,256	-	78,256
At 31 May 2008	<u>2,525,000</u>	<u>(640,837)</u>	<u>1,832,753</u>	<u>3,716,916</u>

The revaluation reserve relates to gains arising from the revaluation of buildings and plant and machinery. The surplus is non-distributable.

KENGROW INDUSTRIES LIMITED
 CASH FLOW STATEMENT
 FOR THE YEAR ENDED 31 MAY 2008

	Note	2008 Ushs '000	2007 Ushs '000
Profit before tax		267,399	560,861
Adjustments for:			
Depreciation		361,797	378,297
Amortisation of operating lease prepayments		3,785	3,785
Profit on sale of property		(7,275)	(4,480)
Profit before working capital changes		625,706	938,463
(Increase)/decrease in inventories		(341,180)	393,872
Increase in trade and other receivables		(1,369,073)	(253,827)
Increase in trade and other payables		583,720	185,227
Net movement in related party balances		-	(2,684)
		(500,827)	1,261,051
Interest paid			
Taxation paid		(171,280)	(40,052)
Unrealised exchange differences		(6,900)	(133,946)
Net cash (used in)/generated from operating activities		(679,007)	1,087,053
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(101,845)	(162,447)
Proceeds from sale of property, plant and equipment		7,884	4,500
Net cash used in investing activities		(93,961)	(157,947)
FINANCING ACTIVITIES			
Repayment of related party loan	16	-	(1,110,000)
Receipt of loan	16	-	680,000
Net cash used in financing activities		-	(430,000)
Net (decrease)/increase in cash and cash equivalents		(772,968)	499,106
Cash and cash equivalents at beginning of year		118,923	(380,183)
Cash and cash equivalents at end of year		(654,045)	118,923
Represented by:			
Cash and bank balances		31,599	118,923
Bank overdrafts		(685,644)	-
		(654,045)	118,923

KENGROW INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2008

1 GENERAL

The company is incorporated in Uganda under the Ugandan Companies Act and is involved in the manufacture and distribution of edible oil, soap and wheat flour and the sale of rice.

2 ADOPTION OF NEW AND REVISED STANDARDS EFFECTIVE IN THE CURRENT PERIOD

Standards and Interpretations effective in the current period

In the current year, the company has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the company's financial instruments and management of capital.

Seven interpretations issued by the international Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies; IFRIC 8 Scope of IFRS 2; IFRIC 9 Reassessment of Embedded Derivatives; IFRIC 10 Interim Financial Reporting and Impairment, IFRIC 11 - IFRS 2 Group and Treasury Share Transactions, IFRIC 12 - Service Concession Arrangement and IFRIC 14 - IAS 19 Employee Benefits: Effect of Minimum Funding Requirements on Asset Ceiling. The adoption of these interpretations has not led to any changes in the entity's accounting policies.

Standards and Interpretations issued in the current period

At the date of approval of these financial statements, the following new or revised Standards and Interpretations were in issue but not yet effective:

- IFRS 8 - Operating Segments
- IAS 23 (Revised) - Borrowing costs
- IFRIC 13 - IAS 18 Revenue: Customer Loyalty Programs

3 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted in the preparation of these financial statements remain unchanged from the previous year and are set out below:

BASIS OF ACCOUNTING

The financial statements are presented in Uganda shillings thousands (Ushs '000) and are prepared under the historical cost basis of accounting, modified to include the revaluation of certain assets.

TURNOVER

Turnover represents the value of goods sold during the year, net of trade discounts and Value Added Tax. A sale is recognised when the risks and benefits of ownership have been transferred to the buyer.

TAXATION

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

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax base of the assets and their carrying value for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the tax asset can be utilised.

KENGROW INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2008 (Continued)

3 ACCOUNTING POLICIES (Continued)

LEASES

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The company as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost or valuation less accumulated depreciation and accumulated impairment losses, if any. The cost of purchased equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended service.

Increases in carrying amounts arising on valuation are credited to an asset revaluation reserve. Decreases that offset previous increases of the same asset are charged against the asset revaluation reserve. All other decreases are charged to the income statement.

DEPRECIATION

Depreciation is calculated to write down the cost of property, plant and equipment to their residual values over their estimated useful lives on a reducing balance basis. The annual rates in use are:

Industrial buildings	Over the remaining lease period
Heavy motor vehicles	50%
Light motor vehicles	12.5% and 40%
Plant and machinery	12.5%
Furniture and equipment	12.5% and 33.3%

EXCESS DEPRECIATION

Excess depreciation represents the additional depreciation, following revaluations of plant, plant and equipment, over depreciation based on historical cost. The amount is transferred annually from revaluation surplus to revenue reserve.

OPERATING LEASE PREPAYMENTS

The costs of acquiring leasehold interests in land are accounted for as operating leases and amortised over the period of the lease.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and in the case of the manufactured goods, includes an allocation of direct materials, labour and production overheads.

Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the cost of realisation and where appropriate, the cost of conversion from its existing state to a finished condition.

Provision is made for obsolete, slow moving and defective inventories.

3 ACCOUNTING POLICIES (Continued)

TRADE RECEIVABLES

Trade receivables are carried at an anticipated realisable value. An estimate of provision is made for doubtful receivables based on a review of all outstanding amounts at the year-end.

Bad debts are written off during the year in which they are identified.

PROVISIONS

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are recognised initially at cost using settlements date accounting. Held to maturity investments are subsequently measured at amortised cost while financial assets held for trading and available for sale are measured at fair value.

Financial liabilities

Financial liabilities are recognised initially at cost, and subsequently measured at amortised cost.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated into Uganda shillings at the rate of exchange ruling at the balance sheet date. Transactions during the year are translated at the rate ruling at the dates of the transactions. Gains and losses on exchange are dealt with in the income statement.

RETIREMENT BENEFIT OBLIGATIONS

The company contributes to the National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Fund Statute. The company's obligations under the scheme are specific contributions legislated from time to time, and are currently limited to 10% of the respective employees' gross salaries. The company's contributions are charged to the income statement in the period to which they relate.

BORROWING COSTS

Borrowing costs are recognised in the income statement in the period in which they are incurred.

COMPONENTS OF CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and in operating bank accounts, or cash on deposit within 3 months of maturity at the balance sheet date.

KENGROW INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2008 (Continued)

3 ACCOUNTING POLICIES (Continued)

TRADE AND OTHER PAYABLES

Trade and other payables are stated at cost.

IMPAIRMENT

At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

COMPARATIVES

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

4 OPERATING PROFIT

	2008 Ushs '000	2007 Ushs '000
The operating profit is arrived at after charging:		
Depreciation	361,797	378,297
Amortisation of operating lease prepayments	3,785	3,785
Auditors' remuneration	14,952	12,719
Staff costs	<u>485,782</u>	<u>327,965</u>
and after crediting:		
Profit on sale of property	<u>(7,275)</u>	<u>(4,480)</u>

5 STAFF COSTS

Salaries and wages	437,080	298,366
Staff welfare	23,970	18,328
National Social Security Fund contributions	21,045	8,283
Medical costs	3,687	2,988
	<u>485,782</u>	<u>327,965</u>

The average number of employees during the year was 46 (2007: 46).

6 NET FINANCE COSTS/(INCOME)

Net foreign exchange gain - on related party loans	-	(112,500)
Net foreign exchange gain - on Directors' loan	-	(60,000)
Net foreign exchange gain on other transactions	(107,187)	(73,945)
Interest on related party loans & bank overdrafts	187,773	57,197
	<u>80,586</u>	<u>(189,248)</u>

KENGROW INDUSTRIES LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MAY 2008 (Continued)

	2008 Ushs '000	2007 Ushs '000
7 TAXATION		
(a) Taxation (credit)/charge		
Current tax	142,956	57,964
Deferred income tax - current year	46,187	151,811
	<u>189,143</u>	<u>209,775</u>
(b) Reconciliation of taxation charge		
Profit before taxation	<u>267,399</u>	<u>560,861</u>
Tax effect at the rate of 30%	80,220	168,258
Tax effect on non deductible expenses	340	-
Tax effect of revenues that are not taxable	-	(1,344)
Tax effect in respect of prior year under provision	108,583	42,861
	<u>189,143</u>	<u>209,775</u>
(c) Deferred income tax liability		

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable tax rate of 30%. The net deferred income tax liability comprises:

	2008 Ushs '000	2007 Ushs '000
Accelerated capital allowances	959,674	265,373
Tax losses available for future relief	-	(114,741)
Unrealised foreign exchange (losses)/gains	-	53,100
Revaluation surplus	-	709,754
	<u>959,674</u>	<u>913,487</u>
(d) The movement in the deferred income tax liability is as follows;		
At 1 June	913,487	839,715
Income statement charge - current year	46,187	151,811
Deferred tax charged to equity	-	(78,039)
At 31 May	<u>959,674</u>	<u>913,487</u>

KENGROW INDUSTRIES LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MAY 2008 (Continued)

8 PROPERTY, PLANT AND EQUIPMENT

	Buildings Ushs '000	Plant and machinery Ushs '000	Motor vehicles Ushs '000	Furniture and office equipment Ushs '000	Total Ushs '000
COST OR VALUATION					
At 1 June 2006	2,548,000	3,379,627	189,792	164,260	6,281,679
Additions	-	74,084	48,688	39,675	162,447
Disposals	-	-	(10,000)	-	(10,000)
At 31 May 2007	<u>2,548,000</u>	<u>3,453,711</u>	<u>228,480</u>	<u>203,935</u>	<u>6,434,126</u>
At 1 June 2007	2,548,000	3,453,711	228,480	203,935	6,434,126
Additions	2,813	-	60,960	38,072	101,845
Disposals	-	-	(42,194)	-	(42,194)
At 31 May 2008	<u>2,550,813</u>	<u>3,453,711</u>	<u>247,246</u>	<u>242,007</u>	<u>6,493,777</u>
COMPRISING					
At cost	2,813	253,411	247,246	242,007	745,477
At valuation - 2003	<u>2,548,000</u>	<u>3,200,300</u>	-	-	<u>5,748,300</u>
	<u>2,550,813</u>	<u>3,453,711</u>	<u>247,246</u>	<u>242,007</u>	<u>6,493,777</u>
DEPRECIATION					
At 1 June 2006	175,122	1,199,831	163,759	92,752	1,631,464
Charge for the year	52,479	281,735	28,326	15,757	378,297
Eliminated on disposal	-	-	(9,980)	-	(9,980)
At 31 May 2007	<u>227,601</u>	<u>1,481,566</u>	<u>182,105</u>	<u>108,509</u>	<u>1,999,781</u>
At 1 June 2007	227,601	1,481,566	182,105	108,509	1,999,781
Charge for the year	52,479	246,518	44,873	17,927	361,797
Eliminated on disposal	-	-	(41,584)	-	(41,584)
At 31 May 2008	<u>280,080</u>	<u>1,728,084</u>	<u>185,394</u>	<u>126,436</u>	<u>2,319,994</u>
COMPRISING					
At cost	56	31,676	185,394	126,436	343,562
At valuation - 2003	<u>280,024</u>	<u>1,696,408</u>	-	-	<u>1,976,432</u>
	<u>280,080</u>	<u>1,728,084</u>	<u>185,394</u>	<u>126,436</u>	<u>2,319,994</u>
NET BOOK VALUE					
At cost	2,756	221,735	26,033	71,508	322,032
At valuation	<u>277,324</u>	<u>1,506,349</u>	-	-	<u>1,783,673</u>
At 31 May 2008	<u>2,270,733</u>	<u>1,725,627</u>	<u>61,852</u>	<u>115,571</u>	<u>4,173,783</u>
At 31 May 2007	<u>2,320,399</u>	<u>1,972,145</u>	<u>46,375</u>	<u>95,426</u>	<u>4,434,345</u>

Property, plant and equipment with a carrying value of approximately Ushs 4.65 billion has been pledged as security for bank overdrafts.

Buildings, plant and Machinery were revalued on 31 January 2003 by an independent professional valuer, Ideal Surveyors, Valuers & Real Estate Management consultants. The basis of valuation of the property was open market value. The depreciated replacement method cost of valuation was applied to arrive at the value of buildings.

Included in Plant and Machinery is machinery for the oil and soap divisions with an NBV of Ushs 634,548,000 that has been idle since September 2005 when these divisions were temporarily halted. This machinery could be impaired as per IAS 36 but management asserts that it has continued to maintain the equipment and can therefore recover in excess of the carrying amount should they dispose them off. Consequently, no impairment loss has been charged.

KENGROW INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2008 (Continued)

	2008 Ushs '000	2007 Ushs '000
9 OPERATING LEASE PREPAYMENTS		
COST		
At 1 June & 31 May	<u>155,104</u>	<u>155,104</u>
AMORTISATION		
At 1 June	38,942	35,157
Charge for the year	3,785	3,785
At 31 May	<u>42,727</u>	<u>38,942</u>
NET BOOK VALUE		
At 31 May	<u><u>112,377</u></u>	<u><u>116,162</u></u>

The operating lease prepayment represents rentals paid by the company for leasehold interest in land.

	2008 Ushs '000	2007 Ushs '000
10 INVENTORIES		
Raw materials	548,750	85,827
Finished goods	251,946	169,607
Spares	36,940	79,390
Packing materials	33,914	30,981
Others	184,145	348,710
	<u>1,055,695</u>	<u>714,515</u>

	2008	2007
11 TRADE AND OTHER RECEIVABLES		
Supplier advances	1,719,230	585,254
Trade receivables	868,626	541,303
Deposits and prepayments	314,804	404,581
Staff loans and advances	2,150	4,599
	<u>2,904,810</u>	<u>1,535,737</u>

KENGROW INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2008 (Continued)

12 RELATED PARTY BALANCE AND TRANSACTIONS	2008 Ushs '000	2007 Ushs '000
(a) Shareholders' Loan		
Loan from Red River Enterprises Limited	1,270,499	1,275,000
Loan from Directors	677,600	680,000
	<u>1,948,099</u>	<u>1,955,000</u>

The loan from Directors relates to a loan obtained by the directors from Barclays bank amounting to \$400,000 at a floating interest rate of 6.47% p.a (LIBOR +1%). The loan was obtained to finance the company operations but is not secured by company assets since it was obtained by the directors.

The loan from Red River Enterprises Limited of US\$ 750,000 (2006: US\$ 750,000), approximately Ushs 1.3 billion (2006: Ushs 1.4 billion), is unsecured and is repayable within six months on demand by the lender. Interest is charged at a fixed rate of 10% per annum. Interest payment that had been suspended from December 2005 was resumed during the year.

(b) Transactions with related parties	2008 Ushs '000	2007 Ushs '000
Interest expense	-	-
Purchase of goods	-	-
Sale of goods	-	3,812
	<u>-</u>	<u>3,812</u>

Transactions with related parties are normal trading transactions .

The loan from Red River Enterprises Limited of US\$ 750,000 (2006: US\$ 750,000), approximately Ushs 1.3 billion (2006: Ushs 1.4 billion), is unsecured and is repayable within six months on demand by the lender. Interest is charged at a fixed rate of 10% per annum. Interest payment was suspended from December 2005.

13 SHARE CAPITAL	2008 Ushs '000	2007 Ushs '000
Authorised:		
5,500 ordinary shares of Ushs 500,000 each	<u>2,750,000</u>	<u>2,750,000</u>
Issued and fully paid:		
5,050 ordinary shares of Ushs 500,000 each	<u>2,525,000</u>	<u>2,525,000</u>
14 TRADE AND OTHER PAYABLES		
Trade payables	546,383	341,994
Other payables	433,033	66,690
Duties payable	21,344	8,356
	<u>1,000,760</u>	<u>417,040</u>

KENGGROW INDUSTRIES LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MAY 2008 (Continued)

	2008 Ushs '000	2007 Ushs '000
15 BANK OVERDRAFTS		
Orient Bank Limited - US\$	19,271	-
Orient Bank Limited - Ushs	142,097	-
Allied Bank Limited Jinja - Ushs	523,896	-
Allied Bank Limited Jinja - US\$	380	-
	<u>685,644</u>	<u>-</u>

Orient Bank

The Orient Bank Limited overdraft has a limit of Ushs 500 million which can be drawn in Uganda shilling or in US\$ up to a maximum of US\$150,000 and a standby letter of credit of Ushs 500 million. The loans are secured by a demand promissory note, corporate guarantee of the company, personal guarantee of the directors, existing legal mortgage over properties at plots 1,3,5 & 7 Weatherhead Road, Jinja, Plots 2,4 & 6 Scanlen Road, Jinja, and plot 8 Factory Road, Jinja with the value of Ushs 1,050 million and an existing floating charge by way of debenture on all assets of the company. The effective interest rate for the year on the shillings balances was 19% p.a. and 9% p.a on the dollar balances.

Allied Bank

The Allied bank facilities comprise an overdraft limit/guarantee of Ushs 1,000 million sanctioned solely for working capital purposes of the company's wheat flour division and for issuance of bank guarantees, telegraphic transfers, letters of credit and bid bonds. These facilities are secured by, Legal mortgage(1st Charge) over plots 2,4 and 6 Parekh Road Jinja, Floating debenture (1st charge) over all the assets of the company's flour division, Directors' personal guarantees each for Ushs 750 million, all risk insurance over all company assets with the bank's interest noted therein and a variation deed from Orient Bank over the assets of the flour division of the company. The effective interest rate charged for the year was 19% p.a. on Ushs balances and 9% p.a on USD balances.

	2008 Ushs '000	2007 Ushs '000
16 NOTE TO THE CASH FLOW STATEMENT		
ANALYSIS OF CHANGES IN RELATED PARTY LOANS DURING THE YEAR		
At beginning of year	1,955,000	2,497,500
Loans repaid	-	(1,110,000)
Loans received	-	680,000
Exchange differences	(6,900)	(112,500)
At end of year	<u>1,948,100</u>	<u>1,955,000</u>

17 CONTINGENT LIABILITIES

At 31 May 2008, there were outstanding court cases against the company for which judgment had not been delivered. Claims in respect of these cases have been estimated at approximately Ushs 603 million (2007 - Ushs 578 million).

	2008 Ushs '000	2007 Ushs '000
18 PURCHASE COMMITMENTS		
Raw materials contracted for	<u>7,338,899</u>	<u>499,442</u>

KENGROW INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2008 (Continued)

19 FINANCIAL INSTRUMENTS

Foreign exchange

The company's operations are predominantly in Uganda where the currency is subject to gradual devaluation against major currencies. Most of the company's raw material purchases are denominated in US dollars and sales are denominated in Uganda shillings. The company does not hedge its foreign currency risks.

Interest

The company finances its activities through a floating interest rate loan from the directors and the holding company {note 12 (c)} and variable interest bank overdraft facilities (note 15).

Credit risk

In the normal course of its business, the company incurs credit risk from financial institutions and accounts receivable. The credit risk exposure is however limited due to management's constant monitoring of the status of the financial institutions where the deposits are maintained and the ongoing procedures to monitor the credit worthiness of its customers.

Fair value

There is no material difference between the fair value and the carrying value of the company's financial assets and liabilities.

20 HOLDING COMPANY

The holding company is Red River Enterprises Inc. which is incorporated in Panama.

21 INCORPORATION

The company is incorporated in Uganda under the Companies Act.

22 CURRENCY

These financial statements are presented in Uganda shillings thousands (Ushs'000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2008 (Continued)

13 RISK MANAGEMENT POLICIES

FINANCIAL RISK MANAGEMENT

The company has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity Risk
- Interest Risk
- Foreign Risk

The company's business activities involve manufacture and distribution of wheat flour, soap & edible oil and the sale of rice. The company also has a business equipment and consumer electronics division which trades in Sharp and DELL products. Management endeavours at all times to minimise risks. Management has put in place elaborate policies in all its functions as a control against risk exposure.

The company is exposed to various risks, including credit risk, interest risk, liquidity risk and foreign risk. The company's risk management strategy is based on a clear understanding of the various risks, disciplined risks assessment and measurement procedures and continuous monitoring. The policies and procedures established for this purpose are continuously benchmarked with the manufacturing industry best practices. The management is responsible for the assessment, management and mitigation of risk in the company.

The company overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks.

The financial management objectives and policies are as outlined below:

(a) Credit risk

The company's credit risk is primarily attributable to its trade receivables, estimated by the company's management based on prior experience, existing financial and economic factors faced by the debtor and the exit options available.

The credit risk on liquid funds with financial institutions is also low, because the institutions are banks with high credit-ratings.

The amount that best represents the company's maximum exposure to credit as at 31 May 2008 is made up as follows:

	Fully Performing Ushs '000	Past due Ushs '000	Impaired Ushs '000
As at 31 May 2008			
Cash and cash equivalents	31,599	-	-
Trade and other receivables	2,904,810	-	-
	<u>2,936,409</u>	<u>-</u>	<u>-</u>
As at 31 May 2007			
Cash and cash equivalents	118,923	-	-
Trade receivables	1,535,737	-	-
Total	<u>1,654,660</u>	<u>-</u>	<u>-</u>

Cash and cash equivalents are fully performing

Trade and other receivables under the fully performing category are paying their debts as they continue trading.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2008 (Continued)

13 RISK MANAGEMENT POLICIES (Continued)

(b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk through continuous monitoring of forecast and actual cash flows.

The table below analyses the company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	0-3 months Ush'000	3-12 months Ush'000	1-5 Years Ush'000	Over 5 Years Ush'000	Total Ush'000
At 31 May 2008					
Trade and other payables	1,000,760	-	-	-	1,000,760
Bank overdraft	685,644	-	-	-	685,644
Term loans	-	1,948,099	-	-	1,948,099
At 31 May 2007					
Trade and other payables	417,040	-	-	-	417,040
Bank overdraft	-	-	-	-	-
Term loans	-	1,955,000	-	-	1,955,000

(c) Market risk

The company's operations are predominantly in Uganda where the currency is subject to gradual devaluation against the major currencies. Some of the purchases are denominated in foreign currency and therefore a mismatch exists between sales and purchases in terms of non-uniformity in currency of trade. However, as noted earlier, the Ugandan Shilling has been relatively stable against major convertible currencies. Customer care and client rapport is emphasised at all levels to enable the company attract and maintain quality customers.

(e) Capital Management

The company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The company's overall strategy remains at maximising shareholders value.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	2008 Ushs '000	2007 Ushs '000
Share Capital	2,525,000	2,525,000
Accumulated Deficit	(640,837)	(778,449)
Revaluation surplus	1,832,753	1,892,109
Equity	<u>3,716,916</u>	<u>3,638,660</u>
Total borrowings	1,948,099	1,955,000
Less: Cash and cash equivalents	<u>654,045</u>	<u>(118,923)</u>
Total capital	<u>2,602,144</u>	<u>1,836,077</u>
	<u>6,319,060</u>	<u>5,474,737</u>
Gearing ratio	41%	34%

KENGROW INDUSTRIES LIMITED
 DETAILED INCOME STATEMENT
 FOR THE YEAR ENDED 31 MAY 2008

APPENDIX I

		2008 Ushs '000	2007 Ushs '000
TURNOVER		17,676,115	15,930,403
COST OF SALES	(Appendix II)	(16,022,474)	(14,469,008)
GROSS PROFIT		1,653,641	1,461,395
OTHER INCOME	(Appendix II)	9,102	5,142
ADMINISTRATIVE EXPENSES	(Appendix II)	(1,108,093)	(854,585)
SELLING AND DISTRIBUTION EXPENSES	(Appendix III)	(206,665)	(240,339)
OPERATING PROFIT		347,985	371,613
NET FINANCE (COSTS)/INCOME		(80,586)	189,248
PROFIT BEFORE TAXATION		267,399	560,861

KENGROW INDUSTRIES LIMITED

APPENDIX II

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2008 (Continued)

	2008 Ushs '000	2007 Ushs '000
COST OF SALES		
Opening inventories	714,515	1,108,387
Purchases	15,485,663	13,160,130
Manufacturing costs	468,676	467,976
Depreciation	298,997	334,214
Salaries and wages	110,318	110,384
NSSF company contribution	-	2,432
	<u>17,078,169</u>	<u>15,183,523</u>
Less: closing inventories	(1,055,695)	(714,515)
	<u><u>16,022,474</u></u>	<u><u>14,469,008</u></u>
OTHER INCOME		
Profit on sale of property	7,275	4,480
Miscellaneous	1,827	662
	<u><u>9,102</u></u>	<u><u>5,142</u></u>
ADMINISTRATIVE EXPENDITURE		
Salaries and wages	437,080	298,366
Establishment expenses	293,888	251,897
Bank charges	60,828	36,944
Postage, telex and telephone	42,400	47,722
Motor vehicle expenses	48,834	51,103
Staff welfare	23,970	18,328
Depreciation	62,800	44,083
Office expenses	21,957	33,279
Traveling expenses	45,504	30,851
Auditors' remuneration	14,952	12,719
Printing and stationery	8,563	8,352
Immigration expenses	15,980	2,305
Staff medical	3,687	2,988
Amortisation of lease prepayments	3,785	3,785
Office equipment maintenance	2,175	2,779
Subscriptions and periodicals	265	801
Bad and doubtful debts	380	-
NSSF company contribution	21,045	8,283
	<u><u>1,108,093</u></u>	<u><u>854,585</u></u>

KENGROW INDUSTRIES LIMITED

APPENDIX III

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2008 (Continued)

	2008 Ushs '000	2007 Ushs '000
SELLING AND DISTRIBUTION EXPENSES		
Delivery costs	150,357	186,696
Launch expenses	-	1,527
Advertising and publicity	56,308	52,116
	<u>206,665</u>	<u>240,339</u>
MANUFACTURING COSTS		
Repairs and maintenance	22,251	29,336
Packing charges	-	607
Power and water	288,737	327,938
Testing and analysis	665	360
Fuel, oil and lubricants	157,023	109,735
	<u>468,676</u>	<u>467,976</u>

C. Memorandum & Articles of Association

THE COMPANIES ACT

A COMPANY LIMITED BY SHARES

Memorandum

and

Articles of Association

of

KENGROW TANZANIA LIMITED

Incorporated this _____ day of _____, 2008

DRAWN BY:

KISARIKA, MALIMI & MLOLA (ADVOCATES)

Dar es Salaam Office:

3rd Floor, Elite City Building,
Samora Avenue/Morogoro Road,
P.O. Box 71394, Dar es Salaam.
Tel # +255 22 2133616/2133619
Fax # +255 22 2133615
Cell # +255 754 380 600, 754 224 935
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Cell # +255 754 380 600
kisarika@kmadvocates.com

Website: www.kmadvocates.com

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Mays

THE COMPANIES ACT

COMPANY LIMITED BY SHARES

Memorandum of Association

of

KENGROW TANZANIA LIMITED

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33286419 17/10/08
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Mays

1. The name of the Company is **KENGROW TANZANIA LIMITED**
2. The registered office of the Company will be situated in the United Republic of Tanzania.
3. The objects for which the Company is established are:-
 - 3.1 To carry on the business of millers, grinders, shellers, processors, manufacturers, merchants, warehousemen, refiners, blenders, producers, mixers, importers, exporters, buyers and sellers of and dealers and traders in all kinds of grains, wheat, cereals, nuts, seeds, flour, meals, legumes and fruits and all kinds of farinaceous foodstuffs, feeds and preparations for human, animal and poultry consumption and all other goods, products and things used in or for any of the foregoing objects and businesses including fertilisers, and manures and all kinds of by-products, residues and wastes resulting from any of the foregoing processes and activities.
 - 3.2 To carry on by wholesale and retail the businesses of grain, seed and produce merchants and dealers in and conveyors of grain and agricultural produce of all descriptions; manufacturers and suppliers of animal and poultry feeds of all kinds and feeding and fattening preparations, substances and materials of all descriptions; meal manufacturers and merchants, millers, warehousemen, flour merchants and dealers in hay and straw and fertilisers; manufacturers, merchants, importers, exporters of and dealers in vinegar, malt, yeast and all kinds of spirits and by-products of grains and seeds.
 - 3.3 To carry on business as bakers and manufacturers of and dealers in bread, flour, biscuits and farinaceous compounds and materials of every descriptions, to construct, acquire, hire, hold, work, let and sell mills, factories, bake houses, shops buildings, machinery and appliances suitable for such baking manufacturing and dealing, to carry on the business of retail dealers in bread, flour, biscuits, farinaceous compounds, sweets, confectionary and the sale of other foods or articles which may be conveniently sold therewith.
 - 3.4 To Carry on the business of cultivating, growing, buying, preparing for market, beans, wheat, maize, coffee, sisal and process food crops of all kinds as well as vegetable, diary or mineral produce and to dispose of, sell or deal in any such

produce either in its raw or in its manufactured or processed state in Tanzania and elsewhere in East Africa.


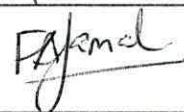

- 3.5 To carry on all or any of the trades and businesses of farmers, planters, graziers, breeders of and dealers in livestock, market gardeners, arboriculturalists, agriculturalists, horticulturalists and dairymen and any other trade or business in connection with arboriculture, agriculture or horticulture.
- 3.6 To purchase, take on lease or in exchange or otherwise acquire, lands and properties of any tenure whatsoever in Tanzania or elsewhere in East Africa.
- 3.7 To manage, work and turn to account any estates, lands or properties of the Company and to develop the resources thereof by clearing, draining, planting, irrigating, pasturing, road-making, building, taking soil and water conservation measures and otherwise improving the same and for purposes aforesaid from time to time to purchase such horses, cattle, stock, machinery, implements and accessories and to employ such labour and to sell all or any part of the assets, live or dead stock, timber, crops or other products of such lands as may be considered necessary.
- 3.8 To buy, sell and in hides, skins, fat, offal and all other by products of livestock and to carry on the business of tanning and fell-mongering.
- 3.9 To purchase or otherwise acquire forest concessions, licenses and lands and to dispose of the same from time to time by way of sale, lease or otherwise.
- 3.10 To buy, sell, export, import and deal in produce, goods and commodities of any descriptions whether produced by the Company or not and to act as general merchants and traders both wholesale and retail and for such purposes to open and maintain shops, stores and warehouses and to do all such things either as principals or agents.
- 3.11 To carry on the business of timber and lumber merchants and sawmill proprietors and to buy, sell prepare for market, import, export and deal in timber and wood of all kinds and to manufacture and deal in articles of all kinds of which timber or wood is used.
- 3.12 To stock and carry on any shops or stores for the benefit of the servants of the Company.
- 3.13 To apply for and acquire any statutory or other powers, rights or concessions.
- 3.14 To effect and maintain insurance on the life or lives of any director or directors and other officers or servants of the Company and any other persons in whose lives the Company has an insurable interest.
- 3.15 To purchase, or otherwise acquire all or any part of the business, property and liabilities of any company, society, partnership or person, formed for all or any part of the purposes within the objects of this Company and to conduct and carry on, or liquidate and wind up, any such business.

- 3.16 To purchase, take on lease, or otherwise acquire for the purposes of the Company, any estates, lands, buildings, easements or other interests on real estate and to sell, let on lease, or otherwise dispose of, or grant rights over, any real property belonging to the Company.
- 3.17 To purchase or otherwise acquire, erect, maintain reconstruct and adapt any offices, workshops, mills, plant machinery and other things found necessary or convenient for the purposes of the Company.
- 3.18 To let on lease or on hire the whole or any part of the real and personal property of the Company on such terms as the Company shall determine.
- 3.19 To draw, accept and make and to endorse, discount and negotiate bills of exchange and promissory notes and other negotiable instruments.
- 3.20 To borrow or raise money by the issue of debentures, debenture stock (perpetual or terminate), bonds, mortgages or any other securities, founded or based upon all or any of the property and rights of the Company, including its uncalled property and rights of the Company, including its uncalled capital or without any such security and upon such terms as to priority or otherwise, the Company shall think fit.
- 3.21 To advance and lend money upon such security as may be thought proper, or without taking any security therefore.
- 3.22 To invest the moneys of the Company not immediately required in such manner, other than in the shares of this Company, as from time to time may be determined.
- 3.23 To acquire by subscription, purchase or otherwise, and to accept and take, hold and sell, shares or stock, in any company, society or undertaking, the objects of which shall either in whole or in part, be similar to those of this Company, or such as may be likely to promote or advance the interests of this Company.
- 3.24 To enter into and carry into effect any arrangement for joint working in business, or for sharing of profits, or for amalgamation, with any other company, or any partnership or person, carrying on business within the objects of this Company.
- 3.25 To sell, dispose of, or transfer the business, property and undertaking, of the Company, or any part thereof, for a consideration which the Company may see fit to accept.
- 3.26 To do all or any of the matters hereby authorized in any part of the world either alone or in conjunction with, or as factors, trustees or agents for, any other companies or persons, or by or through any factors, trustees or agents.
- 3.27 To do all such acts and things as are incidental or conducive to the attainment of the above objects. It is hereby declared that the word "company" except where used in reference to the Company shall be deemed to include any partnership, or other body of persons whether incorporated and whether not existing or hereinafter to be formed.

3.28 it is furthermore expressly declared that the intention is that the objects set forth in each of the foregoing paragraphs of this clause shall be construed in the most liberal way and shall in no way be limited or restricted by reference to any other paragraph or by any inference drawn from the terms of any other paragraph;

4. The liability of the members is limited.
5. The authorized share capital of the Company at the date of registration of this Memorandum of Association is **Tanzania Shillings One Billion (T.Shs. 1,000,000,000/=)** divided into **Ten Thousand (10,000)** shares of **Tanzania Shillings One Hundred Thousand (T.Shs. 100,000)** each with power for the Company to increase or reduce such capital and to divide the shares in the capital for the time being, whether original or increased, in different classes, and to attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares, whether preference or otherwise, or any such rights, privileges or conditions shall not be altered or modified except in accordance with the Articles or Association registered herewith.

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

Names, addresses and Subscription of subscribers	No. of Shares taken	Signature(s)
1. Mr. Rehmetullah Amirally Jamal P.O. Box 393, Village Market 00621 Nairobi, Kenya.	25	
2. Mr. Feisal Amirally Hasham Jamal P.O. Box 393, Village Market 00621 Nairobi, Kenya.	25	
3. Mrs. Goolshen Amirally Jamal P.O. Box 393, Village Market 00621 Nairobi, Kenya.	50	

DATED at Arusha this 7th day of October, 2008

Witnesses to the above signatures

Signature: _____

Name: _____

Address: _____

Qualification: **Commissioner for Oaths**



THE COMPANIES ACT
 PRIVATE COMPANY LIMITED BY SHARES
 Articles of Association
 Of
 KENGROW TANZANIA LIMITED

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 17/10/08
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 17/10/08
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Table "A" Not to Apply

1. The regulations in Table "A" in the Schedule to the Companies Act shall not apply to the Company.
2. In these presents, if not inconsistent with the subject or context, the words standing in the first column of the table next hereinafter contained shall bear the meanings set opposite to them respectively in the second column thereof.

WORDS

MEANINGS

the Act

The Companies Act No. 12 of 2002, and every other enactment for the time being in force concerning companies and affecting the Company.

These presents

These Articles of Association, as now framed, or as from time to time altered by Special Resolution.

Office

The Registered Office of the Company.

Seal

The Common Seal of the Company.

Month

Calendar month.

Year

Calendar year.

Writing

Unless the contrary intention appears, "**writing**" shall be construed as including references to printing, lithography, photography, and other modes of representing or reproducing words in a visible form.

Dividend

Dividend and/or bonus.

The expressions "**Debenture**" and "**Debenture holder**" shall include "**Debenture Stock**" and "**Debenture Stockholder**", and the expression

"Secretary" shall include a temporary or assistant Secretary and any person appointed by the Directors to perform any of the duties of the Secretary.

Save as aforesaid any words or expressions defined in the Act shall, if not inconsistent with the subject or context, bear the same meaning in these presents.

The marginal notes are inserted for convenience only and shall not affect the construction of these presents.

Words importing the singular number only shall include the plural and the converse shall also apply.

Words importing males shall include females.

3. The Company is a private Company and accordingly:-

Private Company

- (a) the right to transfer shares is restricted in manner hereinafter prescribed.
- (b) the members of the company (exclusive of persons who are in the employment of the Company) is limited to fifty, PROVIDED THAT, where two or more persons hold one or more shares in the Company jointly, they shall, for the purpose of this Article, be treated as a single member;
- (c) any invitation to the public to subscribe for any shares or debentures of the company is prohibited;
- (d) the Company shall not have power to issue share warrants to bearer.

SHARE CAPITAL

4. The Share Capital of the Company at the date of registration of these Articles is **Tanzania Shillings One Billion (Tshs. 1,000,000,000.00)** divided into **Ten Thousand (10,000)** shares of **Tanzania Shillings One Hundred Thousand (T.Shs. 100,000.00)** each.

Share Capital

LOANS BY THE COMPANY

5. No part of the funds of the Company shall be employed in the purchase of or in loans upon the security of the Company's shares. The Company shall not, except as authorized by the Act, give any financial assistance for the purpose of or in connection with any purchase of share in the Company.

Company's own shares
not to be purchased

RIGHTS OF SHAREHOLDERS

6. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company (whether forming part of the original capital or not) may be issued with such preferred, deferred or other special rights, or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by ordinary resolution determine. The Company may by special resolution create and sanction the issue of preference shares which are, or at the option of the Company are to be, liable to be redeemed, subject to and in accordance with the provisions of the Act. The Company may issue Preference Shares which are, or which at the option of the Company are to be, liable to be redeemed. The special resolution sanctioning any such issue shall also specify by way of an addition to these Articles the terms in which and the manner in which any such preference shares shall be redeemed.
- Issue of shares subject to special conditions

MODIFICATION OF RIGHTS

7. Whenever the capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the provisions of the Act, be modified or abrogated, either with the consent in writing of the holders of three-fourths of the issued shares of the class, or with the sanction of a Special Resolution passed at a separate General Meeting of such holders (but not otherwise), and may be so modified or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up. To every such separate General Meeting all the provisions of these presents relating to General Meetings of the Company or to the proceedings thereat, shall *mutatis mutandis*, apply, except that the necessary quorum shall be two persons at least holding or representing by proxy one-half in nominal amount of the issued shares of the class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those Members who are present shall be a quorum), and that the holders of shares of the class shall, on a poll, have one vote in respect of every shares of the class held by them respectively.
- How rights of shares may be modified

SHARES

8. Subject to the provisions of Article 38, unissued shares shall be at the disposal of the Directors, and they may allot, grant options over, or otherwise dispose of them to such persons, at such times, and on such terms as they think proper, but so that no shares shall be issued at a discount, except in accordance with the Act.
- Unissued shares at the disposal of Directors
9. In addition to all other powers of paying commissions, the Company (or the Directors on behalf of the Company) may exercise the powers of paying commissions conferred by the
- Power to pay commission and brokerage

Act, provided that the rate per cent, or the amount of the commission paid or agreed to be paid, shall be disclosed in the manner required by the Act and the rate of the commission shall not exceed the rate of ten per cent (10%) of the price at which the shares in respect of which the commission is paid are issued or an amount equivalent thereto. The Company (or the Directors on behalf of the Company) may also on any issue of shares pay such brokerage as may be lawful.

10. Shares may be held in the Company in trust for beneficial owner.

Trustee shares

CERTIFICATES

11. Every person whose name is entered as a Member in the Register of Members shall be entitled without payment to receive within two months after allotment or lodgment of transfer (or within such other period as the conditions of issue shall provide) one certificate for all his shares of any one class or several certificates each for one or more of his shares upon payment of such sum, as the Directors shall from time to time determine. Every certificate shall be issued under the Seal. The certificate shall specify the shares or securities to which it relates and the amount paid up thereon. Provided that the Company shall not be bound to register more than three persons as the joint holders of any shares (except in the case of executors of trustees of a deceased Member), and, in case of a share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate therefore, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders.

Issue of Certificates

12. If a share certificate be worn out, defaced, lost or destroyed, it may be renewed on payment of such fee (if any) and on such terms (if any) as to evidence, indemnity and the payment of out-of-pocket expenses of the Company for investigating evidence, as the Directors think fit.

Renewal of Certificates

LIEN

13. The Company shall have a first and paramount lien on every shares for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such share; and the Company shall also have a first and paramount lien and charge on all shares (including fully paid shares) standing registered in the name of each Member (whether solely or jointly with others) for all the debts and liabilities of such Member or his estate to the Company

Company's lien

and that whether the same shall have been incurred before or after notice to the Company of any equitable or other interest in any person other than such Member, and whether the period for the payment or discharge or the same shall have actually arrived

or not and notwithstanding that the same are joint debts or liabilities of such Member or his estate and any other person, whether a Member of the Company or not. The Company's lien (if any) on a share shall extend to all dividends payable thereon but the Directors may at any time declare any share to be exempt wholly or partially from the provisions of this Article.

14. The Company may sell, in such manner as the Directors think fit, any share on which the Company has a lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable, nor until the expiration of fourteen days after a notice in writing, stating and demanding payment of the sum presently payable, and giving notice of intention to sell in default, shall have been given to the holder for the time being of the share or the person entitled by reason of his death or bankruptcy to the shares. For giving effect to any such sale, the Directors may authorize some person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in such transfer, and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale. Sale of shares subject to lien
15. The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debt or liability in respect whereof the lien exists, so far as the same is presently payable and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the shares prior to the sale) be paid to the person entitled to the shares at the time of the sale. Application of proceeds of such sale
- CALLS ON SHARES**
16. The Directors may from time to time make calls upon the Members in respect of any moneys (whether on account of the amount of the shares or by way of premium) unpaid on their shares, provided that (except as otherwise fixed by the conditions of application or allotment) no call on any shares shall exceed one-fourth of the nominal amount of the share or be payable at less than fourteen days from the last call, and each Member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. Calls
17. A call shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. A call may be made payable by installments. Time when made
18. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. Liability of joint holders

19. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate not exceeding Ten per cent (10%) per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part. Interest on calls
20. Any sum which by the terms of issue of a share becomes payable upon allotment or at any fixed date, whether on account of the amount of the shares or by way of premium, shall for all the purposes of these presents be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of non-payment all the relevant provisions of these presents as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified. Sums due on allotment to be treated as calls
21. The Directors may from time to time make arrangements on the issue of shares for a difference between the holders of such shares in the amount of calls to be paid and in the times of payment. Power to differentiate
22. The Directors may, if they think fit, receive from any Member willing to advance the same, all or any part of the moneys unpaid upon the shares held by him beyond the sums actually called up thereon as a payment in advance of calls and such payment in advance of calls shall extinguish, so far as the same shall extend, the liability upon the shares in respect of which it is advanced, and upon the moneys so received, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which it has been received the Company may pay interest at such rate as the Member paying such sum and the Directors agree upon. Payment of calls in advance

TRANSFER OF SHARES

23. (a) Subject to the restrictions of these presents, all transfers of shares may be effected by transfer in writing in the usual common form or in any other form in writing under hand approved by the Directors. Form of transfer
- (b) The instrument of transfer of a share shall be in writing and shall be signed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members in respect thereof, provided that the Directors may dispense with the execution of the instrument of transfer by the transferee in any case in which they think fit in their discretion so to do. Execution

24. The Director may, subject to compliance with the requirements of the Act as to advertisement, suspend the registration of transfers at such time and for such periods as they may from time to time determine, but so that such registration shall not be suspended for more than Thirty days in any year. Director's refusal to register, and closing register
25. All instruments of transfer which shall be registered shall be retained by the Company but any instrument of transfer which the Directors may decline to register shall on demand be returned to the person depositing it with the Company. Custody of instruments of transfer
- The Directors may decline to recognize any instrument of transfer unless:-
- (a) Such fee, as the Directors may from time to time require, is paid to the Company in respect thereof; and
- (b) The instrument of transfer is deposited at the Office or such other place as the Director may appoint, accompanied by the certificate of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

TRANSMISSION OF SHARES

26. In case of the death of a Member the survivors or survivor where the deceased was a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder shall be the only persons recognized by the Company as having any title to his shares; but nothing herein contained shall release the estate of a deceased holder (whether sole or joint) from any liability in respect of any share solely or jointly held by him. Transmission on death
27. Any person becoming entitled to a share in consequence of the death or bankruptcy of a Member may, upon such evidence as to his title being produced as may from time to time be required by the Directors, and subject as hereinafter provided, either be registered himself as holder of the share or elect to have some person nominated by him registered as the transferee thereof. Registration of Execution and Trustees in Bankruptcy
28. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to have his nominee registered, he shall testify his election by executing to his nominee a transfer of such share. All the limitations, restrictions and provisions of these presents relating to the right to transfer and the registration of transfer of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer executed by such Member. Notice of Election to be registered and registration of nominee

29. A person becoming entitled to a share in consequence of the death or bankruptcy of a Member shall be entitled to receive and may give a discharge for all dividends and other moneys payable in respect of the shares, but he shall not be entitled to receive notice of or to attend or vote at meetings of the Company or, save as aforesaid, to any of the rights or privileges of a Member until he shall have become a Member in respect of the share, and should he fail either to transfer the share or to elect to be registered as a Member in respect thereof within sixty days of being required so to do by the Directors, he shall in the case of shares which are fully paid up be deemed to have elected to be registered as a Member in respect thereof, and may be registered accordingly.

Right of unregistered
executors and trustee

FORFEITURE OF SHARES

30. If a Member fails to pay the whole or any part of any call or installment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of such call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and all expenses which may have been incurred by the Company by reason of such non-payment.

Notice requiring
payment of Calls

31. The notice shall name a further day (not being less than seven days from the date of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed the shares in respect of which the call was made will be liable to be forfeited.

Notice to state time and
place for payment

32. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before forfeiture.

Forfeiture on non-
compliance with notice

33. When any share has been forfeited in accordance with these presents, notice of the forfeiture shall forthwith be given to the holder of the share, or the person entitled to the share by transmission, as the case may be, and an entry of such notice having been given and of the forfeiture with the date thereof shall forthwith be made in the Register of Members opposite to the entry of the shares; but no forfeiture shall be in any manner invalidated by any accidental omission or neglect to give such notice or to make such entry as aforesaid.

Notice after forfeiture

34. A forfeited share shall become the property of the Company and may be sold, re-allotted or otherwise disposed of, either to the person who was, before forfeiture, the holder thereof or entitled thereto, or to any other person, upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposition, the forfeiture may be canceled on such terms as the Directors think fit. The Directors may if necessary, authorise some person to transfer a forfeited share to any such other person as aforesaid. Sale of forfeited shares
35. A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which, at the date of the forfeiture, were payable by him to the Company in respect of the shares, with interest thereon as shall be determined by the Directors from the date of forfeiture until payment, but the Directors may waive payment of such interest either wholly or in part and the Directors may enforce payment without any allowance for the value of the shares at the time of forfeiture. Rights and liabilities of Members whose shares have been forfeited
36. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company, and that a share has been duly forfeited on the date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share, and such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the certificate of proprietorship of the share under seal delivered to a purchaser or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute a good title to the share, and the person to whom the share is sold, reallotted or disposed of, shall be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, re-allotment or disposal of the share. Title to forfeited shares

INCREASE OF CAPITAL

37. The Company may from time to time by Ordinary Resolution increase its share capital by such sum to be divided into shares of such amount as the resolution shall prescribe. Power to increase capital
38. The Company may by Ordinary Resolution direct that the new shares, or any of them shall be offered in the first instance, either at par or at a premium, to the then Members or to the holders of any class of shares for the time being, in proportion to the number of shares or shares of the class or group held by them respectively, or make any other provisions as to the issue of the new shares. Allotment of new shares

39. All new shares shall be subject to the provisions of these presents with reference to payment of calls, lien, transfer, transmission, forfeiture and otherwise and, unless otherwise provided in accordance with the powers contained in these presents, shall be Ordinary Shares.
- Right and liabilities attached to new shares

ALTERATIONS OF CAPITAL

40. The Company may by Ordinary Resolution:-
- (a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. Power to consolidate shares
 - (b) Cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken by any person, and diminish the amount of its capital by the amount of the shares so canceled. Power to cancel shares
 - (c) Sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association (subject, nevertheless, to the provisions of the Act), and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights, or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares. Power to sub-divide shares
- And may by Special Resolution:-
- (d) Reduce its capital or any capital redemption reserve fund or any share premium account in any manner authorised by the Act.
41. The Company may by Ordinary Resolution convert any paid-up shares into stock, and reconvert any stock into paid-up shares of any denomination.
42. The holders of stock may transfer the same, or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might previously to conversion have been transferred, or as near thereto as circumstances admit; and the Directors may from time to time fix the minimum amount of stock transferable but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose.
43. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as

regards dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, but no such privileges or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

44. Such of the regulations of the Company as are applicable, to paid-up shares shall apply to stock, and the words "share" and "shareholder" therein shall include "stock" and "stockholder".

GENERAL MEETINGS

45. A General Meeting shall be held as the Annual General Meeting once in every year, at such time (within a period of not more than fifteen months after the holding of the last preceding Annual General Meeting) and place as may be determined by the Directors. The General Meetings referred to in this Article shall be called "Annual General Meetings". All General Meetings other than Annual General Meetings shall be called "Extraordinary Meetings".
46. The Directors may call an Extraordinary Meeting whenever they think fit and shall, on requisition in accordance with the Act, proceed to convene an Extraordinary Meeting as required by the Act. In the case of Extraordinary General Meeting called in pursuance of a requisition, unless such meeting shall have been called by the Directors, no business other than that stated in the requisition as the objects of the meeting shall be transacted.

NOTICE OF GENERAL MEETINGS

47. All meetings of Members shall be called by twenty-one days' notice in writing at the least. The notice shall be exclusive of the day on which it is served or deemed to be served and exclusive of the day for which it is given, and shall specify the place, the day, and the hour of meeting, and in case of special business, the general nature of such business (and in the case of a meeting convened for passing a Special Resolution, the intention to propose such resolution as a Special Resolution), and shall be given in manner hereinafter mentioned to such persons as are, under the provisions herein contained, entitled to receive notices from the Company. With the consent in writing of all Members entitled to receive notices from the Company, a meeting may be convened by a shorter notice and in such manner as such Members may think fit.
48. The accidental omission to give notice to, or the non-receipt of notice by, any Member, shall not invalidate the proceedings at any General Meeting.

Notice of General Meetings required

Omission and non receipt of notice

PROCEEDINGS AT GENERAL MEETINGS

49. All business shall be deemed special that is transacted at an Extraordinary Meeting, and also all business that is transacted at an Annual General Meeting, with the exception of declaring dividends, the reading and consideration of the accounts and balance sheet and the ordinary reports of the Directors and documents required to be annexed to the balance sheet, the election of directors and appointment of Auditors and other officers in the place of those retiring by rotation or otherwise, the fixing of the remuneration of the Auditors and the voting of remuneration or extra remuneration to the Directors. Special business
50. Any person entitled to be present and vote at a meeting may submit any resolution or amendment to the meeting, provided that at least five and not more than fourteen clear days before the day appointed for the meeting he shall have served upon the Company a notice in writing signed by him, containing the proposed resolution or amendment and stating his intention to submit the same. Notice of resolutions and amendments by Members
51. Upon receipt of any such notice as in the last proceeding Article mentioned, the Secretary shall include in the notice of the meeting in any case where the notice of intention is received before the notice of the meeting is issued, and shall in any other case issue as quickly as possible to the Members notice that such resolution or amendments will be proposed. Any resolution or amendment of which such notice has not been given shall in the case of a resolution and may in the case of an amendment be ruled out of order, and the ruling of the Chairman shall be conclusive. Issue of such notice
52. No business shall be transacted at any General Meeting unless a quorum is present when the meeting proceeds to business; save as herein otherwise provided two members present in person or by proxy shall be a quorum for all purposes. Quorum
53. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place or to such other day and at such other time and place as the Directors may determine, and if at such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for holding the meeting, the Members present in person or by proxy shall be a quorum. Adjournment if quorum not present
54. The Chairman of the Board of Directors if any shall preside as Chairman at every General Meeting of the Company. If at any meeting the Chairman is not present within fifteen minutes after the time appointed for holding the meeting, or be unwilling to act as Chairman, the Members present shall choose some Chairman
Election of Chairman

Director, or if no Director be present, or if all the Directors present decline to take the chair, they shall choose some Member present to be Chairman.

55. The Chairman may with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. When a meeting is adjourned for fourteen days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
56. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or by at least two Members present in person or by proxy and entitled to vote, or by a Member or Members entitled either by reason of their own holding or as representatives or as proxies, to cast one-tenth or more of the votes which could be cast in respect of that resolution if all persons entitled to vote thereon were present at the meeting. Unless a poll is so demanded, a declaration by the Chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, or not carried, and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
57. If any votes shall be counted which ought not to have been counted, or might have been rejected, the error shall not vitiate the resolution unless the same be pointed out at the same meeting, or at any adjournment thereof, and not in that case unless it shall in the opinion of the Chairman of the meeting be of sufficient magnitude to vitiate the resolution.
58. If a poll is dully demanded, it shall be taken at such time and in such manner (including the use of ballot or voting papers or tickets) as the Chairman may direct, and the result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The Chairman may in the event of a poll, appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll. The demand for a poll may with the consent of the Chairman of the meeting be withdrawn.
59. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

Adjournments

Notice of adjournments

Method of Voting

Demand of poll

Votes counted in error

How poll to be taken

Chairman's casting vote

60. A poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. No notice need be given of a poll not taken immediately. Time for taking a poll
61. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded. Continuance of business after demand a poll

VOTES OF MEMBERS

62. Subject to any special rights or restrictions as to voting attached by or in accordance with these presents to any class of shares, on a show of hands every Member who is present in person shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder. Voting rights of Members
63. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members. Voting rights of joint holders
64. A Member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, curator bonis, or other person in the nature of a committee or curator bonis appointed by such Court, and such committee, curator bonis or other person may on a poll vote by proxy, provided that such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than three days before the time for holding the meeting. Voting Rights of lunatic Members
65. No Member shall, unless the Directors otherwise determine, be entitled to vote at a General Meeting either personally or by proxy, or to exercise any privilege as a Member unless all calls or other sums presently payable by him in respect of shares in the Company have been paid. No right to vote where at a call is unpaid
66. No objection shall be raised to the qualifications of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive. Objections
67. Votes may be given either personally or by proxy. On a show of hands a Member (other than a corporation) present only by proxy shall have no vote, but a proxy for corporation may vote. Votes on a poll

on a show of hands. A proxy need not be a Member of the Company.

68. Any corporation which is a Member of the Company may, by resolution of its directors or other governing body, authorise any person to act as its representative at any meeting of the Company or of any class of members of the Company, and such representative shall be entitled to exercise the same powers on behalf of the corporation which he represent as if he had been an individual shareholder, including power, when personally present, to vote on a show of hands. Voting of corporation
69. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation either under the common seal or under the hand of an officer or attorney so authorised. Execution of proxies
70. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the Office not less than twenty-four hours before the time appointed for holding the meeting or adjourned meeting, or in the case of a poll not less than twenty-four hours before the time appointed for the taking of the poll at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. Deposit of proxies
71. An instrument of proxy may be in the usual common form or in such other form as the Directors shall prescribe. The proxy shall be deemed to include the right to demand, or join in demanding, a poll, and shall (except and to the extent to which the proxy is specially directed to vote for or against any proposal) include power generally to act at the meeting for the Member giving the proxy. A proxy, whether in the usual or common form or not shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates, and need not be witnessed. Power of Directors to hold offices of profit and to contract with Company
2. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at the Office before the commencement of the meeting or adjourned meeting at which the proxy is used.

DIRECTORS

73. Unless and until otherwise determined by the Company in a General Meeting the Directors shall not be less than **two** and not more than **seven** in number. The first directors of the Company shall be:-
1. **Mr. Rehmetullah Amirally Jamal**
 2. **Mr. Feisal Amirally Hasham Jamal**
74. The Directors shall be paid out of the funds of the Company by way of remuneration for their services, such sum as the Company in General Meeting may from time to time determine. The Directors shall also be paid all reasonable travelling, hotel and other expenses incurred by them in connection with attending and returning from Board Meetings or otherwise in connection with the business of the Company.
75. Any Director who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs services which, in the opinion of the Board, are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine, which shall be charged as part of the Company's ordinary working expenses.
76. The office of a Director shall be vacated in any of the following events, namely:-
- (a) If (not being an Executive Director holding office as such for a fixed term) he resigns his office by writing under his hand left at the Office.
 - (b) If he has a receiving order made against him or compounds with his creditors.
 - (c) If he be found lunatic or of unsound mind.
 - (d) If he be absent from meetings of the Directors for six months without leave and the Directors resolve that, by reason of such absence, his office be vacated.
 - (e) If he be removed from office pursuant to Article 83.
77. A Director may hold any other office or place of profit under the Company (other than the office of Auditor) and may act in a professional capacity for the Company in conjunction with his office of Director, on such terms as to remuneration and otherwise as the Board may determine, and no Director or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any such other office or place of profit, or as vendor, purchaser or otherwise, nor shall any such contract, or any contract arrangement entered into by or on behalf of the Company in which any Director is in any way interested be

Power of Directors to hold offices of profit and to contract with Company

liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office, or of the fiduciary relating thereby established, provided that the nature of the interest of the Director in such contract or proposed contract or arrangement be declared at the meeting of the Directors at which the question is first taken into consideration if his interest then exists, or in any other case at the next meeting of the Directors held after he became interested. A Director may vote in respect of any contract or arrangement in which he is interested and be counted in ascertaining whether a quorum is present, provided that he gives notice of the nature of his interest in any such contract or arrangement in the same manner as aforesaid. A general notice sufficient given to the Board by a Director to the effect that he is a member of or beneficially interested in a specified firm or company and is to be regarded as interested in any contracts or arrangements which may be made with that firm or company after the date of such notice shall be sufficient declaration of interest under this Article.

78. The Directors shall elect from amongst their own body a Chairman of the Board of Directors on such terms and for such period (subject always to the provisions of these presents) as they may think fit. Chairman
79. Subject to any provisions to the contrary contained in the Act or in these presents, the Directors may entrust to and confer upon the Chairman and upon a Director holding any such executive office as aforesaid any of the powers exercisable by them as Directors 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. Powers of Chairman and Executive Directors
80. The Company in General Meeting may from time to time increase or reduce the number of Directors. Power to increase number of Directors
81. The Director shall by a resolution of the Board have power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board, but so that the total number of Directors shall not at any time exceed the maximum number fixed by or in accordance with these presents. *Power to fill casual vacancies and to appoint additional Directors
82. The shareholders may by an extraordinary resolution remove any Director before the expiration of his period of office, and may appoint another person in his stead. Removal of Directors

POWERS OF DIRECTORS

83. The business of the Company shall be managed by the Directors, who may exercise all such powers of the Company as are not by the Act or by these presents required to be exercised by the Company in the General Meeting, subject nevertheless to any regulations of these presents, to the provisions of the Act, and to such regulations, being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by Special Resolution of the Company, but no regulation so made by the Company shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made. The general powers given by this Article shall not be limited or restricted by any special authority or power given to the Directors by any other Article.
84. The Directors may arrange that any branch of the business carried on by the Company or any other business in which the Company may be interested shall be carried on by or through one or more subsidiary companies, and they may on behalf of the Company make such arrangements as they think advisable for taking the profits or bearing the losses of any branch or business so carried on or financing, assisting or subsidizing any such subsidiary company or guaranteeing its contracts, obligations or liabilities and they may appoint, remove and re-appoint any persons (whether members of their own body or not) to act as directors, executive Directors or managers of any such company or any other company in which the Company may be interested, and may determine the remuneration (whether by way of salary, commission on profits or otherwise) of any person so appointed, and any Directors of this Company may retain any remuneration so payable to them.
85. The Directors may from time to time and at any time by power of attorney under the Seal appoint any company, firm or person or any fluctuating body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Directors under these presents) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit, and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretion vested in him.
86. The Company may exercise the powers conferred by the Act with regard to having an official seal for use abroad, and such powers shall be vested in the Directors.

General power of Directors to manage Company's business

Organization of subsidiary companies

Power to appoint attorneys

Power to have a seal for use abroad

87. The Company, or the Directors on behalf of the Company, may cause to be kept in any part of the world in which the Company transacts business, a Branch Register or Registers of Members resident there and the Directors may (subject to the provisions of the Act) make and vary such regulations as they may think fit respecting the keeping of any such Register.

BORROWING POWERS

88. The Directors may raise or borrow for the purposes of the Company's business such sum or sums of money as they may in their absolute discretion think fit. The Directors may secure the repayment or raise any such sums as aforesaid by legal or equitable Mortgage or charge upon the whole or any part of the property and assets of the Company, present and future, including its uncalled capital, or by the issue at such price as they may think fit, of debentures and debenture stock either charged upon the whole or any part of the property and the assets (including its uncalled Capital) of the Company or not so charged, or in such other way as the Directors may think expedient.
89. Subject to the provisions of Article 77 of these presents, a Director of this Company may be or become a director or other officer of, or otherwise interested in, any company including but not limited to any company promoted by this Company or in which this Company may be interested as shareholder or otherwise, and no such Director shall be accountable for any remuneration or other benefits received by him as director or officer of, or from his interest in such other company. The Board may also exercise the voting power conferred by the shares in favour of any resolution appointing it or any of its number, directors or officers of such other company. Furthermore, any Director of this Company may vote in favour of the exercise of such voting rights in manner aforesaid notwithstanding that he may be or be about to become a director or officer of such other company and as such or in any other manner is or may be interested in the exercise of such voting rights in a manner aforesaid.
90. All cheques, promissory notes, bills of exchange, and other negotiable or transferable instruments and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine.

Holding of concurrent office

Signature of cheques and bills

PROCEEDINGS OF DIRECTORS

91. (a) The Directors may meet together for despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall

Board Meetings

- be determined by a majority of votes; the Chairman shall have a second or casting vote. A Director may, and the Secretary on the requisition of a Director shall, at any time, summon a meeting of the Directors. Votes
- (b) Provided that the requisite notices are served upon Directors and subject to the consent of a majority of such Directors, Directors can conduct their meetings on telephone, and all meetings so conducted shall be deemed to have the same status as meetings at which the Directors have physically convened.
92. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed at any other number shall be Two. Quorum
93. The continuing Directors may act notwithstanding any vacancies in the Board, but if and so long as the number of Directors is reduced below the minimum number fixed by or in accordance with these presents, the continuing Directors or Director may act for the purpose of filling up vacancies in the Board or of summoning General Meetings of the Company, but not for any other purpose. If there be no Directors or Director able or willing to act, then any shareholder may summon a General Meeting of shareholders for the purpose of appointing Directors. Proceedings in case of vacancies
94. If at any meeting the Chairman shall be not present within fifteen minutes after the time appointed for holding the same, the Directors present may choose one of their number to be Chairman of the meeting. Chairman
95. A resolution in writing, signed by all the Directors for the time being, shall be effective as a resolution passed at a meeting of the Directors duly convened and held, and may consist of several documents in the like form, each signed by one or more of the Directors. Resolutions in writing
96. A meeting of the Directors for the time being, at which a quorum is present, shall be competent to exercise all powers and discretion for the time being exercisable by the Directors. Powers of meeting at which a quorum is present
97. Without prejudice and in addition to the Provisions of Article 83, the Directors may delegate any of their powers to committees consisting of such number of members of their body, as they think fit. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on them by the Directors. Power to appoint committees
98. The meetings and proceedings of any such committee, consisting of two or more members, shall be governed by the provisions of these presents regulating the meetings and proceedings of the Directors, so far as the same are applicable. Proceedings at committee meetings

and are not superseded by any regulations made by the Directors under the last preceding Article.

99. All acts done by any meeting of Directors, or of a committee of Directors, or by any person acting as a Director, shall as regards all persons dealing in good faith with the Company, notwithstanding that there was some defect in the appointment of any such Director, or person acting as aforesaid, or that they or any of them were disqualified, or had vacated office or were not entitled to vote, be as valid as if every such person had been duly appointed, and was qualified and had continued to be a Director and had been entitled to vote.

Validity of acts of Directors in spite of some formal defect

ALTERNATE DIRECTORS

100. Any Director may at any time appoint any person approved by the Board to be an Alternate Director of the Company and may at any time remove any Alternate Director so appointed by him from office. An Alternate Director so appointed shall not be entitled to receive any remuneration from the Company or to appoint an Alternate, but shall otherwise be subject to the provisions of these presents with regard to Directors. An alternate Director shall be entitled to receive notices of all meetings of the Board, and to attend and vote as a Director at any such meeting at which the Director appointing him is not personally present, and generally to perform all the functions of his appointor as a Director in the absence of such appointor. An Alternate shall ipso facto cease to be an Alternate Director if his appointor ceases for any reason to be a Director. All appointments and removals of Alternate Directors shall be effected by writing under the hand of the Director making or revoking such appointment left at the office.

Provisions for appointing and removing Alternate Directors

MINUTES

101. The Directors shall cause proper minutes to be made in books to be provided for the purpose of all appointments of officers made by the Directors, of the proceedings of all meetings of Directors and committees of Directors and of the attendances thereat, and of the proceedings of all meetings of the Company and all business transacted, resolutions passed and orders made at such meetings, and any such minute of such meetings if purporting to be signed by the Chairman of such meeting, or by the Chairman of the next succeeding meeting of the Company or Directors or committee, as the case may be, shall be sufficient evidence without any further proof of the facts therein stated.

Records of appointments and proceedings to be kept

THE SEAL

102. The Seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board and shall be so affixed in the presence of at least one Director and the Secretary or some other person approved by the Board, both of whom shall sign every instrument to which the Seal is so affixed in their presence.

Formalities for affixing seal

AUTHENTICATION OF DOCUMENTS

103. Any Director or the Secretary or any person appointed by the Directors for the purpose shall have power to authenticate any documents affecting the constitution of the Company (including the Memorandum and Articles of Association) and any resolutions passed by the Company or the Board, and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts, and where any books, records, documents or accounts are else where than at the Office, the local manager or other officer of the Company having the custody thereof shall be deemed to be a person appointed by the Directors as aforesaid.
- Power to authenticate documents

DIVIDENDS

104. Subject to any special rights as to dividend attached to any new class of shares in accordance with these presents, the profits of the Company available for dividend and resolved to be distributed in respect of any financial year or other period for which the Company's accounts are made up and submitted to the Company in General Meeting shall be apportioned and paid to the Members according to the amounts paid on the shares held by them respectively during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividends as from a particular date, such share shall rank for dividends accordingly.
- Payment of dividends
105. No dividend shall be payable except out of the profits of the Company, or in excess of the amount recommended by the Directors.
- Dividends payable only out of profits
106. Any General Meeting declaring a dividend may resolve that such dividend be paid wholly or in part by the distribution of specific assets, and in particular of paid up shares, debentures or debenture stock of the Company, or paid up shares, debentures or debenture stock of any other company, or in any one or more of such ways.
107. If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may pay to the holders of any class of shares interim dividends thereon of such amounts and on such dates as they think fit.
- Payment of interim dividends
108. No unpaid dividend, bonus or interest shall bear interest as against the Company.
- Dividends not to bear interest
109. The Directors may retain any dividends and bonuses payable on shares on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
- Retention of dividends

- | | | |
|------|--|--------------------------------|
| 110. | The payment by the Directors of any unclaimed dividend into an unclaimed dividend account shall not constitute the Company a trustee in respect thereof, and any dividend unclaimed after a period of twelve years from the date of declaration of such dividend shall be forfeited and shall revert to the Company. | Unclaimed dividends |
| 111. | If several persons are registered as joint holders of any share any one of them may give effectual receipts for any dividend or other moneys payable on or in respect of the share. | Dividends due to joint holders |

RESERVES

- | | | |
|------|---|---|
| 112. | The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which shall at the discretion of the Directors be applicable for meeting contingencies or for the gradual liquidation of any debt or liability of the Company or for repairing or maintaining the works plant and machinery of the Company or for special dividends or bonuses or for equalizing dividends or for any other purposes to which the profits of the Company may properly be applied and pending such application may at the like discretion either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors think fit. The Directors may divide the reserve into such special funds as they think fit, and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided as they think fit. The Directors may also without placing the same to reserve carry forward any profits, which they may think it not prudent to divide. | Carry profit to reserve

Application of reserve

Division of reserve into special funds

Power to carry forward profits |
| 113. | The Directors may establish a reserve to be called the Capital Reserve, which shall not be available for dividend, but which shall be available to meet depreciation or contingencies or for repairing, improving, or maintaining any property of the Company or for such other purposes as the Directors may in their discretion think conducive to the interests of the Company, and the Directors may

invest the sums standing to the Capital Reserve in such investments as they think fit, other than shares or stock of the Company, and may from time to time deal with or vary such investments and dispose of all or any part thereof with full power to employ the Capital Reserve in the business of the Company, and that without keeping it separate from the other assets and with power to divide the said Capital Reserve into separate accounts or funds if they think fit. | Power to establish and deal with a Capital Reserve |

CAPITALIZATION OF PROFITS AND RESERVES

- | | | |
|------|--|-----------------------------|
| 113. | The Company in General Meeting may, upon the recommendation of the Directors, resolve that it is desirable to capitalise any undivided profits of the Company not required for | Power to capitalise profits |
|------|--|-----------------------------|

paying the fixed dividends or Preference Shares if any (including profits carried and standing to the credit of any reserve or reserves or other special account), and accordingly that the Directors be authorised and directed to appropriate the profits resolved to be capitalised to the Members in the proportions in which such profits would have been divisible amongst them had the same been applied in paying dividends instead of being capitalised, and to apply such profits on their behalf, either in or towards paying up the amounts, if any, for the time being unpaid on any shares held by such Members respectively, or in paying up in full unissued shares, debentures or securities of the Company of a nominal amounts equal to such profits, such shares, debentures or securities to be allotted and distributed credited as fully paid up, to and amongst such Members in the proportion aforesaid, or partly in one way and partly in the other.

ACCOUNTS

115. The Directors 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 of which such receipt and expenditure takes place;
(b) all sales and purchases of goods by the Company; and
(c) the assets and liabilities of the Company.
116. The books of account shall be kept at the Office or at such other place as the Directors think fit, and shall always be open to the inspection of the Directors. No Member (other than a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Act or authorised by the Directors or by the Company in General Meeting.
117. The Directors shall once at least in every year lay before the Company in General Meeting a profit and loss account and a balance sheet containing a general summary of the capital, the assets, and the liabilities of the Company arranged under suitable heads, both made up to a date not more than six months before the meeting.
118. Every such balance sheet as aforesaid shall be signed on behalf of the Board by two of the Directors, and shall have attached to it a report of the Directors as to the state of the Company's affairs and the amount which they recommend to be paid by way of dividend to the Members, and the amount (if any) which they have carried or propose to carry to the Capital Reserve, Fund, general reserve or reserve account shown specifically on the balance sheet or to be shown specifically on a subsequent

Directors to keep proper accounts

Inspection of books

Submission of balance sheets and profits and loss account

Signature of balance sheets

balance sheet. The balance sheet shall also have attached or annexed to it, the Auditors' report and such other documents as the Act may require.

AUDIT

119. The Company shall at each Annual General Meeting appoint an Auditor or Auditors to hold office until the next ensuing Annual General Meeting. The Auditor's report shall be read before the Company at the Annual General Meeting and shall be open to inspection by any Member. The Auditors' duties shall be regulated in accordance with the Act. Appointment of Auditors
120. No Director or other officer of the Company or any person who is a partner of or in the employment of an officer of the Company, or any corporation, shall be capable of being appointed Auditor of the Company. Directors not be Auditors

NOTICES

121. Any notice or document may be served by the Company on any Member wherever resident either personally or by fax or telex or by sending it through the post in a prepaid letter addressed to such Member at his registered address as appearing in the Register of Members, provided that if such address is outside Tanzania, such letter shall be sent by air mail. In respect of joint holdings, all notices shall be given to that one of the joint holders whose name stands first in the Register of Members, and notice so given shall be sufficient notice to all the joint holders. Service of Notices
122. Any notice or other document, if sent by telefax or telex shall be deemed to have been served as soon as the message has been transmitted, and if served by post, shall be deemed to have been served Ninety-six hours after the letter containing the same is posted, and in proving such service it shall be sufficient to prove that the letter containing the notice or document was properly addressed, stamped and posted. Proof of postage to be sufficient proof of service
123. Any notice or document delivered or sent by post to or left at the registered address of any Member in pursuance of these presents shall, notwithstanding that such Member be then dead or bankrupt, and whether or not the Company have notice of his death or bankruptcy, be deemed to have been duly served in respect of any share registered in the name of such Member as sole or joint holder, and such service shall for all purposes be deemed a sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share. Service to be sufficient notwithstanding death or bankruptcy of Member served

WINDING-UP




124. If the Company shall be wound up (whether the liquidation is voluntary, under supervision, or by the Court), the liquidator may with the authority of a Special Resolution, divide among Provisions relating to liquidation

the Members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of Members as the Liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares in respect of which there is a liability.

INDEMNITY

125. Subject to the provisions of the Act every Director, Managing Agent, Auditor, Manager, Secretary or officer or Servant of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto.
126. No Directors, Managing Agent, Auditor or other officers of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director or Officer, or for joining in any receipt or other act for conformity or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company, or for the insufficiency or deficiency or any security in or upon which any of the moneys of the Company shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or effects shall be deposited, or for any loss occasioned by any error of judgment, omission, default or oversight on his part, or for any other loss, damages or misfortune whatsoever which shall happen in relation to the execution of the duties of his office or in relation thereto, unless the same happen through his own dishonesty.

Indemnity of Directors
and officers or servants

Names, addresses and Subscription of subscribers	No. of Shares taken	Signature(s)
1. Mr. Rehmetullah Amirally Jamal P.O. Box 393, Village Market 00621 Nairobi, Kenya.	25	
2. Mr. Feisal Amirally Hasham Jamal P.O. Box 393, Village Market 00621 Nairobi, Kenya.,	25	
3. Mrs. Goolshen Amirally Jamal P.O. Box 393, Village Market 00621 Nairobi, Kenya.	50	

DATED at Arusha this 7th day of October, 2008

Witnesses to the above signatures

Signature: _____

Name: _____

Address: _____

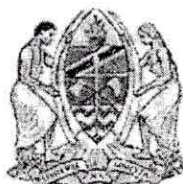
Qualification: Commissioner for Oaths



D. Certificate of Incorporation

TANZANIA

CERTIFIED TRUE COPY OF THE ORIGINAL



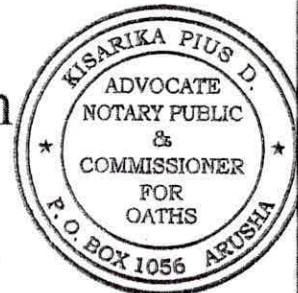
Signature: [Signature]

Date: 23/10/2008

Certificate of Incorporation

Section 15

No 67981



I HEREBY CERTIFY THAT

KENGROW TANZANIA LIMITED =====

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

Given under my hand at Dar es salaam

this **17TH** day of **OCTOBER**

TWO THOUSAND AND EIGHT

[Signature]

Asst. Registrar of Companies

E. Board Resolution

KENGROW TANZANIA LIMITED

Minutes

At the Meeting of the Board of Directors of Kengrow Tanzania Limited, duly convened and held at the registered office, on 1st November, 2008, at 16.00 hours the following resolutions were inter-alia passed:

Present:

Mr Rehmetullah A. Jamal - Director
Mr. Feisal A. Jamal - Director

EXTRACT OF MINUTES: No KTL - 2-2008

ORDINARY RESOLUTION

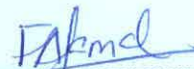
RESOLVED:

Pursuant to the powers given to Board of Directors contained in its Memorandum and Articles of Association it was **RESOLVED:**

- 1.0 That the Company requests the shareholders to obtain investment of US Dollars 2 million into the company by way of equity and term loan for capital investment for the Milling Project to be undertaken at Arusha
- 2.0 That the company should procure new plant and equipments to facilitate its flour milling operations
- 3.0 That the Company should register with Tanzania Investment Centre to secure Investment Certificate to enjoy tax incentives, to acquire land and to obtain investment guarantee.



Director



Director

F. Letter from the Bank – Oriental Bank Limited
Uganda



ORIENT BANK LIMITED

Orient Plaza Plot 6/6A Kampala Road P.O. Box 3072 Kampala Uganda
Telephone: 256 (41) 4236012/3/4/5, Telex: 61342ORIENTBK UG, Fax: 256 (41) 4348039
e-mail: mail@orient-bank.com, Website:www.orient-bank.com

REF. NO: OBL/CERT/058/08

14th Oct 2008

Tanzania Investment Centre
Dar es Salaam
Tanzania

Dear Sir/Madam,

RE: RECOMMENDATION FOR KENGROW INDUSTRIES LTD

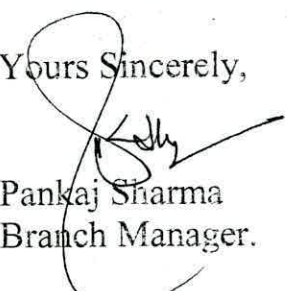
We hereby confirm that the above company is maintaining satisfactory introduced current accounts with our bank.

Kengrow Industries Ltd has been with Orient Bank for the last eleven years and has got these accounts:

1. USD A/C: 11685302020502 with our Jinja Branch
2. UGX A/C: 11685302010102 with our Jinja Branch
3. UGX A/C: 11685301010101 with Kampala Main Branch

This recommendation is issued at the request of Kengrow Industries Limited without any risk, responsibility or guarantee on the part of the bank or any of its officers.

Yours Sincerely,


Pankaj Sharma
Branch Manager.

G. Letter from The Bank – Bank of Africa
Tanzania

10 October 2008

The Commissioner
Tanzania Investment Authority
Dar es Salaam,
Tanzania

Dear Sir,

RE: KENGROW INDUSTRIES LTD

At the request of our valued client, Kengrow Industries Ltd, we wish to confirm to you that they have been banking with us since 1998. Their accounts which are in Uganda shillings and USD have been conducted in a responsible manner that meets our overall satisfaction.

Kengrow is into wheat processing on a large scale in Uganda but also have a small electronic trading wing. They also process cotton seed into oil and have grown to become a major corporate client and one of the top performers in Uganda in the manufacturing and trade and commerce sectors.

The directors of the company are very well known to us as responsible men with good standing in society. They have the capacity to meet their commitments and any assistance rendered to them will be much appreciated.

This information is communicated to you in confidence without liability on the part of the Bank or any of its officers.

Yours truly,



Alex KIWANUKA
Senior Relationship Manager



Kwame AHADZI
Managing Director

UNITED REPUBLIC OF TANZANIA

MEMORANDUM OF UNDERSTANDING

THIS memorandum of understanding (MOU) entered in Arusha on the 26th day of September, 2008 between **MR. CUTHBERT PETER SAWE** of P.O.Box 6445, Dar Es Salaam, Tanzania on the one part (hereby referred as **SELLER**) and **Mr. FEISAL A. JAMAL** of P.O.Box 1469, Jinja, Uganda on the other part (hereby referred as the **PURCHASER**)

WHERE AS the **SELLER** has offered to sell plot no 51, Themis Industrial Area in Arusha having Title No 5286 –LRM and L.O.No 87215 together with the developments thereon (hereby referred as **PROPERTY**) and the **PURCHASER** has offered to purchase the above plot for a total consideration of US\$ 550,000/= (United States Dollars five hundred fifty thousand only) subject to the following having completed satisfactorily

IT IS HEREBY AGREED AS FOLLOWS:-

- The **PURCHASER** will arrange for search of the property in the Land Registry to ascertain that the Title is genuine and free of any encumbrances and any litigations, caveats etc as soon as possible
- If the title is satisfactory then the **PURCHASER** will nominate a Company to be formed in Tanzania to acquire the plot referred above
- Establish a Private Limited Liability Company in Tanzania as soon as possible
- After the new Company is Registered with Registrar of Companies, enter into a Sale Agreement for the above plot between the newly formed company and the **SELLER** as per total consideration mentioned earlier with a deposit of US\$ 50,000/= (United State Dollars Fifty thousand only)
- Apply for Tanzania Investment Centre (TIC) License and Certificate and process as expeditiously as possible
- After obtaining TIC certificate transfer the plot to the newly formed company having paid full consideration to the **SELLER**

-----2/

Feisal

Cuthbert Peter Sawe

THE SELLER UNDERTAKES TO

- Provide any and all assistance to the PURCHASER to fulfill the above formalities
- Not to enter into nor sell the above plot to any third party until the PURCHASER completes above formalities
- Present the original Title Deed to any relevant authorities for inspection and generally cooperate with the PURCHASER

IT IS FURTHER AGREED THAT

- If the PURCHASER does not fulfill his obligations and pay entire consideration by 15th November, 2008 the SELLER shall have sole discretion to terminate this MOU and shall be free to sell his plot to any other party if he so wishes
- If the PURCHASER finds any litigations, caveats or any other encumbrances or hindrances for peaceful transfer of the property the SELLER shall have sole discretion to terminate this MOU
- When once SALE AGREEMENT is entered between the newly formed company and the SELLER this MOU becomes null and void.

This Memorandum of Understanding is hereby entered on the above referred date by both the parties and witnessed by

Walterbert P. Sauer
SELLER
[Signature]

PURCHASER
[Signature]

WITNESSED BY
1. FRANCIS R. KIMARO
[Signature]
26.09.08

I. Sale Agreement

AGREEMENT OF SALE

BETWEEN

CUTHBERT PETER SAWE

AND

KENGROW TANZANIA LIMITED

**RELATING TO THE PROPERTY ON PLOT NO-51, THEMI
INDUSTRIAL AREA, ARUSHA, L.O. NO. 87215, CERTIFICATE OF
TITLE NO. 5286, MOSHI LAND REGISTRY**

DRAWN BY:

KISARIKA, MALIMI & MLOLA (ADVOCATES)

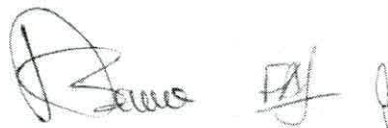
Dar es Salaam Office:

3rd Floor, Elite City Building,
Samora Avenue/Morogoro Road,
P.O Box 71394, Dar es Salaam.
Tel # +255 22 2133616/2133619
Fax # +255 22 2133615
Cell # +255 754 380 600, 754 224 935
E-Mail – info@kmadvocates.com

Arusha Office:

PPF Olorien Commercial Centre, Suite 04,
Them Hill, Njiro Area,
P.O. Box 1056, Arusha,
Tel. : +255 27 254 9078
Fax: +255 27 254 9079
Cell # +255 754 380 600
kisarika@kmadvocates.com

Website: www.kmadvocates.com



AGREEMENT OF SALE

THIS AGREEMENT is made this 1st day of **November, 2008** BETWEEN **CUTHBERT PETER SAWE** of P. O. Box 6445, Dar es Salaam, Tanzania (hereinafter called "**the Vendor**") of the one part

AND


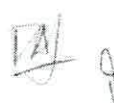
KENGROW TANZANIA LIMITED of Post Office Box 192, Arusha (hereinafter called the "**Purchaser**") of the other part.

WHEREAS the Vendor is the beneficial owner of the property situate on that piece or parcel of land situated on **Plot No. 51, Them Industrial Area, Arusha** comprised in and as further described under **Certificate of Title No. 5286, Moshi Land Registry** including all buildings and other developments thereon (hereinafter referred to as "**the Property**").

AND WHEREAS the Vendor is desirous of selling and the Purchaser is desirous of buying the said Property at a consideration of **United States Dollars Five Hundred Fifty Thousand (US \$ 550,000.00)** only (hereinafter referred to as the "**Purchase Price**").

NOW THEREFORE IT IS AGREED as follows:-

1. The Vendor hereby sells and the Purchaser hereby buys all that piece and parcel of land known as **Plot No. 51, Them Industrial Area, Arusha** held under a Right of Occupancy comprised in **Certificate of Title No. 5286, Moshi Land Registry** together with all buildings and other developments thereon (hereinafter called the "**Property**") upon the terms and conditions set out hereinafter.
2. The Purchase Price hereinabove mentioned shall be payable on the dates and in the manner hereinafter appearing:
 - (i) The Purchaser shall pay the sum of **United States Dollars Fifty Thousand (US 50,000.00)** only upon signing of this Agreement by parties.
 - (ii) The Purchaser shall pay the 2nd final instalment of the Purchase Price being an amount of **United States Dollars Five Hundred Thousand (US \$ 500,000.00)** on or before **30th November, 2008**.
3. Simultaneously with the signing of this Agreement the Vendor and the Purchaser shall execute a Deed of Transfer (Land Form No. 35) of the Right of Occupancy

for the property sold hereunder to be submitted to the Commissioner for Lands for his approval upon receipt of the Right of Occupancy from the Vendor.

4. In addition to the documents mentioned in paragraph 3 hereinabove the Vendor shall execute all the necessary land forms and spouse consent authorising sell and transfer of the property to the Purchaser.
5. The Vendor and the Purchaser recognise and agree that this Agreement and the Deed of Transfer are subject to the approval of the Commissioner for Lands to transfer the Right of Occupancy. The Vendor and Purchaser agree to take all necessary and/or reasonable steps to obtain the said Commissioner's approval. In the event the Commissioner's approval is denied this Agreement shall terminate and the Vendor shall within fourteen (14) days of notification of such denial refund to the Purchaser the amount paid by the Purchaser as purchase price. Each part shall bear their own costs in the course of this transaction.
5. The Purchaser shall pay Advocate's fees, stamp duty, registration fees and any other charges whatsoever for the transfer of the said Property as shall be assessed by the relevant authorities.
6. The Vendor shall pay all outgoing levied or assessed on the property such as land rents, property tax and site rates up to the signing of the Agreement and the Purchaser shall bear all such rents, rates arising and/or falling due subsequent to the signing of the Agreement which shall also be the date of delivery by the Vendor to the Purchaser of vacant possession of the property.
8. The Vendor shall be liable for capital gains tax as may be assessed by the relevant authorities. The Vendor shall furnish the Purchaser with **Capital Gains Tax Clearance Certificate within fourteen (14) days** from the day of signing of this Agreement for purposes of transfer.
9. The Vendor shall furnish the Purchaser with current **Valuation Report** together with its receipt for the purposes of transfer **within fourteen days (14) days** from the day of signing of this Agreement.
10. The Vendor warrants that:-
 - (a) it has good marketable title to the Property and that the Property is not subject to any mortgage, charge, lien or other encumbrance of any nature whatsoever;
 - (b) all restrictions, conditions and covenants (including any imposed by or pursuant to the Right of Occupancy affecting the Property have been observed and

[Handwritten signatures]

performed and no notice of any breach of any of the same have been received or is to the Vendor's knowledge likely to be received;

- (c) all information given by or on behalf of the Vendor to the Purchaser in the course of negotiations leading to this Agreement was when given and remains true, complete and accurate in all respects and the Vendor is not aware of any facts or matters which would render such information untrue, incomplete, inaccurate or misleading;
 - (d) the execution or completion of this agreement or performance of its terms will not result in any breach of any agreement to which the Vendor is a party or of any Court order;
 - (e) the Vendor, as to his best knowledge, is not aware of any encroachment by the Property onto any neighbouring property;
 - (f) the Vendor is not aware of any intended expropriation of the Property or any portion of it.
11. The Vendor hereby indemnifies the Purchaser against all costs, damages, claims, demands, expenses and liabilities relating to the property up to the handover of vacant possession of the Property to the Vendor excluding water bills, electricity charges and other outgoing charges if any.
12. Transfer of the Property shall be effected by the Purchaser. The Vendor shall deposit with **KISARIKA, MALIMI & MLOLA (ADVOCATES)**, ("the Conveyancers") the original Certificate of Title of the Property, Sale Agreement, Land Forms No. 29, 30, 35 and spouse consent and all documents required for transfer of the Property upon signing of the Agreement and the Conveyancers shall hand over the documents to the Purchaser upon transfer and confirmation from the Vendor that Purchase Price had been paid in full.
13. The Vendor shall hand over vacant possession of the Property to the Purchaser upon payment of the full Purchase Price. Risk and profit shall pass to the Purchaser upon handing over of the vacant possession of the Property by the Vendor.

4

[Handwritten signature] *[Handwritten initials]* 9

14. Completion of this Agreement will take place on the happening of the following events:
 - (a) Purchaser obtaining Tanzania Investment Centre Certificate which enables the transfer of the Property.
 - (b) Approval is received from the Commissioner of Lands for the transfer of the Right of Occupancy comprised in Certificate of Title Number 5286 from the Vendor to the Purchaser.
 - (c) Registration of the Purchaser as the registered owner of the said Right of Occupancy.
15. This Agreement of Sale constitutes the entire contract between the parties with regard to the matters dealt with in this Agreement and no representation, term or warranties not contained herein shall be binding on the parties.
16. No agreement varying, adding to, deleting from or cancelling this Agreement shall be effective unless reduced to writing and signed by or on behalf of the parties.
17. This agreement has been executed in triplicate and each shall serve the purpose of the original.
18. Any notice or demand shall be sent by registered mail and shall be deemed to have been duly served when the same would in the ordinary course have reached its destination and in providing such service it shall be sufficient to prove that the letter containing the notice or demand was properly addressed and stamped and put into the Post Office. Until written notice to the contrary shall have been given to the party concerned, all notices or demands shall be sent to the addresses hereinabove appearing.
19. This agreement shall be governed by the Laws of Tanzania.


 

IN WITNESS WHEREOF the parties hereto have duly executed these presents on the days and in the manner hereinafter appearing.

SIGNED and DELIVERED by the said)
CUTHBERT PETER SAWE "the Vendor")
who is known to me personally/has been)
introduced to me by _____)
the latter being known to me personally in my)
presence this 1st day of November, 2008.)



Name: _____

Signature: 

Postal Address: _____

Qualification: _____

Edward John Mrosso
Advocate, Notary Public &
Commissioner for Oaths
P. O. Box 1232, Arusha

SEALED with the Common Seal of KENGROW)
TANZANIA LIMITED and DELIVERED in the)
presence of us this 1st day of November, 2008.)



Name: _____

Signature: Richard A. Jamali

Postal Address: _____

Designation: _____

Richard A. Jamali
Richard
P.O. Box 192 Arusha

Director

Name: _____

Signature: _____

Postal Address: _____

Designation: _____

Faisal A. Jamal
Faisal
P.O. Box 192 ARUSHA

Director

J. Copy of Title

C.T. 5286

LAND REGISTRY, MOSHI
TRANSFER

Filed Document No. 7622

Date of registration 10-6-93 8:00 a.m.

To KING TOURS, TRAVEL AGENTS
AND HUNTING SAFARIS LIMITED
of P.O. Box 7000, ARUSHA
(CONS. T.SHS. 300,000/-)

[Signature]
Asst. Registrar of Titles

LAND REGISTRY, MOSHI
TRANSFER

Filed Document No. 20401

Date of registration 21-12-2006 time 8:30 A.m.

To CUTHBERT PETER SAWE
of P.O. Box 6445, Dar-es-Salaam
(CONS. TSHS. 4,000,000/-)

[Signature]
Asst. Registrar of Titles

LAND REGISTRY, MOSHI
MORTGAGE

Filed Document No. 7952

Date of registration 17-11-93 8:00 A.m.

To THE NATIONAL BANK OF
COMMERCIAL BANK OF
COMMERCIAL BANK OF
at 11:00 am
DISCHARGED
FD NO 16034 on 14-8-2003
to secure an-
unspecified amount.

[Signature] *[Signature]*
ASST REG OF TITLES Asst. Registrar of Titles

LAND REGISTRY, MOSHI
CHANGE OF NAME FD. 7952

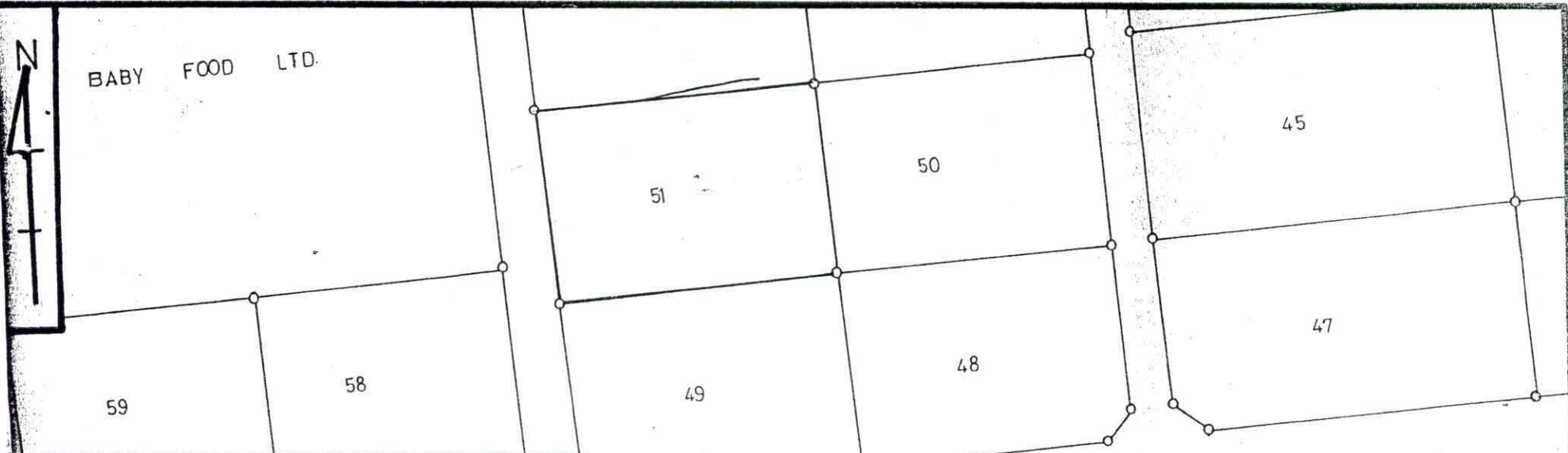
Filed Document No. 16033

Date of registration 14-8-2003 11:00 am.

To THE CONSOLIDATED TRADING
CORPORATION
DISCHARGED
FD NO 16034 on 14-8-2003
at 11:00 am.

[Signature] *[Signature]*
ASST REG OF TITLES Asst. Registrar of Titles

ARUSHA MUNICIPALITY



INSET SHOWING DETAILS OF PLOT

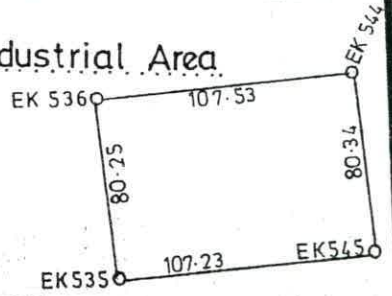
Locality.....Themi Industrial Area

Block.....

Plot No...51...

Plot No.... 87215

Area...8560...sq.metres



USAID

292	291	290	289	288	287	286	285
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SEVENTH DAY ADVENTIST

The issue of this plan implies no guaranteed admission of title by the Government

This plan, prepared in accordance with Registered plan No. 9893 is approved for the purposes of the Land Registration Ordinance.

Director of Surveys and Mapping *[Signature]*

Date ... 23/7/1986 ... Ministry of Lands

Housing and Urban Development.

Dar es Salaam

TITLE No. 5286

REGISTERED ON
4-3-1988

at 8:00 a.m.

Mwalilewe
Asst. Registrar of Titles



Stamp Duty Shs. 150/= Paid

and Revenue Receipt No. 782513

of 21-2-86 issued.

AR/2798

Mwalilewe
Asst. Registrar of Titles

THE UNITED REPUBLIC OF TANZANIA

CERTIFICATE OF OCCUPANCY

(Section 9 of the Land Ordinance)

Stamp Duty Shs. 290/= Paid

on Original Revenue Receipt No.

782513 of 21-3-86

Mwalilewe
Asst. Registrar of Titles

The 4th day of February one thousand nine hundred and eighty eight.

TITLE No. 5286 LAND REGISTRY, MOSHI

THIS IS TO CERTIFY that MANYATA TRADING COMPANY LIMITED OF P.O. BOX 7000 ARUSHA is a limited liability Company incorporated in Tanzania and having its registered office in Arusha (hereinafter called "the occupiers") are entitled to a right of occupancy (hereinafter called "the right") in and over the land described in the Schedule hereto (hereinafter called "the land") for a term of ninety nine years from the first day of January One thousand nine hundred and eighty six according to the true intent and meaning of the Land Ordinance and subject to the provisions thereof and to any regulations made thereunder and to any enactment in substitution therefor or amendment thereof and to the following special conditions:-

1. The occupiers having paid rent up to the thirtieth day of June, 1986 shall thereafter pay rent of shillings five thousand eight hundred and seventy five (Shs. 5,875/=) a year in advance on the first day of July in every year of the term without any deduction PROVIDED that the rent may be revised by the Minister for the time being responsible for Lands (hereinafter called "the Minister") on the first day of July in each of the years 1996, 2006, 2016, 2026, 2036, 2046, 2056, 2066 and 2076 or within three years thereafter in each case.

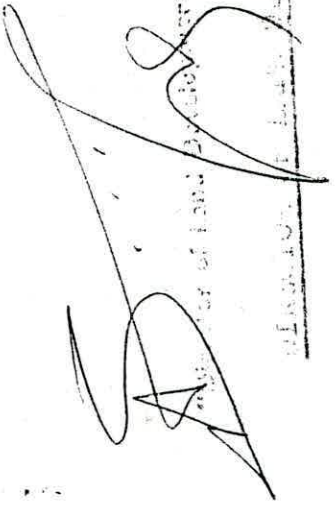
2. The occupiers shall:-

- (i) erect on the land buildings (hereinafter called "the buildings") in permanent materials designed for use in accordance with the conditions of the Right and which conform to the building line (if any) decided by the Arusha Municipal Council.
- (ii) by the thirtieth day of June 1986 submit to the Authority such plans for the buildings (including block plans showing the position of the buildings) and such drawings, elevations and specifications of them as will satisfy the

REGISTERED

ALL that land shown by lot no. 51 Great Industrial City, Municipality certificate of title no. 100 and five hundred and sixty (8560) square metres 1000 for identification only passed on the plan attached to this certificate and office of the Registrar of Surveys plan numbered 15693 deposited at the Office of the Commissioner for Surveys and Mapping at 100 es follows:

CIVIL letter of law and seal and by Order of the Minister day and year first above written.



In the document every reference to the Commissioner of Surveys and Mapping and the Registrar of Surveys and Mapping respectively

Registrar of Land, Buildings and Survey

Registrar of Land, Buildings and Survey

AS, the within-mentioned MYNITE TRADING COMPANY LIMITED but accept the terms and conditions contained in the foregoing Certificate of Occupancy.

SEALED with the CORNER SEAL of the said MYNITE TRADING COMPANY LIMITED and delivered in the presence of us this 22nd day of January 1988.

Signature: *H. S. Mallet* P. O. Box 7000.

Postal Address: ARUSHA

Qualification: MANAGING

Director


Signature: H. S. Mallet

Postal Address: P. O. Box 7000

ARUSHA

Qualification: Director

TITLE No. 5286
REGISTERED ON
4-3-1988
 at **8:00 a.m.**
Mwalilewe
 Asst. Registrar of Titles



Stamp Duty Shs. 100/= Paid
 and Revenue Receipt No. 782513
 of 21-2-86 issued.
 AR/2798
Mwalilewe
 Asst. Registrar of Titles

Stamp Duty Shs. 290/= Paid
 on Original Revenue Receipt No. 782513 of 21-3-86
CERTIFICATE OF OCCUPANCY
 (Section 9 of the Land Ordinance)
Mwalilewe
 Asst. Registrar of Titles

The 4th day of February one thousand nine hundred and eighty eight.

Plot No. 5286 LAND REGISTRY MOSHI

THIS IS TO CERTIFY that MANYATA TRAPING WORKS LIMITED OF P.O. BOX 7000 ARUSHA is a limited liability company incorporated in Tanzania and having its registered office in Arusha (hereinafter called "the occupiers") are entitled to a right of occupancy (hereinafter called "the right") in and over the land described in the Schedule hereto (hereinafter called "the land") for a term of ninety nine years from the first day of January One thousand nine hundred and eighty six according to the true intent and meaning of the Land Ordinance and subject to the provisions thereof and to any regulations made thereunder and to any enactment in substitution therefor or amendment thereof and to the following special conditions:-

1. The occupiers having paid rent up to the thirtieth day of June, 1986 shall thereafter pay rent of shillings five thousand eight hundred and seventy five (Shs. 5,875/=) a year in advance on the first day of July in every year of the term without any deduction PROVIDED that the rent may be revised by the Minister for the time being responsible for Lands (hereinafter called "the Minister") on the first day of July in each of the years 1996, 2006, 2016, 2026, 2036, 2046, 2056, 2066 and 2076 or within three years thereafter in each case.

2. The occupiers shall:-
- (i) erect on the land buildings (hereinafter called "the buildings") in permanent materials designed for use in accordance with the conditions of the Right and which conform to the building line (if any) decided by the Arusha Municipal Council.
 - (ii) by the thirtieth day of June 1986 submit to the Authority such plans for the buildings (including block plans showing the position of the buildings) and such drawings, elevations and specifications of them as will satisfy the Authority and as may be required by the Authority.

MINISTRY OF LANDS AND HUMAN SETTLEMENTS DEVELOPMENT

Land Rent Invoice: 28 Feb, 2006

Lot Id: 10017801

Plot No. 51 Block: - [Industrial], THEMI INDUSTRIAL ESTATE

Please collect from:

KING TOURS & HUNTING SAFARIS LTD. Box ARUSHA

[a] Land Rent for 2005/2006	388,665.00
[b] Arreas	.00
[c] Penalty	7,773.30

TOTAL 396,438.30

Issued by: DLGARD Sign SDZ Desg Viewer

Banker's cheques to be paid to The Permanent Secretary,
Ministry of Lands and Human Settlements.



TANZANIA REVENUE AUTHORITY

INCOME TAX DEPARTMENT

CAPITAL GAINS TAX CLEARANCE CERTIFICATE

File No. 02/CGT/225

Serial No. IT 000017

Account No. _____

TIN 102.311.957

Originating Office

To The Land District officer

3153

A RUSHA

ARWA

In accordance with the requirements of the provisions of the Income Tax Act, 1973, this is to certify that the seller of:

* the property on plot NO 51 Themi NJIRO

* financial asset _____

has complied with the provisions of section 13 of the Act and that the Commissioner of Income Tax has no objection to the transfer of the interest or the financial asset indicated above held by the transferor to the transferee.

1 Name and postal address of transferor

KING TOURS TRAVEL AGENTS & HUNTING SAFARI

P.O. Box 7000 ARWA

2 Name and postal address of transferee

GILBERT P. SAWE

P.O. Box 645 Dares Salaam

Official seal

Date:

*Delete as appropriate

Full name of officer
 REGIONAL OFFICER
L. Kuuwishi
 14 DEC 2008
 Signature: [Signature]
 Counter signature: [Signature]
 Date: 14/12/2008

THE LAND ACT OF 1999

(No. 4 OF 1999)

TRANSFER OF A RIGHT OF OCCUPANCY

TITLE No. 5286 – LRM

L. O. NO. 87215

**PLOT NO. 51 THEMI INDUSTRIAL
AREA ARUSHA MUNICIPALITY**

IN CONSIDERATION of Tshs 4,000,000/- only We, **KING TOURS, TRAVEL AGENTS AND HUNTING SAFARIS LIMITED** of P.O. Box 7000 Arusha Tanzania, **HEREBY TRANSFER** to **CUTHBERT PETER SAWE** of P.O. Box 6445 Dar es Salaam Tanzania, the Right of Occupancy registered under the above reference.

SEALED with the Common Seal)
of the said KING TOURS, TRAVEL AGENTS)
AND HUNTING SAFARIS LIMITED and)
DELIVERED in the presence of us)
this 1st day of August 2006)

Signature 

Postal Address 7000, Arusha

Qualification DIRECTOR

Signature H.S. Mellel

Postal Address 7000, Arusha

Qualification DIRECTOR



SIGNED and DELIVERED by the said)
CUTHBERT PETER SAWE)
who is known to me personally/)
identified to me by A. MELLEL)
the latter being known to me personally)
this 6th day of September 2006)

Signature 

Postal Address 3140, Arusha

Qualification **DISTRICT MAGISTRATE**
..... ARUSHA

Sawe



THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF LANDS, HUMAN SETTLEMENT DEVELOPMENT

Telephone No. 2753210

LAND REGISTRY,
P.O. BOX 190,
MOSHI.

Ref. No. LR/MUS/T/5286/15

21st DEC 2006

REGISTERED POST

Sir/Gentlemen/Madam.

RE: TRANSFER OF RIGHT OF OCCUPANCY
CT. NO. 5286 PLOT NO. 51 THEM
INDUSTRIAL AREA ARUSHA MUN.

I have the honour to refer your letter No. _____
dated _____ and enclosure thereto.
I return herewith Certificate of Titles Nos. 5286
above mentioned DEED having been registered
again the Title under F.D. Nos. 20401 on 21-12-2006.
May official receipt No. _____ for Shs. _____
_____ is enclosed herewith/has already been dispatched to you.

Please acknowledge receipt of the enclosures thereto.

I have the honour to be
Sir/Gentlemen
Your Obedient Servant



.....
E. J. Muya
ASSISTANT REGISTRAR OF TITLES MOSHI.

ENCLOSURES:

- ① C.T. NO. 5286
- ② COPY OF TRANSFER DEED

TO: CUTHBERT PETER SAWE
BOX 6445
DAR-ES SALAAM

c.c. MUNICIPAL LAND OFFICER
BOX 3013
ARUSHA.

THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF LANDS, HUMAN SETTLEMENT DEVELOPMENT

Telephone No. 2753210

LAND REGISTRY,
P.O. BOX 190,
MOSHI.

Ref. No. LR/MUS/T/5286/15

21st DEC. 2006

REGISTERED POST

Sir/Gentlemen/Madam.

RE: TRANSFER OF RIGHT OF OCCUPANCY
CT. NO. 5286 PLOT NO. 51 THEM
INDUSTRIAL AREA ARUSHA MUN.

I have the honour to refer your letter No. _____
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I return herewith Certificate of Titles Nos. 5286
above mentioned DEED having been registered
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My official receipt No: _____ for Shs. _____
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Please acknowledge receipt of the enclosures thereto.

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Sir/Gentlemen
Your Obedient Servant



E. J. Muya

ASSISTANT REGISTRAR OF TITLES MOSHI.

ENCLOSURES:

- ① C.T. NO. 5286
- ② COPY OF TRANSFER DEED

TO: CUTHBERT PETER SAWE
BOX 6445
DAR-ES-SALAAM

c.c. MUNICIPAL LAND OFFICER
BOX 3013
ARUSHA.

AUTHENTICATION OF DOCUMENTS

103. Any Director or the Secretary or any person appointed by the Directors for the purpose shall have power to authenticate any documents affecting the constitution of the Company (including the Memorandum and Articles of Association) and any resolutions passed by the Company or the Board, and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts, and where any books, records, documents or accounts are else where than at the Office, the local manager or other officer of the Company having the custody thereof shall be deemed to be a person appointed by the Directors as aforesaid.
- Power to authenticate documents

DIVIDENDS

104. Subject to any special rights as to dividend attached to any new class of shares in accordance with these presents, the profits of the Company available for dividend and resolved to be distributed in respect of any financial year or other period for which the Company's accounts are made up and submitted to the Company in General Meeting shall be apportioned and paid to the Members according to the amounts paid on the shares held by them respectively during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividends as from a particular date, such share shall rank for dividends accordingly.
- Payment of dividends
105. No dividend shall be payable except out of the profits of the Company, or in excess of the amount recommended by the Directors.
- Dividends payable only out of profits
106. Any General Meeting declaring a dividend may resolve that such dividend be paid wholly or in part by the distribution of specific assets, and in particular of paid up shares, debentures or debenture stock of the Company, or paid up shares, debentures or debenture stock of any other company, or in any one or more of such ways.
107. If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may pay to the holders of any class of shares interim dividends thereon of such amounts and on such dates as they think fit.
- Payment of interim dividends
108. No unpaid dividend, bonus or interest shall bear interest as against the Company.
- Dividends not to bear interest
109. The Directors may retain any dividends and bonuses payable on shares on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
- Retention of dividends

and are not superseded by any regulations made by the Directors under the last preceding Article.

99. All acts done by any meeting of Directors, or of a committee of Directors, or by any person acting as a Director, shall as regards all persons dealing in good faith with the Company, notwithstanding that there was some defect in the appointment of any such Director, or person acting as aforesaid, or that they or any of them were disqualified, or had vacated office or were not entitled to vote, be as valid as if every such person had been duly appointed, and was qualified and had continued to be a Director and had been entitled to vote.

Validity of acts of Directors in spite of some formal defect

ALTERNATE DIRECTORS

100. Any Director may at any time appoint any person approved by the Board to be an Alternate Director of the Company and may at any time remove any Alternate Director so appointed by him from office. An Alternate Director so appointed shall not be entitled to receive any remuneration from the Company or to appoint an Alternate, but shall otherwise be subject to the provisions of these presents with regard to Directors. An alternate Director shall be entitled to receive notices of all meetings of the Board, and to attend and vote as a Director at any such meeting at which the Director appointing him is not personally present, and generally to perform all the functions of his appointor as a Director in the absence of such appointor. An Alternate shall ipso facto cease to be an Alternate Director if his appointor ceases for any reason to be a Director. All appointments and removals of Alternate Directors shall be effected by writing under the hand of the Director making or revoking such appointment left at the office.

Provisions for appointing and removing Alternate Directors

MINUTES

101. The Directors shall cause proper minutes to be made in books to be provided for the purpose of all appointments of officers made by the Directors, of the proceedings of all meetings of Directors and committees of Directors and of the attendances thereat, and of the proceedings of all meetings of the Company and all business transacted, resolutions passed and orders made at such meetings, and any such minute of such meetings if purporting to be signed by the Chairman of such meeting, or by the Chairman of the next succeeding meeting of the Company or Directors or committee, as the case may be, shall be sufficient evidence without any further proof of the facts therein stated.

Records of appointments and proceedings to be kept

THE SEAL

102. The Seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board and shall be so affixed in the presence of at least one Director and the Secretary or some other person approved by the Board, both of whom shall sign every instrument to which the Seal is so affixed in their presence.

Formalities for affixing seal

- be determined by a majority of votes; the Chairman shall have a second or casting vote. A Director may, and the Secretary on the requisition of a Director shall, at any time, summon a meeting of the Directors. Votes
- (b) Provided that the requisite notices are served upon Directors and subject to the consent of a majority of such Directors, Directors can conduct their meetings on telephone, and all meetings so conducted shall be deemed to have the same status as meetings at which the Directors have physically convened.
92. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed at any other number shall be Two. Quorum
93. The continuing Directors may act notwithstanding any vacancies in the Board, but if and so long as the number of Directors is reduced below the minimum number fixed by or in accordance with these presents, the continuing Directors or Director may act for the purpose of filling up vacancies in the Board or of summoning General Meetings of the Company, but not for any other purpose. If there be no Directors or Director able or willing to act, then any shareholder may summon a General Meeting of shareholders for the purpose of appointing Directors. Proceedings in case of vacancies
94. If at any meeting the Chairman shall be not present within fifteen minutes after the time appointed for holding the same, the Directors present may choose one of their number to be Chairman of the meeting. Chairman
95. A resolution in writing, signed by all the Directors for the time being, shall be effective as a resolution passed at a meeting of the Directors duly convened and held, and may consist of several documents in the like form, each signed by one or more of the Directors. Resolutions in writing
96. A meeting of the Directors for the time being, at which a quorum is present, shall be competent to exercise all powers and discretion for the time being exercisable by the Directors. Powers of meeting at which a quorum is present
97. Without prejudice and in addition to the Provisions of Article 83, the Directors may delegate any of their powers to committees consisting of such number of members of their body, as they think fit. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on them by the Directors. Power to appoint committees
98. The meetings and proceedings of any such committee, consisting of two or more members, shall be governed by the provisions of these presents regulating the meetings and proceedings of the Directors, so far as the same are applicable Proceedings at committee meetings

87. The Company, or the Directors on behalf of the Company, may cause to be kept in any part of the world in which the Company transacts business, a Branch Register or Registers of Members resident there and the Directors may (subject to the provisions of the Act) make and vary such regulations as they may think fit respecting the keeping of any such Register.

BORROWING POWERS

88. The Directors may raise or borrow for the purposes of the Company's business such sum or sums of money as they may in their absolute discretion think fit. The Directors may secure the repayment or raise any such sums as aforesaid by legal or equitable Mortgage or charge upon the whole or any part of the property and assets of the Company, present and future, including its uncalled capital, or by the issue at such price as they may think fit, of debentures and debenture stock either charged upon the whole or any part of the property and the assets (including its uncalled Capital) of the Company or not so charged, or in such other way as the Directors may think expedient.

89. Subject to the provisions of Article 77 of these presents, a Director of this Company may be or become a director or other officer of, or otherwise interested in, any company including but not limited to any company promoted by this Company or in which this Company may be interested as shareholder or otherwise, and no such Director shall be accountable for any remuneration or other benefits received by him as director or officer of, or from his interest in such other company. The Board may also exercise the voting power conferred by the shares in favour of any resolution appointing it or any of its number, directors or officers of such other company. Furthermore, any Director of this Company may vote in favour of the exercise of such voting rights in manner aforesaid notwithstanding that he may be or be about to become a director or officer of such other company and as such or in any other manner is or may be interested in the exercise of such voting rights in a manner aforesaid.

Holding of concurrent office

90. All cheques, promissory notes, bills of exchange, and other negotiable or transferable instruments and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine.

Signature of cheques and bills

91.

PROCEEDINGS OF DIRECTORS

- (a) The Directors may meet together for despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall

Board Meetings

POWERS OF DIRECTORS

83. The business of the Company shall be managed by the Directors, who may exercise all such powers of the Company as are not by the Act or by these presents required to be exercised by the Company in the General Meeting, subject nevertheless to any regulations of these presents, to the provisions of the Act, and to such regulations, being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by Special Resolution of the Company, but no regulation so made by the Company shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made. The general powers given by this Article shall not be limited or restricted by any special authority or power given to the Directors by any other Article.
- General power of Directors to manage Company's business
84. The Directors may arrange that any branch of the business carried on by the Company or any other business in which the Company may be interested shall be carried on by or through one or more subsidiary companies, and they may on behalf of the Company make such arrangements as they think advisable for taking the profits or bearing the losses of any branch or business so carried on or financing, assisting or subsidizing any such subsidiary company or guaranteeing its contracts, obligations or liabilities and they may appoint, remove and re-appoint any persons (whether members of their own body or not) to act as directors, executive Directors or managers of any such company or any other company in which the Company may be interested, and may determine the remuneration (whether by way of salary, commission on profits or otherwise) of any person so appointed, and any Directors of this Company may retain any remuneration so payable to them.
- Organization of subsidiary companies
85. The Directors may from time to time and at any time by power of attorney under the Seal appoint any company, firm or person or any fluctuating body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Directors under these presents) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit, and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretion vested in him.
- Power to appoint attorneys
86. The Company may exercise the powers conferred by the Act with regard to having an official seal for use abroad, and such powers shall be vested in the Directors.
- Power to have a seal for use abroad

liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office, or of the fiduciary relating thereby established, provided that the nature of the interest of the Director in such contract or proposed contract or arrangement be declared at the meeting of the Directors at which the question is first taken into consideration if his interest then exists, or in any other case at the next meeting of the Directors held after he became interested. A Director may vote in respect of any contract or arrangement in which he is interested and be counted in ascertaining whether a quorum is present, provided that he gives notice of the nature of his interest in any such contract or arrangement in the same manner as aforesaid. A general notice sufficient given to the Board by a Director to the effect that he is a member of or beneficially interested in a specified firm or company and is to be regarded as interested in any contracts or arrangements which may be made with that firm or company after the date of such notice shall be sufficient declaration of interest under this Article.

78. The Directors shall elect from amongst their own body a Chairman of the Board of Directors on such terms and for such period (subject always to the provisions of these presents) as they may think fit. Chairman
79. Subject to any provisions to the contrary contained in the Act or in these presents, the Directors may entrust to and confer upon the Chairman and upon a Director holding any such executive office as aforesaid any of the powers exercisable by them as Directors 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. Powers of Chairman and Executive Directors
80. The Company in General Meeting may from time to time increase or reduce the number of Directors. Power to increase number of Directors
81. The Director shall by a resolution of the Board have power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board, but so that the total number of Directors shall not at any time exceed the maximum number fixed by or in accordance with these presents. Power to fill casual vacancies and to appoint additional Directors
82. The shareholders may by an extraordinary resolution remove any Director before the expiration of his period of office, and may appoint another person in his stead. Removal of Directors

DIRECTORS

73. Unless and until otherwise determined by the Company in a General Meeting the Directors shall not be less than **two** and not more than **seven** in number. The first directors of the Company shall be:-
1. **Mr. Rehmetullah Amirally Jamal**
 2. **Mr. Feisal Amirally Hasham Jamal**
74. The Directors shall be paid out of the funds of the Company by way of remuneration for their services, such sum as the Company in General Meeting may from time to time determine. The Directors shall also be paid all reasonable travelling, hotel and other expenses incurred by them in connection with attending and returning from Board Meetings or otherwise in connection with the business of the Company.
75. Any Director who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs services which, in the opinion of the Board, are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine, which shall be charged as part of the Company's ordinary working expenses.
76. The office of a Director shall be vacated in any of the following events, namely:-
- (a) If (not being an Executive Director holding office as such for a fixed term) he resigns his office by writing under his hand left at the Office.
 - (b) If he has a receiving order made against him or compounds with his creditors.
 - (c) If he be found lunatic or of unsound mind.
 - (d) If he be absent from meetings of the Directors for six months without leave and the Directors resolve that, by reason of such absence, his office be vacated.
 - (e) If he be removed from office pursuant to Article 83.
77. A Director may hold any other office or place of profit under the Company (other than the office of Auditor) and may act in a professional capacity for the Company in conjunction with his office of Director, on such terms as to remuneration and otherwise as the Board may determine, and no Director or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any such other office or place of profit, or as vendor, purchaser or otherwise, nor shall any such contract, or any contract arrangement entered into by or on behalf of the Company in which any Director is in any way interested be

Power of Directors to hold offices of profit and to contract with Company

on a show of hands. A proxy need not be a Member of the Company.

68. Any corporation which is a Member of the Company may, by resolution of its directors or other governing body, authorise any person to act as its representative at any meeting of the Company or of any class of members of the Company, and such representative shall be entitled to exercise the same powers on behalf of the corporation which he represent as if he had been an individual shareholder, including power, when personally present, to vote on a show of hands. Voting of corporation
69. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation either under the common seal or under the hand of an officer or attorney so authorised. Execution of proxies
70. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the Office not less than twenty-four hours before the time appointed for holding the meeting or adjourned meeting, or in the case of a poll not less than twenty-four hours before the time appointed for the taking of the poll at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. Deposit of proxies
71. An instrument of proxy may be in the usual common form or in such other form as the Directors shall prescribe. The proxy shall be deemed to include the right to demand, or join in demanding, a poll, and shall (except and to the extent to which the proxy is specially directed to vote for or against any proposal) include power generally to act at the meeting for the Member giving the proxy. A proxy, whether in the usual or common form or not shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates, and need not be witnessed. Power of Directors to hold offices of profit and to contract with Company
2. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at the Office before the commencement of the meeting or adjourned meeting at which the proxy is used.

60. A poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. No notice need be given of a poll not taken immediately. Time for taking a poll
61. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded. Continuance of business after demand a poll

VOTES OF MEMBERS

62. Subject to any special rights or restrictions as to voting attached by or in accordance with these presents to any class of shares, on a show of hands every Member who is present in person shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder. Voting rights of Members
63. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members. Voting rights of joint holders
64. A Member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, curator bonis, or other person in the nature of a committee or curator bonis appointed by such Court, and such committee, curator bonis or other person may on a poll vote by proxy, provided that such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than three days before the time for holding the meeting. Voting Rights of lunatic Members
65. No Member shall, unless the Directors otherwise determine, be entitled to vote at a General Meeting either personally or by proxy, or to exercise any privilege as a Member unless all calls or other sums presently payable by him in respect of shares in the Company have been paid. No right to vote where at a call is unpaid
66. No objection shall be raised to the qualifications of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive. Objections
67. Votes may be given either personally or by proxy. On a show of hands a Member (other than a corporation) present only by proxy shall have no vote, but a proxy for corporation may vote Votes on a poll

Director, or if no Director be present, or if all the Directors present decline to take the chair, they shall choose some Member present to be Chairman.

55. The Chairman may with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. When a meeting is adjourned for fourteen days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
56. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or by at least two Members present in person or by proxy and entitled to vote, or by a Member or Members entitled either by reason of their own holding or as representatives or as proxies, to cast one-tenth or more of the votes which could be cast in respect of that resolution if all persons entitled to vote thereon were present at the meeting. Unless a poll is so demanded, a declaration by the Chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, or not carried, and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
57. If any votes shall be counted which ought not to have been counted, or might have been rejected, the error shall not vitiate the resolution unless the same be pointed out at the same meeting, or at any adjournment thereof, and not in that case unless it shall in the opinion of the Chairman of the meeting be of sufficient magnitude to vitiate the resolution.
58. If a poll is dully demanded, it shall be taken at such time and in such manner (including the use of ballot or voting papers or tickets) as the Chairman may direct, and the result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The Chairman may in the event of a poll, appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll. The demand for a poll may with the consent of the Chairman of the meeting be withdrawn.
59. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

Adjournments

Notice of adjournments

Method of Voting

Demand of poll

Votes counted in error

How poll to be taken

Chairman's casting vote

PROCEEDINGS AT GENERAL MEETINGS

49. All business shall be deemed special that is transacted at an Extraordinary Meeting, and also all business that is transacted at an Annual General Meeting, with the exception of declaring dividends, the reading and consideration of the accounts and balance sheet and the ordinary reports of the Directors and documents required to be annexed to the balance sheet, the election of directors and appointment of Auditors and other officers in the place of those retiring by rotation or otherwise, the fixing of the remuneration of the Auditors and the voting of remuneration or extra remuneration to the Directors. Special business
50. Any person entitled to be present and vote at a meeting may submit any resolution or amendment to the meeting, provided that at least five and not more than fourteen clear days before the day appointed for the meeting he shall have served upon the Company a notice in writing signed by him, containing the proposed resolution or amendment and stating his intention to submit the same. Notice of resolutions and amendments by Members
51. Upon receipt of any such notice as in the last proceeding Article mentioned, the Secretary shall include in the notice of the meeting in any case where the notice of intention is received before the notice of the meeting is issued, and shall in any other case issue as quickly as possible to the Members notice that such resolution or amendments will be proposed. Any resolution or amendment of which such notice has not been given shall in the case of a resolution and may in the case of an amendment be ruled out of order, and the ruling of the Chairman shall be conclusive. Issue of such notice
52. No business shall be transacted at any General Meeting unless a quorum is present when the meeting proceeds to business; save as herein otherwise provided two members present in person or by proxy shall be a quorum for all purposes. Quorum
53. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place or to such other day and at such other time and place as the Directors may determine, and if at such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for holding the meeting, the Members present in person or by proxy shall be a quorum. Adjournment if quorum not present
54. The Chairman of the Board of Directors if any shall preside as Chairman at every General Meeting of the Company. If at any meeting the Chairman is not present within fifteen minutes after the time appointed for holding the meeting, or be unwilling to act as Chairman, the Members present shall choose some Chairman
Election of Chairman

regards dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, but no such privileges or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

44. Such of the regulations of the Company as are applicable, to paid-up shares shall apply to stock, and the words "share" and "shareholder" therein shall include "stock" and "stockholder".

GENERAL MEETINGS

45. A General Meeting shall be held as the Annual General Meeting once in every year, at such time (within a period of not more than fifteen months after the holding of the last preceding Annual General Meeting) and place as may be determined by the Directors. The General Meetings referred to in this Article shall be called "Annual General Meetings". All General Meetings other than Annual General Meetings shall be called "Extraordinary Meetings".
46. The Directors may call an Extraordinary Meeting whenever they think fit and shall, on requisition in accordance with the Act, proceed to convene an Extraordinary Meeting as required by the Act. In the case of Extraordinary General Meeting called in pursuance of a requisition, unless such meeting shall have been called by the Directors, no business other than that stated in the requisition as the objects of the meeting shall be transacted.

NOTICE OF GENERAL MEETINGS

47. All meetings of Members shall be called by twenty-one days' notice in writing at the least. The notice shall be exclusive of the day on which it is served or deemed to be served and exclusive of the day for which it is given, and shall specify the place, the day, and the hour of meeting, and in case of special business, the general nature of such business (and in the case of a meeting convened for passing a Special Resolution, the intention to propose such resolution as a Special Resolution), and shall be given in manner hereinafter mentioned to such persons as are, under the provisions herein contained, entitled to receive notices from the Company. With the consent in writing of all Members entitled to receive notices from the Company, a meeting may be convened by a shorter notice and in such manner as such Members may think fit.
48. The accidental omission to give notice to, or the non-receipt of notice by, any Member, shall not invalidate the proceedings at any General Meeting.

Notice of General Meetings required

Omission and non receipt of notice

39. All new shares shall be subject to the provisions of these presents with reference to payment of calls, lien, transfer, transmission, forfeiture and otherwise and, unless otherwise provided in accordance with the powers contained in these presents, shall be Ordinary Shares.
- Right and liabilities attached to new shares

ALTERATIONS OF CAPITAL

40. The Company may by Ordinary Resolution:-
- (a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. Power to consolidate shares
 - (b) Cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken by any person, and diminish the amount of its capital by the amount of the shares so canceled. Power to cancel shares
 - (c) Sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association (subject, nevertheless, to the provisions of the Act), and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights, or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares. Power to sub-divide shares
And may by Special Resolution:-
 - (d) Reduce its capital or any capital redemption reserve fund or any share premium account in any manner authorised by the Act.
41. The Company may by Ordinary Resolution convert any paid-up shares into stock, and reconvert any stock into paid-up shares of any denomination.
42. The holders of stock may transfer the same, or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might previously to conversion have been transferred, or as near thereto as circumstances admit; and the Directors may from time to time fix the minimum amount of stock transferable but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose.
43. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as

34. A forfeited share shall become the property of the Company and may be sold, re-allotted or otherwise disposed of, either to the person who was, before forfeiture, the holder thereof or entitled thereto, or to any other person, upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposition, the forfeiture may be canceled on such terms as the Directors think fit. The Directors may if necessary, authorise some person to transfer a forfeited share to any such other person as aforesaid. Sale of forfeited shares
35. A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which, at the date of the forfeiture, were payable by him to the Company in respect of the shares, with interest thereon as shall be determined by the Directors from the date of forfeiture until payment, but the Directors may waive payment of such interest either wholly or in part and the Directors may enforce payment without any allowance for the value of the shares at the time of forfeiture. Rights and liabilities of Members whose shares have been forfeited
36. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company, and that a share has been duly forfeited on the date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share, and such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the certificate of proprietorship of the share under seal delivered to a purchaser or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute a good title to the share, and the person to whom the share is sold, reallotted or disposed of, shall be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, re-allotment or disposal of the share. Title to forfeited shares

INCREASE OF CAPITAL

37. The Company may from time to time by Ordinary Resolution increase its share capital by such sum to be divided into shares of such amount as the resolution shall prescribe. Power to increase capital
38. The Company may by Ordinary Resolution direct that the new shares, or any of them shall be offered in the first instance, either at par or at a premium, to the then Members or to the holders of any class of shares for the time being, in proportion to the number of shares or shares of the class or group held by them respectively, or make any other provisions as to the issue of the new shares. Allotment of new shares

29. A person becoming entitled to a share in consequence of the death or bankruptcy of a Member shall be entitled to receive and may give a discharge for all dividends and other moneys payable in respect of the shares, but he shall not be entitled to receive notice of or to attend or vote at meetings of the Company or, save as aforesaid, to any of the rights or privileges of a Member until he shall have become a Member in respect of the share, and should he fail either to transfer the share or to elect to be registered as a Member in respect thereof within sixty days of being required so to do by the Directors, he shall in the case of shares which are fully paid up be deemed to have elected to be registered as a Member in respect thereof, and may be registered accordingly.

Right of unregistered
executors and trustee

FORFEITURE OF SHARES

30. If a Member fails to pay the whole or any part of any call or installment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of such call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and all expenses which may have been incurred by the Company by reason of such non-payment.

Notice requiring
payment of Calls

31. The notice shall name a further day (not being less than seven days from the date of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed the shares in respect of which the call was made will be liable to be forfeited.

Notice to state time and
place for payment

32. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before forfeiture.

Forfeiture on non-
compliance with notice

33. When any share has been forfeited in accordance with these presents, notice of the forfeiture shall forthwith be given to the holder of the share, or the person entitled to the share by transmission, as the case may be, and an entry of such notice having been given and of the forfeiture with the date thereof shall forthwith be made in the Register of Members opposite to the entry of the shares; but no forfeiture shall be in any manner invalidated by any accidental omission or neglect to give such notice or to make such entry as aforesaid.

Notice after forfeiture

24. The Director may, subject to compliance with the requirements of the Act as to advertisement, suspend the registration of transfers at such time and for such periods as they may from time to time determine, but so that such registration shall not be suspended for more than Thirty days in any year. Director's refusal to register, and closing register
25. All instruments of transfer which shall be registered shall be retained by the Company but any instrument of transfer which the Directors may decline to register shall on demand be returned to the person depositing it with the Company. Custody of instruments of transfer
- The Directors may decline to recognize any instrument of transfer unless:-
- (a) Such fee, as the Directors may from time to time require, is paid to the Company in respect thereof; and
- (b) The instrument of transfer is deposited at the Office or such other place as the Director may appoint, accompanied by the certificate of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

TRANSMISSION OF SHARES

26. In case of the death of a Member the survivors or survivor where the deceased was a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder shall be the only persons recognized by the Company as having any title to his shares; but nothing herein contained shall release the estate of a deceased holder (whether sole or joint) from any liability in respect of any share solely or jointly held by him. Transmission on death
27. Any person becoming entitled to a share in consequence of the death or bankruptcy of a Member may, upon such evidence as to his title being produced as may from time to time be required by the Directors, and subject as hereinafter provided, either be registered himself as holder of the share or elect to have some person nominated by him registered as the transferee thereof. Registration of Execution and Trustees in Bankruptcy
28. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to have his nominee registered, he shall testify his election by executing to his nominee a transfer of such share. All the limitations, restrictions and provisions of these presents relating to the right to transfer and the registration of transfer of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer executed by such Member. Notice of Election to be registered and registration of nominee

19. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate not exceeding Ten per cent (10%) per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part. Interest on calls
20. Any sum which by the terms of issue of a share becomes payable upon allotment or at any fixed date, whether on account of the amount of the shares or by way of premium, shall for all the purposes of these presents be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of non-payment all the relevant provisions of these presents as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified. Sums due on allotment to be treated as calls
21. The Directors may from time to time make arrangements on the issue of shares for a difference between the holders of such shares in the amount of calls to be paid and in the times of payment. Power to differentiate
22. The Directors may, if they think fit, receive from any Member willing to advance the same, all or any part of the moneys unpaid upon the shares held by him beyond the sums actually called up thereon as a payment in advance of calls and such payment in advance of calls shall extinguish, so far as the same shall extend, the liability upon the shares in respect of which it is advanced, and upon the moneys so received, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which it has been received the Company may pay interest at such rate as the Member paying such sum and the Directors agree upon. Payment of calls in advance

TRANSFER OF SHARES

23. (a) Subject to the restrictions of these presents, all transfers of shares may be effected by transfer in writing in the usual common form or in any other form in writing under hand approved by the Directors. Form of transfer
- (b) The instrument of transfer of a share shall be in writing and shall be signed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members in respect thereof, provided that the Directors may dispense with the execution of the instrument of transfer by the transferee in any case in which they think fit in their discretion so to do. Execution

or not and notwithstanding that the same are joint debts or liabilities of such Member or his estate and any other person, whether a Member of the Company or not. The Company's lien (if any) on a share shall extend to all dividends payable thereon but the Directors may at any time declare any share to be exempt wholly or partially from the provisions of this Article.

14. The Company may sell, in such manner as the Directors think fit, any share on which the Company has a lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable, nor until the expiration of fourteen days after a notice in writing, stating and demanding payment of the sum presently payable, and giving notice of intention to sell in default, shall have been given to the holder for the time being of the share or the person entitled by reason of his death or bankruptcy to the shares. For giving effect to any such sale, the Directors may authorize some person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in such transfer, and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
- Sale of shares subject to lien

15. The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debt or liability in respect whereof the lien exists, so far as the same is presently payable and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the shares prior to the sale) be paid to the person entitled to the shares at the time of the sale.
- Application of proceeds of such sale

CALLS ON SHARES

16. The Directors may from time to time make calls upon the Members in respect of any moneys (whether on account of the amount of the shares or by way of premium) unpaid on their shares, provided that (except as otherwise fixed by the conditions of application or allotment) no call on any shares shall exceed one-fourth of the nominal amount of the share or be payable at less than fourteen days from the last call, and each Member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine.
- Calls
17. A call shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. A call may be made payable by installments.
- Time when made
18. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
- Liability of joint holders

Act, provided that the rate per cent, or the amount of the commission paid or agreed to be paid, shall be disclosed in the manner required by the Act and the rate of the commission shall not exceed the rate of ten per cent (10%) of the price at which the shares in respect of which the commission is paid are issued or an amount equivalent thereto. The Company (or the Directors on behalf of the Company) may also on any issue of shares pay such brokerage as may be lawful.

10. Shares may be held in the Company in trust for beneficial owner. Trustee shares

CERTIFICATES

11. Every person whose name is entered as a Member in the Register of Members shall be entitled without payment to receive within two months after allotment or lodgment of transfer (or within such other period as the conditions of issue shall provide) one certificate for all his shares of any one class or several certificates each for one or more of his shares upon payment of such sum, as the Directors shall from time to time determine. Every certificate shall be issued under the Seal. The certificate shall specify the shares or securities to which it relates and the amount paid up thereon. Provided that the Company shall not be bound to register more than three persons as the joint holders of any shares (except in the case of executors of trustees of a deceased Member), and, in case of a share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate therefore, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders. Issue of Certificates

12. If a share certificate be worn out, defaced, lost or destroyed, it may be renewed on payment of such fee (if any) and on such terms (if any) as to evidence, indemnity and the payment of out-of-pocket expenses of the Company for investigating evidence, as the Directors think fit. Renewal of Certificates

LIEN

13. The Company shall have a first and paramount lien on every shares for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such share; and the Company shall also have a first and paramount lien and charge on all shares (including fully paid shares) standing registered in the name of each Member (whether solely or jointly with others) for all the debts and liabilities of such Member or his estate to the Company Company's lien

and that whether the same shall have been incurred before or after notice to the Company of any equitable or other interest in any person other than such Member, and whether the period for the payment or discharge or the same shall have actually arrived

RIGHTS OF SHAREHOLDERS

6. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company (whether forming part of the original capital or not) may be issued with such preferred, deferred or other special rights, or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by ordinary resolution determine. The Company may by special resolution create and sanction the issue of preference shares which are, or at the option of the Company are to be, liable to be redeemed, subject to and in accordance with the provisions of the Act. The Company may issue Preference Shares which are, or which at the option of the Company are to be, liable to be redeemed. The special resolution sanctioning any such issue shall also specify by way of an addition to these Articles the terms in which and the manner in which any such preference shares shall be redeemed.
- Issue of shares subject to special conditions

MODIFICATION OF RIGHTS

7. Whenever the capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the provisions of the Act, be modified or abrogated, either with the consent in writing of the holders of three-fourths of the issued shares of the class, or with the sanction of a Special Resolution passed at a separate General Meeting of such holders (but not otherwise), and may be so modified or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up. To every such separate General Meeting all the provisions of these presents relating to General Meetings of the Company or to the proceedings thereat, shall *mutatis mutandis*, apply, except that the necessary quorum shall be two persons at least holding or representing by proxy one-half in nominal amount of the issued shares of the class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those Members who are present shall be a quorum), and that the holders of shares of the class shall, on a poll, have one vote in respect of every shares of the class held by them respectively.
- How rights of shares may be modified

SHARES

8. Subject to the provisions of Article 38, unissued shares shall be at the disposal of the Directors, and they may allot, grant options over, or otherwise dispose of them to such persons, at such times, and on such terms as they think proper, but so that no shares shall be issued at a discount, except in accordance with the Act.
- Unissued shares at the disposal of Directors
9. In addition to all other powers of paying commissions, the Company (or the Directors on behalf of the Company) may exercise the powers of paying commissions conferred by the
- Power to pay commission and brokerage

"Secretary" shall include a temporary or assistant Secretary and any person appointed by the Directors to perform any of the duties of the Secretary.

Save as aforesaid any words or expressions defined in the Act shall, if not inconsistent with the subject or context, bear the same meaning in these presents.

The marginal notes are inserted for convenience only and shall not affect the construction of these presents.

Words importing the singular number only shall include the plural and the converse shall also apply.

Words importing males shall include females.

3. The Company is a private Company and accordingly:-

Private Company

- (a) the right to transfer shares is restricted in manner hereinafter prescribed.
- (b) the members of the company (exclusive of persons who are in the employment of the Company) is limited to fifty, PROVIDED THAT, where two or more persons hold one or more shares in the Company jointly, they shall, for the purpose of this Article, be treated as a single member;
- (c) any invitation to the public to subscribe for any shares or debentures of the company is prohibited;
- (d) the Company shall not have power to issue share warrants to bearer.

SHARE CAPITAL

4. The Share Capital of the Company at the date of registration of these Articles is **Tanzania Shillings One Billion (Tshs. 1,000,000,000.00)** divided into **Ten Thousand (10,000)** shares of **Tanzania Shillings One Hundred Thousand (T.Shs. 100,000.00)** each.

Share Capital

LOANS BY THE COMPANY

5. No part of the funds of the Company shall be employed in the purchase of or in loans upon the security of the Company's shares. The Company shall not, except as authorized by the Act, give any financial assistance for the purpose of or in connection with any purchase of share in the Company.

Company's own shares
not to be purchased

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THE COMPANIES ACT

PRIVATE COMPANY LIMITED BY SHARES

Articles of Association

Of

KENGROW TANZANIA LIMITED

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Table "A" Not to Apply

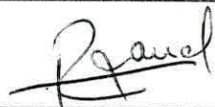
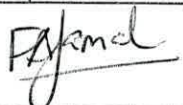

1. The regulations in Table "A" in the Schedule to the Companies Act shall not apply to the Company.
2. In these presents, if not inconsistent with the subject or context, the words standing in the first column of the table next hereinafter contained shall bear the meanings set opposite to them respectively in the second column thereof.

WORDS	MEANINGS
the Act	The Companies Act No. 12 of 2002, and every other enactment for the time being in force concerning companies and affecting the Company.
These presents	These Articles of Association, as now framed, or as from time to time altered by Special Resolution.
Office	The Registered Office of the Company.
Seal	The Common Seal of the Company.
Month	Calendar month.
Year	Calendar year.
Writing	Unless the contrary intention appears, "writing" shall be construed as including references to printing, lithography, photography, and other modes of representing or reproducing words in a visible form.
Dividend	Dividend and/or bonus.

The expressions "Debenture" and "Debenture holder" shall include "Debenture Stock" and "Debenture Stockholder", and the expression

- 3.28 it is furthermore expressly declared that the intention is that the objects set forth in each of the foregoing paragraphs of this clause shall be construed in the most liberal way and shall in no way be limited or restricted by reference to any other paragraph or by any inference drawn from the terms of any other paragraph;
4. The liability of the members is limited.
5. The authorized share capital of the Company at the date of registration of this Memorandum of Association is **Tanzania Shillings One Billion (T.Shs. 1,000,000,000/=)** divided into **Ten Thousand (10,000)** shares of **Tanzania Shillings One Hundred Thousand (T.Shs. 100,000)** each with power for the Company to increase or reduce such capital and to divide the shares in the capital for the time being, whether original or increased, in different classes, and to attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares, whether preference or otherwise, or any such rights, privileges or conditions shall not be altered or modified except in accordance with the Articles or Association registered herewith.

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

Names, addresses and Subscription of subscribers	No. of Shares taken	Signature(s)
1. Mr. Rehmetullah Amirally Jamal P.O. Box 393, Village Market 00621 Nairobi, Kenya.	25	
2. Mr. Feisal Amirally Hasham Jamal P.O. Box 393, Village Market 00621 Nairobi, Kenya.	25	
3. Mrs. Goolshen Amirally Jamal P.O. Box 393, Village Market 00621 Nairobi, Kenya.	50	

DATED at Arusha this 7th day of October, 2008

Witnesses to the above signatures

Signature: _____

Name: _____

Address: _____

Qualification: Commissioner for Oaths



- 3.16 To purchase, take on lease, or otherwise acquire for the purposes of the Company, any estates, lands, buildings, easements or other interests on real estate and to sell, let on lease, or otherwise dispose of, or grant rights over, any real property belonging to the Company.
- 3.17 To purchase or otherwise acquire, erect, maintain reconstruct and adapt any offices, workshops, mills, plant machinery and other things found necessary or convenient for the purposes of the Company.
- 3.18 To let on lease or on hire the whole or any part of the real and personal property of the Company on such terms as the Company shall determine.
- 3.19 To draw, accept and make and to endorse, discount and negotiate bills of exchange and promissory notes and other negotiable instruments.
- 3.20 To borrow or raise money by the issue of debentures, debenture stock (perpetual or terminate), bonds, mortgages or any other securities, founded or based upon all or any of the property and rights of the Company, including its uncalled property and rights of the Company, including its uncalled capital or without any such security and upon such terms as to priority or otherwise, the Company shall think fit.
- 3.21 To advance and lend money upon such security as may be thought proper, or without taking any security therefore.
- 3.22 To invest the moneys of the Company not immediately required in such manner, other than in the shares of this Company, as from time to time may be determined.
- 3.23 To acquire by subscription, purchase or otherwise, and to accept and take, hold and sell, shares or stock, in any company, society or undertaking, the objects of which shall either in whole or in part, be similar to those of this Company, or such as may be likely to promote or advance the interests of this Company.
- 3.24 To enter into and carry into effect any arrangement for joint working in business, or for sharing of profits, or for amalgamation, with any other company, or any partnership or person, carrying on business within the objects of this Company.
- 3.25 To sell, dispose of, or transfer the business, property and undertaking, of the Company, or any part thereof, for a consideration which the Company may see fit to accept.
- 3.26 To do all or any of the matters hereby authorized in any part of the world either alone or in conjunction with, or as factors, trustees or agents for, any other companies or persons, or by or through any factors, trustees or agents.
- 3.27 To do all such acts and things as are incidental or conducive to the attainment of the above objects. It is hereby declared that the word "company" except where used in reference to the Company shall be deemed to include any partnership, or other body of persons whether incorporated and whether not existing or hereinafter to be formed.

- produce either in its raw or in its manufactured or processed state in Tanzania and elsewhere in East Africa.
- 3.5 To carry on all or any of the trades and businesses of farmers, planters, graziers, breeders of and dealers in livestock, market gardeners, arboriculturalists, agriculturalists, horticulturalists and dairymen and any other trade or business in connection with arboriculture, agriculture or horticulture.
 - 3.6 To purchase, take on lease or in exchange or otherwise acquire, lands and properties of any tenure whatsoever in Tanzania or elsewhere in East Africa.
 - 3.7 To manage, work and turn to account any estates, lands or properties of the Company and to develop the resources thereof by clearing, draining, planting, irrigating, pasturing, road-making, building, taking soil and water conservation measures and otherwise improving the same and for purposes aforesaid from time to time to purchase such horses, cattle, stock, machinery, implements and accessories and to employ such labour and to sell all or any part of the assets, live or dead stock, timber, crops or other products of such lands as may be considered necessary.
 - 3.8 To buy, sell and in hides, skins, fat, offal and all other by products of livestock and to carry on the business of tanning and felling-mongering.
 - 3.9 To purchase or otherwise acquire forest concessions, licenses and lands and to dispose of the same from time to time by way of sale, lease or otherwise.
 - 3.10 To buy, sell, export, import and deal in produce, goods and commodities of any descriptions whether produced by the Company or not and to act as general merchants and traders both wholesale and retail and for such purposes to open and maintain shops, stores and warehouses and to do all such things either as principals or agents.
 - 3.11 To carry on the business of timber and lumber merchants and sawmill proprietors and to buy, sell prepare for market, import, export and deal in timber and wood of all kinds and to manufacture and deal in articles of all kinds of which timber or wood is used.
 - 3.12 To stock and carry on any shops or stores for the benefit of the servants of the Company.
 - 3.13 To apply for and acquire any statutory or other powers, rights or concessions.
 - 3.14 To effect and maintain insurance on the life or lives of any director or directors and other officers or servants of the Company and any other persons in whose lives the Company has an insurable interest.
 - 3.15 To purchase, or otherwise acquire all or any part of the business, property and liabilities of any company, society, partnership or person, formed for all or any part of the purposes within the objects of this Company and to conduct and carry on, or liquidate and wind up, any such business.

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THE COMPANIES ACT

COMPANY LIMITED BY SHARES

Memorandum of Association

of

KENGROW TANZANIA LIMITED

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33286419 17/10/08
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1. The name of the Company is **KENGROW TANZANIA LIMITED**
2. The registered office of the Company will be situated in the United Republic of Tanzania.
3. The objects for which the Company is established are:-
 - 3.1 To carry on the business of millers, grinders, shellers, processors, manufacturers, merchants, warehousemen, refiners, blenders, producers, mixers, importers, exporters, buyers and sellers of and dealers and traders in all kinds of grains, wheat, cereals, nuts, seeds, flour, meals, legumes and fruits and all kinds of farinaceous foodstuffs, feeds and preparations for human, animal and poultry consumption and all other goods, products and things used in or for any of the foregoing objects and businesses including fertilisers, and manures and all kinds of by-products, residues and wastes resulting from any of the foregoing processes and activities.
 - 3.2 To carry on by wholesale and retail the businesses of grain, seed and produce merchants and dealers in and conveyors of grain and agricultural produce of all descriptions; manufacturers and suppliers of animal and poultry feeds of all kinds and feeding and fattening preparations, substances and materials of all descriptions; meal manufacturers and merchants, millers, warehousemen, flour merchants and dealers in hay and straw and fertilisers; manufacturers, merchants, importers, exporters of and dealers in vinegar, malt, yeast and all kinds of spirits and by-products of grains and seeds.
 - 3.3 To carry on business as bakers and manufacturers of and dealers in bread, flour, biscuits and farinaceous compounds and materials of every descriptions, to construct, acquire, hire, hold, work, let and sell mills, factories, bake houses, shops buildings, machinery and appliances suitable for such baking manufacturing and dealing, to carry on the business of retail dealers in bread, flour, biscuits, farinaceous compounds, sweets, confectionary and the sale of other foods or articles which may be conveniently sold therewith.
 - 3.4 To Carry on the business of cultivating, growing, buying, preparing for market, beans, wheat, maize, coffee, sisal and process food crops of all kinds as well as vegetable, diary or mineral produce and to dispose of, sell or deal in any such

THE COMPANIES ACT

A COMPANY LIMITED BY SHARES

Memorandum

and

Articles of Association

of

KENGROW TANZANIA LIMITED

Incorporated this _____ day of _____, 2008

DRAWN BY:

KISARIKA, MALIMI & MLOLA (ADVOCATES)

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kisarika@kmadvocates.com

Website: www.kmadvocates.com

C. Memorandum & Articles of Association

KENGROW INDUSTRIES LIMITED

APPENDIX III

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2008 (Continued)

	2008 Ushs '000	2007 Ushs '000
SELLING AND DISTRIBUTION EXPENSES		
Delivery costs	150,357	186,696
Launch expenses	-	1,527
Advertising and publicity	56,308	52,116
	<u>206,665</u>	<u>240,339</u>
MANUFACTURING COSTS		
Repairs and maintenance	22,251	29,336
Packing charges	-	607
Power and water	288,737	327,938
Testing and analysis	665	360
Fuel, oil and lubricants	157,023	109,735
	<u>468,676</u>	<u>467,976</u>

KENGROW INDUSTRIES LIMITED

APPENDIX II

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2008 (Continued)

	2008 Ushs '000	2007 Ushs '000
COST OF SALES		
Opening inventories	714,515	1,108,387
Purchases	15,485,663	13,160,130
Manufacturing costs	468,676	467,976
Depreciation	298,997	334,214
Salaries and wages	110,318	110,384
NSSF company contribution	-	2,432
	<u>17,078,169</u>	<u>15,183,523</u>
Less: closing inventories	(1,055,695)	(714,515)
	<u><u>16,022,474</u></u>	<u><u>14,469,008</u></u>
OTHER INCOME		
Profit on sale of property	7,275	4,480
Miscellaneous	1,827	662
	<u>9,102</u>	<u>5,142</u>
ADMINISTRATIVE EXPENDITURE		
Salaries and wages	437,080	298,366
Establishment expenses	293,888	251,897
Bank charges	60,828	36,944
Postage, telex and telephone	42,400	47,722
Motor vehicle expenses	48,834	51,103
Staff welfare	23,970	18,328
Depreciation	62,800	44,083
Office expenses	21,957	33,279
Traveling expenses	45,504	30,851
Auditors' remuneration	14,952	12,719
Printing and stationery	8,563	8,352
Immigration expenses	15,980	2,305
Staff medical	3,687	2,988
Amortisation of lease prepayments	3,785	3,785
Office equipment maintenance	2,175	2,779
Subscriptions and periodicals	265	801
Bad and doubtful debts	380	-
NSSF company contribution	21,045	8,283
	<u>1,108,093</u>	<u>854,585</u>

KENGROW INDUSTRIES LIMITED
 DETAILED INCOME STATEMENT
 FOR THE YEAR ENDED 31 MAY 2008

APPENDIX I

		2008 Ushs '000	2007 Ushs '000
TURNOVER		17,676,115	15,930,403
COST OF SALES	(Appendix II)	(16,022,474)	(14,469,008)
GROSS PROFIT		<u>1,653,641</u>	<u>1,461,395</u>
OTHER INCOME	(Appendix II)	9,102	5,142
ADMINISTRATIVE EXPENSES	(Appendix II)	(1,108,093)	(854,585)
SELLING AND DISTRIBUTION EXPENSES	(Appendix III)	(206,665)	(240,339)
OPERATING PROFIT		<u>347,985</u>	<u>371,613</u>
NET FINANCE (COSTS)/INCOME		(80,586)	189,248
PROFIT BEFORE TAXATION		<u><u>267,399</u></u>	<u><u>560,861</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2008 (Continued)

13 RISK MANAGEMENT POLICIES (Continued)

(b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk through continuous monitoring of forecast and actual cash flows.

The table below analyses the company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	0-3 months Ush'000	3-12 months Ush'000	1-5 Years Ush'000	Over 5 Years Ush'000	Total Ush'000
At 31 May 2008					
Trade and other payables	1,000,760	-	-	-	1,000,760
Bank overdraft	685,644	-	-	-	685,644
Term loans	-	1,948,099	-	-	1,948,099
At 31 May 2007					
Trade and other payables	417,040	-	-	-	417,040
Bank overdraft	-	-	-	-	-
Term loans	-	1,955,000	-	-	1,955,000

(c) Market risk

The company's operations are predominantly in Uganda where the currency is subject to gradual devaluation against the major currencies. Some of the purchases are denominated in foreign currency and therefore a mismatch exists between sales and purchases in terms of non-uniformity in currency of trade. However, as noted earlier, the Ugandan Shilling has been relatively stable against major convertible currencies. Customer care and client rapport is emphasised at all levels to enable the company attract and maintain quality customers.

(e) Capital Management

The company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The company's overall strategy remains at maximising shareholders value.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	2008 Ushs '000	2007 Ushs '000
Share Capital	2,525,000	2,525,000
Accumulated Deficit	(640,837)	(778,449)
Revaluation surplus	1,832,753	1,892,109
Equity	<u>3,716,916</u>	<u>3,638,660</u>
Total borrowings	1,948,099	1,955,000
Less: Cash and cash equivalents	<u>654,045</u>	<u>(118,923)</u>
Total capital	<u>2,602,144</u>	<u>1,836,077</u>
	<u>6,319,060</u>	<u>5,474,737</u>
Gearing ratio	41%	34%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2008 (Continued)

13 RISK MANAGEMENT POLICIES

FINANCIAL RISK MANAGEMENT

The company has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity Risk
- Interest Risk
- Foreign Risk

The company's business activities involve manufacture and distribution of wheat flour, soap & edible oil and the sale of rice. The company also has a business equipment and consumer electronics division which trades in Sharp and DELL products. Management endeavours at all times to minimise risks. Management has put in place elaborate policies in all its functions as a control against risk exposure.

The company is exposed to various risks, including credit risk, interest risk, liquidity risk and foreign risk. The company's risk management strategy is based on a clear understanding of the various risks, disciplined risks assessment and measurement procedures and continuous monitoring. The policies and procedures established for this purpose are continuously benchmarked with the manufacturing industry best practices. The management is responsible for the assessment, management and mitigation of risk in the company.

The company overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks.

The financial management objectives and policies are as outlined below:

(a) Credit risk

The company's credit risk is primarily attributable to its trade receivables, estimated by the company's management based on prior experience, existing financial and economic factors faced by the debtor and the exit options available.

The credit risk on liquid funds with financial institutions is also low, because the institutions are banks with high credit-ratings.

The amount that best represents the company's maximum exposure to credit as at 31 May 2008 is made up as follows:

	Fully Performing Ushs '000	Past due Ushs '000	Impaired Ushs '000
As at 31 May 2008			
Cash and cash equivalents	31,599	-	-
Trade and other receivables	2,904,810	-	-
	<u>2,936,409</u>	<u>-</u>	<u>-</u>
As at 31 May 2007			
Cash and cash equivalents	118,923	-	-
Trade receivables	1,535,737	-	-
Total	<u>1,654,660</u>	<u>-</u>	<u>-</u>

Cash and cash equivalents are fully performing

Trade and other receivables under the fully performing category are paying their debts as they continue trading.

KENGROW INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2008 (Continued)

19 FINANCIAL INSTRUMENTS

Foreign exchange

The company's operations are predominantly in Uganda where the currency is subject to gradual devaluation against major currencies. Most of the company's raw material purchases are denominated in US dollars and sales are denominated in Uganda shillings. The company does not hedge its foreign currency risks.

Interest

The company finances its activities through a floating interest rate loan from the directors and the holding company {note 12 (c)} and variable interest bank overdraft facilities (note 15).

Credit risk

In the normal course of its business, the company incurs credit risk from financial institutions and accounts receivable. The credit risk exposure is however limited due to management's constant monitoring of the status of the financial institutions where the deposits are maintained and the ongoing procedures to monitor the credit worthiness of its customers.

Fair value

There is no material difference between the fair value and the carrying value of the company's financial assets and liabilities.

20 HOLDING COMPANY

The holding company is Red River Enterprises Inc. which is incorporated in Panama.

21 INCORPORATION

The company is incorporated in Uganda under the Companies Act.

22 CURRENCY

These financial statements are presented in Uganda shillings thousands (Ushs'000).

15 BANK OVERDRAFTS

Orient Bank Limited - US\$
 Orient Bank Limited - Ushs
 Allied Bank Limited Jinja - Ushs
 Allied Bank Limited Jinja - US\$

2008 Ushs '000	2007 Ushs '000
19,271	-
142,097	-
523,896	-
380	-
<u>685,644</u>	<u>-</u>

Orient Bank

The Orient Bank Limited overdraft has a limit of Ushs 500 million which can be drawn in Uganda shilling or in US\$ up to a maximum of US\$150,000 and a standby letter of credit of Ushs 500 million. The loans are secured by a demand promissory note, corporate guarantee of the company, personal guarantee of the directors, existing legal mortgage over properties at plots 1,3,5 & 7 Weatherhead Road, Jinja, Plots 2,4 & 6 Scanlen Road, Jinja, and plot 8 Factory Road, Jinja with the value of Ushs 1,050 million and an existing floating charge by way of debenture on all assets of the company. The effective interest rate for the year on the shillings balances was 19% p.a. and 9% p.a. on the dollar balances.

Allied Bank

The Allied bank facilities comprise an overdraft limit/guarantee of Ushs 1,000 million sanctioned solely for working capital purposes of the company's wheat flour division and for issuance of bank guarantees, telegraphic transfers, letters of credit and bid bonds. These facilities are secured by, Legal mortgage(1st Charge) over plots 2,4 and 6 Parekh Road Jinja, Floating debenture (1st charge) over all the assets of the company's flour division, Directors' personal guarantees each for Ushs 750 million, all risk insurance over all company assets with the bank's interest noted therein and a variation deed from Orient Bank over the assets of the flour division of the company. The effective interest rate charged for the year was 19% p.a. on Ushs balances and 9% p.a. on USD balances.

16 NOTE TO THE CASH FLOW STATEMENT

ANALYSIS OF CHANGES IN RELATED PARTY LOANS DURING THE YEAR

At beginning of year
 Loans repaid
 Loans received
 Exchange differences
 At end of year

2008 Ushs '000	2007 Ushs '000
1,955,000	2,497,500
-	(1,110,000)
-	680,000
(6,900)	(112,500)
<u>1,948,100</u>	<u>1,955,000</u>

17 CONTINGENT LIABILITIES

At 31 May 2008, there were outstanding court cases against the company for which judgment had not been delivered. Claims in respect of these cases have been estimated at approximately Ushs 603 million (2007 - Ushs 578 million).

18 PURCHASE COMMITMENTS

Raw materials contracted for

2008 Ushs '000	2007 Ushs '000
<u>7,338,899</u>	<u>499,442</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2008 (Continued)

12 RELATED PARTY BALANCE AND TRANSACTIONS

	2008 Ushs '000	2007 Ushs '000
(a) Shareholders' Loan		
Loan from Red River Enterprises Limited	1,270,499	1,275,000
Loan from Directors	677,600	680,000
	<u>1,948,099</u>	<u>1,955,000</u>

The loan from Directors relates to a loan obtained by the directors from Barclays bank amounting to \$400,000 at a floating interest rate of 6.47% p.a (LIBOR +1%). The loan was obtained to finance the company operations but is not secured by company assets since it was obtained by the directors.

The loan from Red River Enterprises Limited of US\$ 750,000 (2006: US\$ 750,000), approximately Ushs 1.3 billion (2006: Ushs 1.4 billion), is unsecured and is repayable within six months on demand by the lender. Interest is charged at a fixed rate of 10% per annum. Interest payment that had been suspended from December 2005 was resumed during the year.

(b) Transactions with related parties

	2008 Ushs '000	2007 Ushs '000
Interest expense	-	-
Purchase of goods	-	-
Sale of goods	-	-
	<u>-</u>	<u>3,812</u>

Transactions with related parties are normal trading transactions.

The loan from Red River Enterprises Limited of US\$ 750,000 (2006: US\$ 750,000), approximately Ushs 1.3 billion (2006: Ushs 1.4 billion), is unsecured and is repayable within six months on demand by the lender. Interest is charged at a fixed rate of 10% per annum. Interest payment was suspended from December 2005.

13 SHARE CAPITAL

	2008 Ushs '000	2007 Ushs '000
Authorised:		
5,500 ordinary shares of Ushs 500,000 each	<u>2,750,000</u>	<u>2,750,000</u>
Issued and fully paid:		
5,050 ordinary shares of Ushs 500,000 each	<u>2,525,000</u>	<u>2,525,000</u>

14 TRADE AND OTHER PAYABLES

Trade payables	546,383	341,994
Other payables	433,033	66,690
Duties payable	21,344	8,356
	<u>1,000,760</u>	<u>417,040</u>

KENGROW INDUSTRIES LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MAY 2008 (Continued)

	2008 Ushs '000	2007 Ushs '000
9 OPERATING LEASE PREPAYMENTS		
COST		
At 1 June & 31 May		
AMORTISATION		
At 1 June	155,104	155,104
Charge for the year		
At 31 May	38,942	35,157
	3,785	3,785
NET BOOK VALUE		
At 31 May	42,727	38,942
	112,377	116,162

The operating lease prepayment represents rentals paid by the company for leasehold interest in land.

10 INVENTORIES

	2008 Ushs '000	2007 Ushs '000
Raw materials	548,750	85,827
Finished goods	251,946	169,607
Spares	36,940	79,390
Packing materials	33,914	30,981
Others	184,145	348,710
	1,055,695	714,515

11 TRADE AND OTHER RECEIVABLES

Supplier advances	1,719,230	585,254
Trade receivables	868,626	541,303
Deposits and prepayments	314,804	404,581
Staff loans and advances	2,150	4,599
	2,904,810	1,535,737

KENGROW INDUSTRIES LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MAY 2008 (Continued)

8 PROPERTY, PLANT AND EQUIPMENT

	Buildings Ushs '000	Plant and machinery Ushs '000	Motor vehicles Ushs '000	Furniture and office equipment Ushs '000	Total Ushs '000
COST OR VALUATION					
At 1 June 2006	2,548,000	3,379,627	189,792	164,260	6,281,679
Additions	-	74,084	48,688	39,675	162,447
Disposals	-	-	(10,000)	-	(10,000)
At 31 May 2007	<u>2,548,000</u>	<u>3,453,711</u>	<u>228,480</u>	<u>203,935</u>	<u>6,434,126</u>
At 1 June 2007	2,548,000	3,453,711	228,480	203,935	6,434,126
Additions	2,813	-	60,960	38,072	101,845
Disposals	-	-	(42,194)	-	(42,194)
At 31 May 2008	<u>2,550,813</u>	<u>3,453,711</u>	<u>247,246</u>	<u>242,007</u>	<u>6,493,777</u>
COMPRISING					
At cost	2,813	253,411	247,246	242,007	745,477
At valuation - 2003	<u>2,548,000</u>	<u>3,200,300</u>	-	-	<u>5,748,300</u>
	<u>2,550,813</u>	<u>3,453,711</u>	<u>247,246</u>	<u>242,007</u>	<u>6,493,777</u>
DEPRECIATION					
At 1 June 2006	175,122	1,199,831	163,759	92,752	1,631,464
Charge for the year	52,479	281,735	28,326	15,757	378,297
Eliminated on disposal	-	-	(9,980)	-	(9,980)
At 31 May 2007	<u>227,601</u>	<u>1,481,566</u>	<u>182,105</u>	<u>108,509</u>	<u>1,999,781</u>
At 1 June 2007	227,601	1,481,566	182,105	108,509	1,999,781
Charge for the year	52,479	246,518	44,873	17,927	361,797
Eliminated on disposal	-	-	(41,584)	-	(41,584)
At 31 May 2008	<u>280,080</u>	<u>1,728,084</u>	<u>185,394</u>	<u>126,436</u>	<u>2,319,994</u>
COMPRISING					
At cost	56	31,676	185,394	126,436	343,562
At valuation - 2003	<u>280,024</u>	<u>1,696,408</u>	-	-	<u>1,976,432</u>
	<u>280,080</u>	<u>1,728,084</u>	<u>185,394</u>	<u>126,436</u>	<u>2,319,994</u>
NET BOOK VALUE					
At cost	2,756	221,735	26,033	71,508	322,032
At valuation	<u>277,324</u>	<u>1,506,349</u>	-	-	<u>1,783,673</u>
At 31 May 2008	<u>2,270,733</u>	<u>1,725,627</u>	<u>61,852</u>	<u>115,571</u>	<u>4,173,783</u>
At 31 May 2007	<u>2,320,399</u>	<u>1,972,145</u>	<u>46,375</u>	<u>95,426</u>	<u>4,434,345</u>

Property, plant and equipment with a carrying value of approximately Ushs 4.65 billion has been pledged as security for bank overdrafts.

Buildings, plant and Machinery were revalued on 31 January 2003 by an independent professional valuer, Ideal Surveyors, Valuers & Real Estate Management consultants. The basis of valuation of the property was open market value. The depreciated replacement method cost of valuation was applied to arrive at the value of buildings.

Included in Plant and Machinery is machinery for the oil and soap divisions with an NBV of Ushs 634,548,000 that has been idle since September 2005 when these divisions were temporarily halted. This machinery could be impaired as per IAS 36 but management asserts that it has continued to maintain the equipment and can therefore recover in excess of the carrying amount should they dispose them off. Consequently, no impairment loss has been charged.

KENGROW INDUSTRIES LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MAY 2008 (Continued)

	2008 Ushs '000	2007 Ushs '000
7 TAXATION		
(a) Taxation (credit)/charge		
Current tax	142,956	57,964
Deferred income tax - current year	46,187	151,811
	<u>189,143</u>	<u>209,775</u>
(b) Reconciliation of taxation charge		
Profit before taxation	<u>267,399</u>	<u>560,861</u>
Tax effect at the rate of 30%	80,220	168,258
Tax effect on non deductible expenses	340	-
Tax effect of revenues that are not taxable	-	(1,344)
Tax effect in respect of prior year under provision	108,583	42,861
	<u>189,143</u>	<u>209,775</u>
(c) Deferred income tax liability		

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable tax rate of 30%. The net deferred income tax liability comprises:

	2008 Ushs '000	2007 Ushs '000
Accelerated capital allowances	959,674	265,373
Tax losses available for future relief	-	(114,741)
Unrealised foreign exchange (losses)/gains	-	53,100
Revaluation surplus	-	709,754
	<u>959,674</u>	<u>913,487</u>
(d) The movement in the deferred income tax liability is as follows;		
At 1 June	913,487	839,715
Income statement charge - current year	46,187	151,811
Deferred tax charged to equity	-	(78,039)
At 31 May	<u>959,674</u>	<u>913,487</u>

KENGROW INDUSTRIES LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MAY 2008 (Continued)

3 ACCOUNTING POLICIES (Continued)

TRADE AND OTHER PAYABLES

Trade and other payables are stated at cost.

IMPAIRMENT

At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

COMPARATIVES

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

4 OPERATING PROFIT

	2008 Ushs '000	2007 Ushs '000
The operating profit is arrived at after charging:		
Depreciation	361,797	378,297
Amortisation of operating lease prepayments	3,785	3,785
Auditors' remuneration	14,952	12,719
Staff costs	<u>485,782</u>	<u>327,965</u>
and after crediting:		
Profit on sale of property	<u>(7,275)</u>	<u>(4,480)</u>

5 STAFF COSTS

Salaries and wages	437,080	298,366
Staff welfare	23,970	18,328
National Social Security Fund contributions	21,045	8,283
Medical costs	3,687	2,988
	<u>485,782</u>	<u>327,965</u>

The average number of employees during the year was 46 (2007: 46).

6 NET FINANCE COSTS/(INCOME)

Net foreign exchange gain - on related party loans	-	(112,500)
Net foreign exchange gain - on Directors' loan	-	(60,000)
Net foreign exchange gain on other transactions	(107,187)	(73,945)
Interest on related party loans & bank overdrafts	187,773	57,197
	<u>80,586</u>	<u>(189,248)</u>

3 ACCOUNTING POLICIES (Continued)

TRADE RECEIVABLES

Trade receivables are carried at an anticipated realisable value. An estimate of provision is made for doubtful receivables based on a review of all outstanding amounts at the year-end.

Bad debts are written off during the year in which they are identified.

PROVISIONS

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are recognised initially at cost using settlements date accounting. Held to maturity investments are subsequently measured at amortised cost while financial assets held for trading and available for sale are measured at fair value.

Financial liabilities

Financial liabilities are recognised initially at cost, and subsequently measured at amortised cost.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated into Uganda shillings at the rate of exchange ruling at the balance sheet date. Transactions during the year are translated at the rate ruling at the dates of the transactions. Gains and losses on exchange are dealt with in the income statement.

RETIREMENT BENEFIT OBLIGATIONS

The company contributes to the National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Fund Statute. The company's obligations under the scheme are specific contributions legislated from time to time, and are currently limited to 10% of the respective employees' gross salaries. The company's contributions are charged to the income statement in the period to which they relate.

BORROWING COSTS

Borrowing costs are recognised in the income statement in the period in which they are incurred.

COMPONENTS OF CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and in operating bank accounts, or cash on deposit within 3 months of maturity at the balance sheet date.

KENGROW INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2008 (Continued)

3 ACCOUNTING POLICIES (Continued)

LEASES

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The company as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost or valuation less accumulated depreciation and accumulated impairment losses, if any. The cost of purchased equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended service.

Increases in carrying amounts arising on valuation are credited to an asset revaluation reserve. Decreases that offset previous increases of the same asset are charged against the asset revaluation reserve. All other decreases are charged to the income statement.

DEPRECIATION

Depreciation is calculated to write down the cost of property, plant and equipment to their residual values over their estimated useful lives on a reducing balance basis. The annual rates in use are:

Industrial buildings	Over the remaining lease period
Heavy motor vehicles	50%
Light motor vehicles	12.5% and 40%
Plant and machinery	12.5%
Furniture and equipment	12.5% and 33.3%

EXCESS DEPRECIATION

Excess depreciation represents the additional depreciation, following revaluations of plant, plant and equipment, over depreciation based on historical cost. The amount is transferred annually from revaluation surplus to revenue reserve.

OPERATING LEASE PREPAYMENTS

The costs of acquiring leasehold interests in land are accounted for as operating leases and amortised over the period of the lease.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and in the case of the manufactured goods, includes an allocation of direct materials, labour and production overheads.

Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the cost of realisation and where appropriate, the cost of conversion from its existing state to a finished condition.

Provision is made for obsolete, slow moving and defective inventories.

1 GENERAL

The company is incorporated in Uganda under the Ugandan Companies Act and is involved in the manufacture and distribution of edible oil, soap and wheat flour and the sale of rice.

2 ADOPTION OF NEW AND REVISED STANDARDS EFFECTIVE IN THE CURRENT PERIOD

Standards and Interpretations effective in the current period

In the current year, the company has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the company's financial instruments and management of capital.

Seven interpretations issued by the international Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies; IFRIC 8 Scope of IFRS 2; IFRIC 9 Reassessment of Embedded Derivatives; IFRIC 10 Interim Financial Reporting and Impairment, IFRIC 11 - IFRS 2 Group and Treasury Share Transactions, IFRIC 12 - Service Concession Arrangement and IFRIC 14 - IAS 19 Employee Benefits: Effect of Minimum Funding Requirements on Asset Ceiling. The adoption of these interpretations has not led to any changes in the entity's accounting policies.

Standards and Interpretations issued in the current period

At the date of approval of these financial statements, the following new or revised Standards and Interpretations were in issue but not yet effective:

- IFRS 8 - Operating Segments
- IAS 23 (Revised) - Borrowing costs
- IFRIC 13 - IAS 18 Revenue: Customer Loyalty Programs

3 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted in the preparation of these financial statements remain unchanged from the previous year and are set out below:

BASIS OF ACCOUNTING

The financial statements are presented in Uganda shillings thousands (Ushs '000) and are prepared under the historical cost basis of accounting, modified to include the revaluation of certain assets.

TURNOVER

Turnover represents the value of goods sold during the year, net of trade discounts and Value Added Tax. A sale is recognised when the risks and benefits of ownership have been transferred to the buyer.

TAXATION

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

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax base of the assets and their carrying value for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the tax asset can be utilised.

KENGROW INDUSTRIES LIMITED
 CASH FLOW STATEMENT
 FOR THE YEAR ENDED 31 MAY 2008

	Note	2008 Ushs '000	2007 Ushs '000
Profit before tax		267,399	560,861
Adjustments for:			
Depreciation		361,797	378,297
Amortisation of operating lease prepayments		3,785	3,785
Profit on sale of property		(7,275)	(4,480)
Profit before working capital changes		<u>625,706</u>	<u>938,463</u>
(Increase)/decrease in inventories		(341,180)	393,872
Increase in trade and other receivables		(1,369,073)	(253,827)
Increase in trade and other payables		583,720	185,227
Net movement in related party balances		-	(2,684)
		<u>(500,827)</u>	<u>1,261,051</u>
Interest paid			
Taxation paid		(171,280)	(40,052)
Unrealised exchange differences		(6,900)	(133,946)
Net cash (used in)/generated from operating activities		<u>(679,007)</u>	<u>1,087,053</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(101,845)	(162,447)
Proceeds from sale of property, plant and equipment		7,884	4,500
Net cash used in investing activities		<u>(93,961)</u>	<u>(157,947)</u>
FINANCING ACTIVITIES			
Repayment of related party loan	16	-	(1,110,000)
Receipt of loan	16	-	680,000
Net cash used in financing activities		<u>-</u>	<u>(430,000)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(772,968)</u>	<u>499,106</u>
Cash and cash equivalents at beginning of year		118,923	(380,183)
Cash and cash equivalents at end of year		<u><u>(654,045)</u></u>	<u><u>118,923</u></u>
Represented by:			
Cash and bank balances		31,599	118,923
Bank overdrafts		(685,644)	-
		<u><u>(654,045)</u></u>	<u><u>118,923</u></u>

KENGROW INDUSTRIES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2008

	Share capital Ushs '000	Revenue reserve deficit Ushs '000	Revaluation reserve Ushs '000	Total Ushs '000
2007				
At 1 June 2006	2,525,000	(1,223,012)	1,907,547	3,209,535
Transfer of excess depreciation	-	93,477	(93,477)	-
Deferred tax on excess depreciation	-	-	78,039	78,039
Profit for the year	-	351,086	-	351,086
At 31 May 2007	<u>2,525,000</u>	<u>(778,449)</u>	<u>1,892,109</u>	<u>3,638,660</u>
2008				
At 1 June 2007	2,525,000	(778,449)	1,892,109	3,638,660
Transfer of excess depreciation	-	84,794	(84,794)	-
Deferred tax on excess depreciation	-	(25,438)	25,438	-
Profit for the year	-	78,256	-	78,256
At 31 May 2008	<u>2,525,000</u>	<u>(640,837)</u>	<u>1,832,753</u>	<u>3,716,916</u>

The revaluation reserve relates to gains arising from the revaluation of buildings and plant and machinery. The surplus is non-distributable.


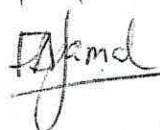
KENGROW INDUSTRIES LIMITED

BALANCE SHEET

31 MAY 2008

	Note	2008 Ushs '000	2007 Ushs '000
ASSETS			
Non-current assets			
Property, plant and equipment	8	4,173,783	4,434,345
Operating lease prepayments	9	112,377	116,162
		<u>4,286,160</u>	<u>4,550,507</u>
Current assets			
Inventories	10	1,055,695	714,515
Trade and other receivables	11	2,904,810	1,535,737
Withholding tax receivable		32,829	4,505
Cash and bank balances		31,599	118,923
		<u>4,024,933</u>	<u>2,373,680</u>
Total assets		<u><u>8,311,093</u></u>	<u><u>6,924,187</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	2,525,000	2,525,000
Revaluation reserve		1,832,753	1,892,109
Revenue reserve - deficit		(640,837)	(778,449)
		<u>3,716,916</u>	<u>3,638,660</u>
Non-current liability			
Deferred income tax liability	7(c)	959,674	913,487
Current liabilities			
Shareholders' loan	12(a)	1,948,099	1,955,000
Trade and other payables	14	1,000,760	417,040
Bank overdrafts	15	685,644	-
		<u>3,634,503</u>	<u>2,372,040</u>
Total equity and liabilities		<u><u>8,311,093</u></u>	<u><u>6,924,187</u></u>

The financial statements on pages 7 to 22 were approved by the board of directors on 25-1-2008 and were signed on its behalf by;

)
) Directors

KENGROW INDUSTRIES LIMITED


INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2008

	Note	2008 Ushs '000	2007 Ushs '000
TURNOVER		17,676,115	15,930,403
COST OF SALES		(16,022,474)	(14,469,008)
GROSS PROFIT		1,653,641	1,461,395
OTHER INCOME		9,102	5,142
ADMINISTRATIVE EXPENSES		(1,108,093)	(854,585)
SELLING AND DISTRIBUTION EXPENSES		(206,665)	(240,339)
NET FINANCE (COSTS)/INCOME	6	(80,586)	189,248
PROFIT BEFORE TAXATION		267,399	560,861
TAXATION CHARGE	7(a)	(189,143)	(209,775)
PROFIT FOR THE YEAR		<u>78,256</u>	<u>351,086</u>

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KENGROW INDUSTRIES LIMITED (continued)

5 Opinion

Except for the matter referred to in paragraph 4 above, in our opinion, proper books of account have been kept by the company and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the company at 31 May 2008 and of the profit and cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards and comply with the Ugandan Companies Act.



Certified Public Accountants (Uganda)
Kampala

29 OCTOBER 2008

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KENGROW INDUSTRIES LIMITED**

1 We have audited the financial statements of Kengrow Industries Limited set out on pages 7 to 22 which comprise the balance sheet as at 31 May 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, together with the summary of significant accounting policies and other explanatory notes, and except for the matters referred to in paragraph 4 below have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

2 Respective responsibilities of the directors and auditors

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with applicable International Financial Reporting Standards and the provisions of the Ugandan Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. Our responsibility is to express an opinion on these financial statements based on our audit.

3 Basis of opinion

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

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

We believe that our audit provides a reasonable basis for our opinion.

4 Qualification

Included in Plant and Machinery is machinery for the oil and soap divisions with an NBV of Ushs 634,548,000 that has been idle since September 2005 when these divisions were temporarily halted. This machinery could be impaired as per IAS 36.

KENGROW INDUSTRIES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the directors to ensure that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with applicable International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with applicable International Financial Reporting Standards and in the manner required by the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Signed on behalf of the board of directors by:



Director

25th October 2008



Director

25th October 2008

KENGROW INDUSTRIES LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2008

The directors present their report together with the audited financial statements of the company for the year ended 31 May 2008.

ACTIVITIES

The principal activities of the company continue to be manufacture and distribution of wheat flour, soap and edible oil and the sale of rice. The company also has a business equipment and consumer electronics division which trades in Sharp and DELL products.

RESULTS

	Ushs '000
Profit before taxation	267,399
Taxation charge	(189,143)
Net profit for the year	<u>78,256</u>

DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year.

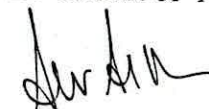
DIRECTORS

The current members of the board are shown on page 2.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office in accordance with the provisions of Section 159(2) of the Companies Act.

BY ORDER OF THE BOARD


Secretary

Kampala

25th October 2008

KENGROW INDUSTRIES LIMITED

DIRECTORS AND PROFESSIONAL ADVISORS

DIRECTORS

Mrs. Goolshen A. Jamal
Mr. Rehmetullah Amir Jamal
Mr. Feisal Amir Jamal

CHIEF EXECUTIVE

Mr. K. K. Radhamohan

COMPANY SECRETARY

Mr. Hussain H. Ali
P. O. Box 1469
Jinja

REGISTERED OFFICE

Factory Road, Industrial Area
P. O. Box 1469
Industrial Area
Jinja

AUDITORS

Deloitte & Touche
Certified Public Accountants (Uganda)
3rd floor, Rwenzori House
P. O. Box 10314
Kampala

BANKERS

Bank of Africa (Uganda) Limited
P. O. Box 2095
Jinja

Orient Bank Limited
Jinja Branch
P. O. Box 368
Jinja

Standard Chartered Bank (Uganda) Limited
P. O. Box 1583
Jinja

Stanbic Bank Uganda Limited
P.O.Box 89
Jinja

LAWYERS

J B Byamugisha Advocates
P O Box 9400
Kampala

KENGROW INDUSTRIES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2008

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KENGROW INDUSTRIES LIMITED

FINANCIAL STATEMENTS

31 MAY 2008

B. Previous Financial Statement of Kengrow

KENGROW TANZANIA LIMITED											Appendix 3
NEW WHEAT MILL FACILITY IN ARUSHA											
PROJECTED BALANCE SHEETS AS AT 30TH DECEMBER... ..											USD
YEAR		Reference	2009	2010	2011	2012	2013	2014	2015	2016	
Assets											
Net Fixed assets			Annex 3 (h)	1,531,700	1,420,785	1,309,869	1,198,953	1,088,037	978,092	868,146	758,200
Current assets											
Stocks		Annex 3 (h)	219,183	253,376	288,848	294,625	300,518	306,528	312,659	318,912	
Debtors		Annex 3 (h)	114,290	132,119	150,616	153,628	156,701	159,835	163,031	166,292	
Cash		Appendix 2	373,320	752,132	1,185,062	1,669,153	2,162,370	2,664,655	3,176,436	3,697,903	
Sub total			706,793	1,137,627	1,624,526	2,117,406	2,619,589	3,131,018	3,652,127	4,183,107	
Current liabilities											
Creditors		Annex 3 (h)	23,089	26,690	30,427	31,036	31,656	32,290	32,935	33,594	
Sub total			23,089	26,690	30,427	31,036	31,656	32,290	32,935	33,594	
Net Current assets				683,704	1,110,937	1,594,099	2,086,370	2,587,933	3,098,729	3,619,191	4,149,513
Total Capital Employed				2,215,405	2,531,721	2,903,968	3,285,323	3,675,970	4,076,820	4,487,337	4,907,713
Financed by											
Shareholders Funds											
Equity		Appendix 2	1,953,001	1,953,001	1,953,001	1,953,001	1,953,001	1,953,001	1,953,001	1,953,001	
Revenue reserves		Appendix 1	262,404	578,721	950,967	1,332,323	1,722,969	2,123,820	2,534,336	2,954,713	
Sub total			2,215,405	2,531,721	2,903,968	3,285,323	3,675,970	4,076,820	4,487,337	4,907,713	
Long term loan		Annex 3 (f)	-	-	-	-	-	-	-	-	
Total Employment of capital				2,215,405	2,531,721	2,903,968	3,285,323	3,675,970	4,076,820	4,487,337	4,907,713
Net tangible assets				2,215,405	2,531,721	2,903,968	3,285,323	3,675,970	4,076,820	4,487,337	4,907,713
Gearing ratio				0.01	0.01	0.01	0.01				
Security cover				0.00	0.00	0.00	0.00				

KENGROW TANZANIA LIMITED											Appendix 2
NEW WHEAT MILL FACILITY IN ARUSHA											
PROJECTED CASHFLOW STATEMENTS FOR YEAR ENDED 31st DECEMBER ...											USD
YEAR		Reference	2009	2010	2011	2012	2013	2014	2015	2016	
CASH INFLOWS											
CAPITAL											
Equity		Annex 1	1,953,001	-	-	-	-	-	-	-	
Loan		Annex 1	-	-	-	-	-	-	-	-	
TOTAL			1,953,001	-	-	-	-	-	-	-	
REVENUE											
Profit before tax		Appendix 1	349,872	421,755	496,329	508,474	520,862	534,467	547,356	560,502	
Depreciation		Annex 3(b)	110,916	110,916	110,916	110,916	110,916	109,946	109,946	109,946	
TOTAL			460,788	532,671	607,245	619,390	631,778	644,413	657,301	670,447	
TOTAL CASH INFLOWS			2,413,789	532,671	607,245	619,390	631,778	644,413	657,301	670,447	
CASH OUTFLOWS											
CAPITAL											
Investments		Annex 1 (c)	1,642,616	-	-	-	-	-	-	-	
Loan repayment		Annex 3 (c)	-	-	-	-	-	-	-	-	
TOTAL			1,642,616	-	-	-	-	-	-	-	
REVENUE											
Corporation tax		Appendix 1	87,468	105,439	124,082	127,119	130,215	133,617	136,839	140,125	
Change in working capital		Annex 3 (d)	310,385	48,420	50,233	8,181	8,344	8,511	8,681	8,855	
TOTAL			397,853	153,859	174,315	135,299	138,560	142,128	145,520	148,981	
TOTAL CASH OUTFLOWS			2,040,469	153,859	174,315	135,299	138,560	142,128	145,520	148,981	
NET CASHFLOWS			373,320	378,812	432,930	484,091	493,218	502,285	511,781	521,467	
Beginning cash balance			-	373,320	752,132	1,185,062	1,669,153	2,162,370	2,664,655	3,176,436	
CLOSING CASH BALANCE			373,320	752,132	1,185,062	1,669,153	2,162,370	2,664,655	3,176,436	3,697,903	
Debt service coverage ratio			0.00	0.00	0.00	0.00	0.00				

KENGROW TANZANIA LIMITED												Appendix 1
NEW WHEAT MILL FACILITY IN ARUSHA												
PROJECTED PROFIT AND (LOSS) ACCOUNTS FOR YEAR ENDED 31ST DECEMBER.....												USD
	Reference	YEAR	2009	2010	2011	2012	2013	2014	2015	2016		
REVENUE			5,943,077	6,870,197	7,832,024	7,988,665	8,148,438	8,311,407	8,477,635	8,647,188		
Less: Operating costs												
Direct milling costs												
Wheat grain	Annex 3 (a)		5,205,225	6,017,240	6,859,654	6,996,847	7,136,784	7,279,520	7,425,110	7,573,612		
Packing materials	Annex 3 (a)		119,539	138,188	157,534	160,685	163,898	167,176	170,520	173,930		
Labour	Annex 3 (a)		20,821	24,069	27,439	27,987	28,547	29,118	29,700	30,294		
Factory conversion	Annex 3 (a)		26,547	30,688	34,984	35,684	36,398	37,126	37,868	38,625		
Lease fees	Annex 3 (b)		-	-	-	-	-	-	-	-		
Storage/cleaning fees	Annex 3 (b)		47,754	55,204	62,933	64,191	65,475	66,785	68,120	69,483		
Total			5,419,887	6,265,389	7,142,543	7,285,394	7,431,102	7,579,724	7,731,319	7,885,945		
Gross profit			523,190	604,808	689,481	703,271	717,336	731,683	746,317	761,243		
Less: Indirect operating costs	Annex 3 (b)		62,402	72,137	82,236	83,881	85,559	87,270	89,015	90,795		
OPERATING PROFIT / (LOSS) BEFORE DEPRECIATION			460,788	532,671	607,245	619,390	631,778	644,413	657,301	670,447		
Less: Depreciation	Annex 3 (b)		110,916	110,916	110,916	110,916	110,916	109,946	109,946	109,946		
OPERATING PROFIT / (LOSS) BEFORE FINANCE CHARGES			349,872	421,755	496,329	508,474	520,862	534,467	547,356	560,502		
Less: Loan interest			-	-	-	-	-	-	-	-		
PROFIT / (LOSS) BEFORE TAX			349,872	421,755	496,329	508,474	520,862	534,467	547,356	560,502		
Add: recouped lease fees			-	-	-	-	-	-	-	-		
TAXABLE PROFITS			349,872	421,755	496,329	508,474	520,862	534,467	547,356	560,502		
Less: Corporation tax	@	25%	87,468	105,439	124,082	127,119	130,215	133,617	136,839	140,125		
PROFIT / (LOSS) AFTER TAX			262,404	316,316	372,247	381,356	390,646	400,851	410,517	420,376		
Profit / Loss brought fwd			-	262,404	578,721	950,967	1,332,323	1,722,969	2,123,820	2,534,336		
PROFIT / (LOSS) C/FWD			262,404	578,721	950,967	1,332,323	1,722,969	2,123,820	2,534,336	2,954,713		
Interest cover												

5. WORKING CAPITAL SCHEDULE													Annex 3 (c)							
													USD							
													2009	2010	2011	2012	2013	2014	2015	2016
ITEM	BASIS	PERIOD	DURATION	Year																
STOCKS																				
Wheat	Raw materials costs	Month	0.5		216,884	250,718	285,819	291,535	297,366	303,313	309,380	315,567								
Packing materials	Packing materials costs	Week	1		2,299	2,657	3,029	3,090	3,152	3,215	3,279	3,345								
	TOTAL				219,183	253,376	288,848	294,625	300,518	306,528	312,659	318,912								
DEBTORS																				
Sales revenue	Total revenue	Week	1		114,290	132,119	150,616	153,628	156,701	159,835	163,031	166,292								
TOTAL STOCKS AND DEBTORS					333,473	385,495	439,464	448,254	457,219	466,363	475,690	485,204								
Less: CREDITORS																				
Packing materials	Packing materials costs	Month	1		9,962	11,516	13,128	13,390	13,658	13,931	14,210	14,494								
Factory conversion	Factory conversion	Month	1		3,947	4,563	5,202	5,306	5,412	5,520	5,631	5,743								
Storage/cleaning fees	Storage fees	Month	1		3,980	4,600	5,244	5,349	5,456	5,565	5,677	5,790								
Indirect op'ng costs	Indirect operating costs	Month	1		5,200	6,011	6,853	6,990	7,130	7,272	7,418	7,566								
	TOTAL				23,089	26,690	30,427	31,036	31,656	32,290	32,935	33,594								
NET WORKING CAPITAL					310,385	358,805	409,037	417,218	425,562	434,073	442,755	451,610								
CHANGE IN WORKING CAPITAL					310,385	48,420	50,233	8,181	8,344	8,511	8,681	8,855								

													Annex 3 (b)												
YEAR												2009	2010	2011	2012	2013	2014	2015	2016						
2. DIRECT OPERATING COSTS																									
2.6 Lease fees													Rate/ton: USD									USD			
Based on tonnage of wheat milled																									
Wheat based lease fees													16	-	-	-	-	-	-	-	-				
Less: Amount recouped as per clause 2.7 of Milling Agreement																									
Amount recouped annually as a percent of rehabilitation cost													20%	-	-	-	-	-	-	-	-				
Net total lease fees													-	-	-	-	-	-	-	-	-				
2.7 Storage/Cleaning fees													Rate/ton: USD									USD			
Based on tonnage of wheat stored/cleaned																									
Wheat grain stored/cleaned													4	47,754	55,204	62,933	64,191	65,475	66,785	68,120	69,483				
Total Direct costs													5,419,887	6,265,389	7,142,543	7,285,394	7,431,102	7,579,724	7,731,319	7,885,945					
3. INDIRECT OPERATING COSTS																									
Cost as a percentage of revenue													%												
Administration													0.75%	44,573	51,526	58,740	59,915	61,113	62,336	63,582	64,854				
Utilities - other than factory													0.15%	8,915	10,305	11,748	11,983	12,223	12,467	12,716	12,971				
Repair and maintenance - other than factory													0.07%	4,160	4,809	5,482	5,592	5,704	5,818	5,934	6,053				
Marketing													0.05%	2,972	3,435	3,916	3,994	4,074	4,156	4,239	4,324				
Normal finance charges													0.03%	1,783	2,061	2,350	2,397	2,445	2,493	2,543	2,594				
Total indirect operating costs													62,402	72,137	82,236	83,881	85,559	87,270	89,015	90,795					
4. AMORTISATION OF REHABILITATION COSTS (DEPRECIATION)													Year												
Fixed assets																				USD					
Land and buildings													1,115,000	1,115,000	1,115,000	1,115,000	1,115,000	1,115,000	1,115,000	1,115,000	1,115,000				
Plant and equipment													522,766	522,766	522,766	522,766	522,766	522,766	522,766	522,766	522,766				
Preoperational expenses													4,850	4,850	4,850	4,850	4,850	4,850	4,850	4,850	4,850				
TOTAL													1,642,616	1,642,616	1,642,616	1,642,616	1,642,616	1,642,616	1,642,616	1,642,616	1,642,616				
Annual depreciation													Method		Rate p.a.										
Land and buildings													Straight line		4.00%		44,600	44,600	44,600	44,600	44,600	44,600	44,600	44,600	44,600
Plant and equipment													Straight line		12.50%		65,346	65,346	65,346	65,346	65,346	65,346	65,346	65,346	65,346
Preoperational expenses													Straight line		20.00%		970	970	970	970	970	-	-	-	-
TOTAL													110,916	110,916	110,916	110,916	110,916	109,946	109,946	109,946	109,946				
Accumulated depreciation																									
Land and buildings													44,600	89,200	133,800	178,400	223,000	267,600	312,200	356,800					
Plant and equipment													65,346	130,692	196,037	261,383	326,729	392,075	457,420	522,766					
Preoperational expenses													970	1,940	2,910	3,880	4,850	4,850	4,850	4,850					
TOTAL													110,916	221,832	332,747	443,663	554,579	664,525	774,470	884,416					
Net fixed assets																									
Land and buildings													1,070,400	1,025,800	981,200	936,600	892,000	847,400	802,800	758,200					
Plant and equipment													457,420	392,075	326,729	261,383	196,037	130,692	65,346	-					
Preoperational expenses													3,880	2,910	1,940	970	-	-	-	-					
TOTAL													1,531,700	1,420,785	1,309,869	1,198,953	1,088,037	978,092	868,146	758,200					

KENGROW TANZANIA LIMITED											Annex 3 (a)
NEW WHEAT MILL FACILITY IN ARUSHA											
OPERATING ASSUMPTIONS											
OPERATING COSTS											
YEAR				2009	2010	2011	2012	2013	2014	2015	2016
1. Inflation index											
Annual inflation		2%									
Inflation index				1.04	1.06	1.08	1.10	1.13	1.15	1.17	1.20
2.0 DIRECT OPERATING COSTS											
2.1 Raw materials											
(a) Quantity of raw wheat grain required											
Loss during cleaning		2%									
Quantity of wheat grain required to meet planned production			Tons	11,475	13,005	14,535	14,535	14,535	14,535	14,535	14,535
(b) Cost of raw materials											
			Cost/kg: USD								USD
Wheat			0.44	5,205,225	6,017,240	6,859,654	6,996,847	7,136,784	7,279,520	7,425,110	7,573,612
2.2 Packaging materials											
			Cost/kg: USD								USD
(i) New poly bags - for wheat/maize flour											
50	kg bags		0.36	12,809	14,808	16,881	17,218	17,563	17,914	18,272	18,638
25	kg bags		0.28	29,889	34,551	39,388	40,176	40,980	41,799	42,635	43,488
10	kg bags		0.16	71,163	82,265	93,782	95,658	97,571	99,522	101,513	103,543
Sub total - cost of new poly bags				113,861	131,624	150,051	153,052	156,113	159,235	162,420	165,669
(ii) Second hand poly bags for wheat bran/pollard											
50	kg bags		0.08	4,495	5,196	5,923	6,042	6,162	6,286	6,411	6,540
Total cost of poly bags				118,356	136,819	155,974	159,094	162,275	165,521	168,831	172,208
(iii) Miscellaneous materials - e.g. sewing thread											
Cost a percentage of cost of poly bags			1.00%	1,184	1,368	1,560	1,591	1,623	1,655	1,688	1,722
Total cost of packaging materials				119,539	138,188	157,534	160,685	163,898	167,176	170,520	173,930
2.3 Direct labour cost											
			As a % of Raw material cost								USD
(i) Raw materials receiving			0.10%	5,205	6,017	6,860	6,997	7,137	7,280	7,425	7,574
(ii) Processing											
Cleaning			0.05%	2,603	3,009	3,430	3,498	3,568	3,640	3,713	3,787
Milling			0.05%	2,603	3,009	3,430	3,498	3,568	3,640	3,713	3,787
Bagging (packing)			0.05%	2,603	3,009	3,430	3,498	3,568	3,640	3,713	3,787
(iii) Packing materials handling											
(iv) Finished products/by products storage			0.10%	5,205	6,017	6,860	6,997	7,137	7,280	7,425	7,574
Total cost of direct labour				20,821	24,069	27,439	27,987	28,547	29,118	29,700	30,294
2.4 Factory utilities (electricity and water)											
Cost as a percentage of cost of raw materials			0.50%	26,026	30,086	34,298	34,984	35,684	36,398	37,126	37,868
2.5 Factory repair and maintenance											
Cost as a percentage of cost of raw materials			0.01%	521	602	686	700	714	728	743	757

KENGROW TANZANIA LIMITED										Annex 2									
NEW WHEAT MILL FACILITY IN ARUSHA																			
REVENUE ASSUMPTIONS																			
YEAR										2009	2010	2011	2012	2013	2014	2015	2016		
Production days annually			300																
Rated capacity of milling machinery per 24 hours			Tons	50															
Planned milling capacity utilisation %					75%	85%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%		
Output quantity of wheat products																			
				Extraction Rate - %													Tons		
Flour			76%	8,550	9,690	10,830	10,830	10,830	10,830	10,830	10,830	10,830	10,830	10,830	10,830	10,830	10,830		
Pollard			10%	1,125	1,275	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425	1,425		
Bran			14%	1,575	1,785	1,995	1,995	1,995	1,995	1,995	1,995	1,995	1,995	1,995	1,995	1,995	1,995		
Total			100%	11,250	12,750	14,250	14,250	14,250	14,250	14,250	14,250	14,250	14,250	14,250	14,250	14,250	14,250		
5.0 Revenue																			
5.1 Inflation index																			
Annual inflation			2%																
Inflation index				1.04	1.06	1.08	1.10	1.13	1.15	1.17	1.20								
5.2 Quantities sold																			
																		No. of bags	
Wheat Flour																			
50	kg bags		20%	34,200	38,760	43,320	43,320	43,320	43,320	43,320	43,320	43,320	43,320	43,320	43,320	43,320	43,320	43,320	
25	kg bags		30%	102,600	116,280	129,960	129,960	129,960	129,960	129,960	129,960	129,960	129,960	129,960	129,960	129,960	129,960	129,960	
10	kg bags		50%	427,500	484,500	541,500	541,500	541,500	541,500	541,500	541,500	541,500	541,500	541,500	541,500	541,500	541,500	541,500	
Total				564,300	639,540	714,780	714,780	714,780	714,780	714,780	714,780	714,780	714,780	714,780	714,780	714,780	714,780	714,780	
Pollard																			
50	kg bags			22,500	25,500	28,500	28,500	28,500	28,500	28,500	28,500	28,500	28,500	28,500	28,500	28,500	28,500	28,500	
Bran																			
50	kg bags			31,500	35,700	39,900	39,900	39,900	39,900	39,900	39,900	39,900	39,900	39,900	39,900	39,900	39,900	39,900	
5.3 Sales revenue																			USD
Wheat Flour																			
50	kg bags		31	1,110,148	1,283,332	1,462,998	1,492,258	1,522,103	1,552,545	1,583,596	1,615,268								
25	kg bags		16	1,665,223	1,924,997	2,194,497	2,238,387	2,283,155	2,328,818	2,375,394	2,422,902								
10	kg bags		6	2,846,534	3,290,594	3,751,277	3,826,302	3,902,828	3,980,885	4,060,503	4,141,713								
Total				5,621,905	6,498,923	7,408,772	7,556,947	7,708,086	7,862,248	8,019,493	8,179,883								
Pollard																			
50	kg bags		7	163,863	189,426	215,945	220,264	224,669	229,163	233,746	238,421								
Bran																			
50	kg bags		5	157,308	181,849	207,307	211,454	215,683	219,996	224,396	228,884								
Total sales revenue				5,943,077	6,870,197	7,832,024	7,988,665	8,148,438	8,311,407	8,477,635	8,647,188								

							Annex 1(b)			
2.0 PRE OPERATIONAL EXPENSES							Local	Foreign	Total	USD
2.1 Project Management fees:										
Professional Fees					0.00%		3,500	3,500		
TIC Certificate							850	850		
Company Registration							500	500		
Sub total - project management fees									4,850	
TOTAL PREOPERATIONAL EXPENSES (Items 2.1 to 2.4)									4,850	
3.0 SUMMARY OF INVESTMENT CAPITAL COST ESTIMATES:							Local	Foreign	Total	USD
Land and buildings						-	1,115,000	1,115,000		
Plant and equipment						17,374	505,393	522,766		
Preoperational expenses						4,850	-	4,850		
TOTAL INVESTMENT CAPITAL COST ESTIMATES							22,224	1,620,393	1,642,616	
INITIAL WORKING CAPITAL							310,385	-	310,385	
GRAND TOTAL INVESTMENT & INITIAL WORKING CAPITAL COSTS ESTIMATES							332,608	1,620,393	1,953,001	
4.0 INVESTMENT & INITIAL WORKING CAPITAL COST ESTIMATES FINANCING PLAN							Local	Foreign	Total	USD
FINANCING PLAN										
Equity						-	1,953,001	1,953,001		
Bank overdraft						-	-	-		
Loan						-	-	-		
TOTAL							-	1,953,001	1,953,001	

KENGROW TANZANIA LIMITED							Annex 1(a)			
NEW WHEAT MILL FACILITY IN ARUSHA										
INVESTMENT CAPITAL COST ESTIMATES										
YEAR							2008			
INFLATION INDEX										
Annual inflation index			2.00%				1.00			
EXCHANGE RATES										
USD / TZS		1 USD		TZS		1250				
CHF (SwFr) / U		1 CHF		USD		0.90				
BASIC REHABILITATION WORKS - WHEAT MILL BUILDING										
COST ESTIMATES							USD:			
1.0 WHEAT MILL INVESTMENT							Local	Foreign	Total	
1.1 Civil works										
Land including transfer & Stamp Duty							600,000		600,000	
Building for factory & ware house							400,000		400,000	
Installation & local materials							50,000		50,000	
Contingency (physical and price) - as a percentage of total of above costs			10.00%				65,000		65,000	
Sub total							-		1,115,000	
1.2 Mill Equipment - C & F D'Salaam										
Wheat milling equipment			388,889				-		350,000	
Spares for wheat grain screening section			35,000				-		31,500	
Laboratory			30,000				-		27,000	
C & F - Dar es Salaam			76,379				-		68,741	
Insurance during sea freight - as a percentage of total of above costs			1.00%				-		4,085	
Land transport & insurance DSM - ARS: - as a percentage of total of above costs			1.50%				7,220		-	
Contingency (physical and price) - as a percentage of total of above costs			5.00%				565		24,066	
Sub total							7,785		505,393	
1.3 Installation										
Installation cost (labour and consumables) - as a percentage of item 1.4			1.00%				5,132		-	
Hire of installation equipment - crane							4,000		-	
Contingency (physical and price) - as a percentage of total of above costs			5.00%				457		-	
Sub total							9,588		-	
TOTAL WHEAT MILL REHABILITATION COST ESTIMATES (Items 1.1 - 1.5)							17,374	1,620,393	1,637,766	

A. Financial Model

14. CONCLUSION AND RECOMMENDATIONS:

In the context of what has been stated regarding the proposed Kengrow Tanzania Limited investment in wheat milling operations in Tanzania the foregoing chapters, one may draw the conclusions and recommendations stated hereunder.

14.1 Conclusions:

It is apparent from the above chapters that the proposed project to new investment in wheat mill in Arusha is expected to be a profitable undertaking. The project, if implemented, is expected to have an internal rate of return of 21.00 % that is above the interest rate that would have gained if monies were invested in the banks.

The promoters of the project have also confirmed their ability to raise the equity funds to execute the proposed development.

The economic impact for implementing and operating the project is also positive.

Lastly and most important, the operations of the rehabilitated wheat mill are friendly to the environment.

14.2 Recommendations:

In view of point 14.1 above, it is recommended that the proposed project to invest in the new wheat mill in Arusha be implemented at the earliest possible opportunity in the manner detailed herein above.

(a) Competition:

Since the markets that the project will service will also be sought after by other producers from within and outside Tanzania, there is always the risk that these markets may be flooded by similar goods from new local producers/importers. If this happens then existing local producers usually will suffer due to a decrease in either the prices of their products or their markets.

With the project at hand, there is little possibility of many new producers coming up with similar projects as the set up costs for a new project are quite high. These high establishment costs for a new wheat mill act as a deterrent to new producers coming up. As for importers emerging to exploit the existing demand for the project's products, this is also unlikely since imports of foodstuffs have so far been confined to items such as rice and processed foodstuffs such as sugar, edible oils and canned goods but not wheat flour.

(b) Increase in operating costs:

In Tanzania, industrial producers/operators, more often than not, have little control on their operating costs, particularly those of utilities. The inability to determine and control the prices of some of its inputs is therefore another risk the proposed project will have to face and live with.

To mitigate the adverse impact of this risk Kengrow Tanzania Limited management will need to have a close watch on its operating costs so as to eliminate as much as possible all factors that may lead to the project suffering losses as a result of increases in the cost of its inputs.

13. RISK FACTORS:

Major risk factors that the operations of the rehabilitated wheat mill will face are of three types, namely, economic; political, social and religious upheavals; as well as industry risks.

13.1 Economic risks:

The major economic risk the project will face is that of a recession happening in Tanzania.

If Tanzania's economy plunges into a recession, thus decreasing its economic growth, the level of economic activities may also decrease. Though the demand for the project's products is unlikely to decrease as the consuming public will not decrease as a result of an economic recession, the capacity utilisation of project may decrease since effective demand for its products may go down due to decreased purchasing power of the consumers.

That an economic recession may occur in Tanzania is a risk the project will continue to face throughout its operations. However, the possibility of such a recession happening in Tanzania at present is remote despite the high petroleum prices currently prevailing in the world and Tanzania.

13.2 Political, social, and religious risks:

The biggest risk associated with political, social, and religious is that of disturbances/upheavals. The effects of political, social and religious upheavals to businesses are usually bad. The less politically, socially and religiously stable a country is, the greater the risks of business failure. The success of the proposed project as a commercial undertaking is very much linked to the country having a stable political, social, and religious climate. As it is in the case of an economic recession that political, social, and religious disturbances/upheavals may occur in Tanzania is a risk the project will also continue to face throughout its operations.

It is, however, reassuring to note that Tanzania's political, social and religious stability is presently strong and it is likely to continue in this way for quite some time. Nearly all Tanzanians of every walk of life yearn, pray and preach for the sustenance of political, social and religious stability. Thus the possibility of such political, social, and religious disturbances/upheavals happening in Tanzania at present is remote.

13.3 Industry risks:

The major risks associated with the cereal grain milling industry in Tanzania are two, namely competition and increase in operating costs.

12 ENVIRONMENTAL IMPACT:

The project is considered and expected to be environmentally friendly for the mainly two reasons that are stated here below.

During the installation of new wheat milling machinery, there will be very little noise from the installation activities. Even the level of this type of noise is acceptable and tolerable.

When the project becomes operational, there will hardly also be any negative environmental impact as there is equally very little dust and noise during the operation of the mill. Furthermore, there are no undesirable effluents from the milling process that need special disposal processes. Liquid waste will be disposed of through the existing sewage system. Solid waste will be collected and periodically picked up by refuse trucks of either the municipality or any other authorised refuse collectors for dumping at various approved city refuse dump pits.

11. ECONOMIC IMPACT:

The economic impact of the proposed rehabilitation project to the country is three fold as stated hereunder.

11.1 Employment:

The rehabilitation project is expected to provide direct employment to about 53 people. Its operations are also expected to contribute in generating indirect employment and other multiplier effects in the country's economy through the businesses that will be selling their services and goods to the project.

11.2 Government revenue:

Operations of the proposed project are expected to generate various taxes to the government. Subject to tax incentives given by the Tanzania Investment Centre, which Kengrow Tanzania Limited the promoter of the proposed project will seek, as indicated in appendix 1, the project's operations are expected to pay income taxes ranging from USD 87,468/= during the first year to USD 140,125/= during the eighth year.

11.3 Improving the health of Tanzania's population:

The project is expected to increase the availability of protein/vitamin supplementing foodstuffs. The increase in these items should therefore lead to easier access to such foodstuffs by the majority of Tanzanians, thus enabling them to improve their diet and so their health.

(c) Balance sheets – Appendix 3

Projected balance sheets of the proposed project show that the project is expected to have a strong financial base as indicated below.

USD: '000':

Year	2009	2010	2011	2012	2013	2014	2015	2016
Total capital employed	2,215	2,531	2,903	3,285	3,675	4,076	4,487	4,907
Shareholders' funds	2,215	2,531	2,903	3,285	3,675	4,076	4,487	4,907
Net tangible assets	2,215	2,531	2,903	3,285	3,675	4,076	4,487	4,907

Projected balance sheets of the proposed project show that the project is expected to have a strong financial result.

Company will therefore benefit from the manufacturing experiences of Uganda wheat mill plant that operates under Kengrow Industries Limited. It is expected such knowledge and experience will help to ensure successful operations at the new milling plant.

In view of the above, the results of the financial projections of the new plant are detailed in section 10.2 here below.

10.2 Projected financial results – New Wheat Milling Plant:

A summary of the projected financial results of the proposed establishment of the wheat mill project is given below.

(a) Profit and (Loss) accounts – Appendix 1

Projected profit and (loss) accounts of the proposed new milling facility of at Arusha Themu Industrial Area show that operations of the project are expected to be profitable as shown below.

USD: '000':

Year	2009	2010	2011	2012	2013	2014	2015	2016
Revenue	5,943	6,870	7,832	7,988	8,148	8,311	8,477	8,647
Profit / (Loss) before tax	349	421	496	508	520	534	547	560
Corporation tax	87	105	124	127	130	133	136	140
Profit / (Loss) after tax	262	316	372	381	390	400	410	420

(b) Cash flow statements – Appendix 2

Projected cash flows show that the proposed project may initially be provided by the sponsors of the project or a bank overdraft to meet its total cash requirements for the first year of its operations. Thereafter, the project is expected to generate adequate cash-flow to sustain its operations. The project's closing cash balance is expected to be as per table below.

USD: '000':

Year	2009	2010	2011	2012	2013	2014	2015	2016
Total cash inflows	2,413	532	607	619	631	644	657	670
Total cash outflows	2,040	153	174	135	138	142	145	148
Closing cash balance	373	752	1,185	1,669	2,162	2,664	3,176	3,697

10. PROJECTED FINANCIAL RESULTS:

10.1 Assumptions underlying the financial projections:

Financial projections have been prepared based on eight-year period of the operations of the proposed new wheat milling plant.

The results of these projections appear in appendices 1 to 4, which are hereon attached. These are based on operating assumptions contained in annexes 1 to 3 which are also hereon attached.

The basic assumptions underlying the three sets of financial projections are as stated here below.

(a) TIC tax incentives:

It is the intention of Kengrow Tanzania Limited to apply for a certificate of approved enterprise for the new wheat mill. Accordingly the projections have been prepared on the assumption that the project will get a Tanzania Investment Centre (TIC) certificate of approved enterprise as the investment in the proposed project is in one of the sectors whose investments are accorded certificates of approved enterprise by the Tanzania Investment Centre. This certificate will entitle the project to claim tax benefits. Thus taxes – customs duty and value added tax (VAT) - on imported and local items required for the importation of the wheat mill have not been included in the computations.

Furthermore, due to the TIC certificate of approved enterprise which is expected to be obtained once applied for corporation the corporation tax rate has been projected at 25% which is a little lower than the standard rate of 30% for those businesses not holding TIC certificates of approved enterprise.

(b) Inflation index:

In addition to the above, an inflation index based on an annual inflation rate of 2% has been taken into account to reflect the impact of inflation on both income and operating costs for the projected period of this proposed enterprise. Though the annual inflation rate that the Tanzania government is desirous of maintaining is 5%, an annual inflation rate of 2% has been assumed due to the fact that both revenues and operating cost do not go up by the inflation rate prevailing at any particular time. Furthermore, the cost of raw materials – the largest component of operating costs – is import driven. Inflation in the countries where wheat will be imported from is currently around 2%.

(c) Kengrow Industries Limited Existing operations:

As earlier stated Kengrow Tanzania Limited is a sister Company to Kengrow Industries Limited that is based in Kampala, Uganda. The

9. PROPOSED FINANCING PLAN:

The capital investment costs for the new wheat milling plant are estimated at US Dollars 1,953,001 excluding the initial working capital required to commence milling operations. The finances are planned to be financed by way of equity contribution as detailed in the table below.

Type of funding	Amounts: USD:		
	Local	Foreign	Total
Equity	332,608	1,620,393	1,953,001
Bank overdraft			
Total	332,608	1,620,393	1,953,001

Kengrow Tanzania Limited's Limited has confirmed its ability to raise the equity of USD 1,953,001. The financial statement (Audited financial statement by Delotte herein attached) for their Uganda operations shows that they have the capacity to meet the initial investment costs.

The company may look also for a bank overdraft of USD xxxxxx/= if it is deem necessary..

8.3 Initial working capital cost estimates:

Initial working capital cost is estimated at USD 310,385. Details of this working capital are shown in annex 3 (c) which is also attached to this project write-up.

8.4 Total – investment and working capital – cost estimates:

The total cost estimates for carrying out the proposed established of a new of the wheat mill is thus summarised as shown below.

USD

	Local	Foreign	Total
Land and buildings		1,115,000	1,115,000
Plant and equipment	17,374	505,393	522,766
Preoperational expenses	4,850		4,850
Sub Total	22,224	1,620,393	1,642,616
Initial working capital	332,385		310,385
Grand Total	332,608	1,620,393	1,953,001

Except for initial working capital, all the other cost estimates include an element of contingencies varying from 5% to 10%.

8. COST ESTIMATES FOR THE NEW INVESTMENT:**8.1 Capital investment cost estimates:**

The capital investment costs for investing in the new wheat plant are estimated at United States dollars (USD) **1.642** million. The breakdown of this cost estimates is given below.

USD

Particulars	Local	Foreign	Total
Land and buildings		1,115,000	1,115,000
Plant and equipment	17,374	505,393	522,766
Preoperational expenses	4,850		4,850
Total	22,224	1,620,393	1,642,616

Detailed cost estimates of the new wheat plant investment programme are shown in annexes 1(a) to 1 (b) which is hereon attached.

8.2 Basis of capital investment cost estimates:

Basis of the capital investment cost estimates is discussed below.

(a) Land and buildings

Land and building cost estimates relates to civil works that will be carried out on the factory building so as to make it ready for installation of the new wheat milling equipment. These cost estimates have been prepared by an industrial engineer who will supervise the installation of the new wheat milling equipment.

(b) Plant and equipment

Plant and equipment cost estimates are based on a quotation from Buhler (Pty) Limited of South Africa, the suppliers and engineers representing Buhler, the world wide suppliers of milling machinery and equipments. Buhler is major supplier of wheat milling plants in the world and have supplied many existing plants in Tanzania.

Other costs - e.g. transport costs from Dar es Salaam, insurance on equipment and installation - are also based on current prevailing rates in Tanzania of the particular cost items as well on estimates made by the industrial engineer

(c) Preoperational expenses:

These expenses are based on a registration of the Company, engagement of lawyers, TIC application as well for carrying out the feasibility study in Tanzania on wheat industry

8.3 Initial working capital cost estimates:

7.4 Competition:

As seen in section 7.2 above, the market has many suppliers. So Kengrow Tanzania Limited will have some stiff competition to contend with. It should, however, be noted that the major wheat mills are concentrated in Dar es Salaam. Furthermore, given that Arusha is now a fast growing regional centre within the Great Lakes Region, wheat flour producers located in Arusha have milder competition amongst themselves than those millers located in Dar es Salaam.

So subject to appropriate implementation of its marketing strategy described in the preceding section Kengrow Tanzania Limited is of the view that this market strategy will enable it to surmount/neutralise this competition quite considerably. In this way it will be able to increase its share of the market.

7.5 Demand for wheat by-products:

Although there are no published data to go by, Kengrow Tanzania Limited's extensive experience in wheat milling and marketing shows that there is a big market for wheat pollard and bran, both of which may be consumed locally by manufacturers of animal feeds. Alternatively wheat bran may be exported.

It is therefore expected that Kengrow Tanzania Limited will sell all their wheat by products with much ease.

The above prices are the ones that have been used in the financial projections of the proposed new wheat project Kengrow Tanzania Limited.

Furthermore, opportunities will be explored to see how bulk consumers may benefit from quantity discounts so as to capture them and free the company from tying too many resources in finished goods.

(c) Dynamic and creative promotion:

Dynamism and creative promoting of a product is these days key and crucial in the success any business activity. Accordingly, Kengrow Tanzania Limited is planning to promote its products by use of specialised marketing companies. The specialised marketing companies will be responsible for designing the type of packages as well as the type of advertising and its frequency to be used. The company is currently exploring which of these companies will be suitable for this activity. At the same time, plans are on hand to enter into agreement with electronic and print media to advertise its products.

Yet other promotional methods Kengrow Tanzania Limited. intends to use include:

- (i) Personal selling of its products to various small consumers at trading centres within Arusha region and its neighbouring ones.
- (ii) Mailing leaflets to institutional consumers such as hotel establishments based on a mailing list which will be compiled as installation of the project is about to draw to an end.

(d) Segmentation of the market:

So as to enhance the utility of its resources, Kengrow Tanzania Limited. will carry out a segmentation of its market. This will greatly help the company in allocating its resources so that maximum market penetration is attained. For example institutional consumers will be serviced differently from individual bulk consumers and so on. At the same time market segmentation will assist the company to know the behaviour of its markets and so enable it to appropriately respond in line with their requirements.

(e) Efficient distribution:

Though Kengrow Tanzania Limited does not have a fleet of vehicles for the distribution of its products, arrangements are on hand to enter into agreements with separate distributors to undertake this job. In this way the company will be able to properly reach distant markets like those in Manyara and Singida regions as well as other farther off regions at minimal costs and much more easily.

Although the installed capacity of industrial wheat milling in the country is in excess of the national demand for wheat, actual capacity utilisation appears to be below the demand. To wit, according to latest published data from the Annual Economic Survey for the year 2006, industrial production of wheat flour for the last six years has been as shown in the table below.

Year	Metric tons:					
	2001	2002	2003	2004	2005	2006
Wheat flour	180,098	219,118	355,616	338,076	368,019	412,973

It is apparent from the above that some of the wheat mills listed in above are either closed or operating far below their installed/rated capacities. For example the NMC mill in Arusha has been inoperative since 1998 to date.

7.3 Marketing strategy:

To market its products Kengrow Tanzania Limited will use a marketing strategy that includes five major elements, namely, quality product; flexible pricing policy; dynamic and creative promotion; segmentation of market and efficient distribution system. These elements are elaborated hereunder.

(a) Maintenance of a high quality product:

So as to ensure that high quality wheat flour is produced all the time, management will ensure that good quality of wheat grain procured at all times as well. As stated in chapter 6, most of the wheat grain used to produce the wheat flour will be imported. At the same time, so as to maintain the production of high quality wheat flour, well trained staff will be employed and supervision will be stringent in all stages of the milling process.

(b) Flexible pricing policy:

Although standard packaging of the main product – i.e. wheat flour – will be units of 50 kg, 25 k and 10 kg, smaller packets will be rolled out to the market so as to enable the consumers who cannot afford the bigger packages to access the product. Accordingly, small packages will be priced in such a way that they are more affordable to this lower end of the market.

Selling prices of wheat flour, pollard and bran currently prevailing in Arusha are as indicated in the table below.

Product/Bag	50 kg	25kg	10 kg
	TShs	TShs	TShs
Wheat flour	39,000	19,500	8,000
Pollard	8,750	-	-
Wheat bran	6,000	-	-

7.2 Wheat Flour Supply:

Up to the late 1980s, the NMC had a monopoly in the supply of wheat flour in the country. There were then only two wheat mills in the country with a combined capacity of 450 metric tons per 24 hours. Both of these belonged to NMC and their capacity utilization was low (reportedly at 50%). One of these mills was in Dar es Salaam and the other in Arusha. While the one in Dar was sold to Said Salum Bakhressa Company Limited, the one in Arusha has remained the property of the NMC. However, from the early 1990s, it was being operated either by the NMC itself or other private businessmen under lease.

Following the reintroduction of trade liberalization policies by the Tanzanian government in the country from the mid nineteen eighties, permits were issued to private entrepreneurs to lease, and so use, NMC wheat milling capacity at a fee. At the same time, private entrepreneurs were also allowed to establish privately owned wheat mills. As of to day, Tanzania has a vibrant wheat milling sub-sector comprising not less than 8 different private entrepreneurs, some of whom are now owning more than one wheat mill.

The country's current total industrial wheat milling capacity of the big mills is around 1,020,000 tons as listed below.

OWNER	MILL	LOCATION	CAPACITY (mt/24h)
Said Salum Bakhressa & Co. Ltd	MZIZIMA	Dar es Salaam	500
	KIPAWA	Dar es Salaam	250
	BUGURUNI (Formerly NMC's)	Dar es Salaam	1,000
Sub total - SSB			1,750
Mikoani	Azania 1	Dar es Salaam	200
	Azania 2	Dar es Salaam	350
Sub total - Mikoani			550
Coast Millers Limited	Mabibo (Nelson Mandela Expressway	Dar es Salaam	200
Mohamed Enterprises Ltd	Kurasini	Dar es Salaam	300
Jumbo Millers Ltd	Njiro	Arusha	120
National Milling Corporation	Unga Limited	Arusha	180
Sunkist Millers Ltd	Unga Ltd	Arusha	50
Pembe Millers Limited	Gofu	Tanga	250
TOTAL			3,400

(b) National demand for wheat:

According to food and nutrition data, a normal person whose main source of calories is from wheat flour based products needs the equivalent of a 350 gram loaf of bread per day. To produce a 350 gram loaf of bread 280 grams of wheat flour are needed. At a 76% extraction yield of wheat flour, 368 grams of wheat grain are required to get that quantity of wheat flour to make one 350 gram loaf of bread. Based on the current number of people who consume wheat as their main source of calories as indicated in section 7.1 (a) above, the national daily wheat grain requirement is 2,020 metric tons. Consequently, inclusive of the demand for manufacturers of biscuits and pasta products, Tanzania's annual demand for wheat grain currently ranges between 730,000 and 750,000 metric tons.

(c) Projected demand for wheat:

As one source of the country's staple foodstuffs, the demand for wheat is set to grow annually as the population grows. According to the TRA wheat importation data, the country has been consuming imported wheat products – mostly wheat grain for milling into flour - of the magnitude shown in the table below.

Metric tons:

Year	2003	2004	2005	2006	2007
Wheat products imported	494,830	612,834	485,415	645,653	815,516

Though the above import data are varying from year to year, it is apparent from the above data that the annual growth in imports of wheat products is averaging 16.20%. It should be noted that imports are also subject to availability of foreign currency to import the particular item.

On the other hand, assuming the annual growth in demand for wheat is pegged at the same annual growth rate as that of Tanzania's urban population – i.e. 4.5% according to the year 2002 population and housing census – then the national demand for wheat over the next ten years will be as indicated in the table below.

Year	MTons: '000'									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Wheat demand	750	784	819	856	894	935	977	1,021	1,067	1,115

The data in the above table shows a lower annual growth rate in demand for wheat products by Tanzanians. For conservative purposes, this may therefore be taken as the realistic one.

7. MARKETING:

Tanzania's population has several types of staple foodstuffs. Maize is the major cereal staple food for the majority of Tanzanians. This is followed by rice, sorghum/millet and wheat respectively. Non-cereal staple foodstuffs include bananas and Irish potatoes. While cassava leads the other non-cereal staple foods in its importance and quantity of production, it is followed by bananas and sweet potatoes.

Tanzanians' preference - particularly that of urban dwellers - for eating food made out of wheat flour has been there for decades. This phenomenon notwithstanding, here below is an analysis of the market for wheat flour products in Tanzania. The marketing strategy that will be adopted by Kengrow Tanzania Limited is also discussed in this chapter.

7.1 Demand for wheat flour:

(a) Main consumers:

As stated in the above preceding section, wheat flour is mainly consumed in urban centres of Tanzania. It is eaten in the form of bread, doughnuts, buns, chapattis and different types of confectionaries such as cakes etc. It is also an industrial raw material for the manufacture of biscuits and various pasta products.

According to the year 2002 population and housing census Tanzania's urban residents totalled nearly 8.00 million out of a total population of 34.60 million. Other non-urban consumers of wheat products include institutions such as boarding schools, training centres for occupations such as the police, prisons and military. Yet there are still other consumers of wheat products such as mining communities (both formal and informal) and small trading centres not as yet officially recognized as urban places. These other non-urban consumers of wheat flour products are estimated to amount to around 2.00 million.

Assuming 50 % of the urban dwellers consume wheat flour based products as their main source of calories, the number of urban dwellers that requires wheat flour based products is 4.00 million. Assuming also that 25% of the non-urban dwellers consume wheat based products as their main source of calories, the number of non-urban dwellers that requires wheat flour based products is 0.50 million.

With the Tanzanian urban dwellers population growing at around 4.5% annually and that of non-urban consumers of wheat flour based products growing at 0.25% annually, the total number of consumers of wheat flour based products is currently estimated at around 5.50 million people.

Kengrow Tanzania Limited shall be are using the services of a qualified industrial engineer to coordinate the purchase of the new machinery for the wheat mill. It is this same engineer who will also coordinate the recruitment of skilled and unskilled labour to run the operations of the mill on completion of its rehabilitation.

6.3 Utilities:

The Kengrow Tanzania Limited's industrial site in Arusha is located in Themu industrial area. This is an industrial area that is well served with both electricity and water – essential utilities that are needed during the operation of the wheat mill. Barring occasional outages – interruptions – the continuous supply of both electricity and water within the Themu Limited industrial area is reasonably reliable.

6.4 Packing Materials:

Wheat flour and its by-products from the rehabilitated wheat mill will be packed in polypropylene (pp) bags in sizes of 50 kg, 25 kg, 10 kg. In line with the marketing strategy, smaller size packages will be rolled out later depending on the way such market develops. These are expected to be packages of 5 kg, 2 kg and 1kg. The smaller size packages will be in paper bag packets wrapped in six packet balers.

There are many pp bags and paper bags manufacturers in Tanzania. So the supply of packing materials is expected to be smooth throughout the operations of the rehabilitated wheat mill.

6. MATERIALS AND INPUTS:

Raw materials and other inputs required in wheat milling operations include wheat grain, labour, utilities – water and electricity. So as to put its products into the market, packaging materials will also be needed. The availability of these materials and inputs is discussed below.

6.1 Wheat grain:

Tanzania's wheat production is insignificant when compared to the national demand of 750,000 metric tons per year. According to latest published data, - the Annual Economic Survey for the year 2006, Tanzania's local production of wheat was a meagre 109,531 tons only. Like the case is for most of the existing wheat mills in Tanzania at present, almost all the wheat that shall be required to run the new wheat mill at Arusha based at Themti industrial area will have to be imported.

Hereunder is brief status of the availability of wheat grain and its selling price in the world market.

(a) Wheat availability in world market:

The supply of wheat in the world market is plenty at all times. Sources of wheat in the world market include the countries of North America – Canada and the US; Australia and various European countries – inclusive of Russia. Most exporters sell wheat in minimum quantities of metric tons 10,000.

Thus subject to funding, Kengrow Tanzania Limited should be able to obtain all the wheat grain it requires to run its mill.

(b) International market wheat prices:

For the type of wheat grain – hard wheat grain with protein content of in excess of 11% - that the project will use the current international market f.o.b. prices range from US dollars 170.00 to 250.00 per metric ton depending on source.

As imported wheat will be brought to Arusha via Tanga port in vessels and be transported to mill silos by company/hired trucks, after customs clearing formalities have been completed, the price of imported wheat grain landed Arusha Kengrows' Milling Complex has been taken at US dollars 460.00 per ton.

6.2 Labour:

Industrial wheat milling requires both skilled and unskilled labour. Both skilled and unskilled labour for this purpose is available in Arusha. Thus it will not be necessary for this project to incur undue high costs to acquire these two types of labour.

5. IMPLEMENTATION PROGRAMME:

Implementation of the proposed new wheat mill plant at Arusha is expected to take 6 months from the time of finance mobilisation to the end of its commissioning stage.

The duration of each implementation activity is as indicated in the chart below.

ACTIVITY / PERIOD	No of months	DURATION OF IMPLEMENTATION - NO. OF MONTHS															
		10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	
Registration of the company	1	█															
Application to TIC	1		█														
Funds mobilization	2	█	█														
Ordering of machinery by way of down payment & LC establishment	2		█	█													
Ordering & Receiving shipment to Arusha via Dar	2			█	█												
Preparation of factory building for installation	2		█	█													
Clearing of plant and machinery from customs	2					█	█										
Transport of machinery to Arusha	1							█									
Recruitment of personnel	3							█	█	█							
Installation of machinery	3							█	█	█							
Training of key personnel	4								█	█	█	█					
Dry test runs and commissioning	1											█					

The above implementation timetable is in line with the period for manufacturing and delivery of the machinery that the supplier has indicated in their quotation.

It is expected that fund full production will start anytime in June/July 2009.

(e) Packing:

These outcomes (wheat flour and by-products – pollard and bran) of the milling process are stored in silos before they are packed for delivery to customers. The standard packaging that will be in use will initially be packages of 50 kg; 25 kg and 10 kg. Later as the market develops, units of 5 kg; 2 kg and 1 kg will also be rolled out. In this write-up's financial projections, packages used are those of 50 kg; 25 kg and 10 kg for wheat flour as well as 50 kg for both pollard and wheat bran.

(f) Delivery to customers:

After packing, finished products will be delivered to customers by either Kengrow Tanzania Limited's or customers' trucks.

financial projections of this project it has been assumed that there will be a loss of 2% during the cleaning stage.

(c) Conditioning:

From the screening/cleaning section the clean wheat is taken to the conditioning section to make it attain desired milling quality parameters. In this section water is added to facilitate conditioning. The additional water comprises nearly 2% of the clean wheat.

(d) Milling:

On attainment of proper milling conditions, the wheat grain is sent to milling rollers and sifting machines which work in succession until flour and by products come out at the end of the line.

The extraction ratios in the milling process depend on type of wheat grain in use. But generally these ratios are within the ranges shown in the table below.

Product	Extraction ratios	
	From	To
Wheat flour	75%	77%
Pollard	6%	10%
Wheat bran	13%	18%

Due to the addition of water during the conditioning stage, there is usually hardly any loss during the milling process. Thus for purposes of financial projections of this project, it has been assumed that there will be no loss during the milling stage. Also the extraction ratios used in the financial projections are as indicated below.

Product	Extraction ratio
Wheat flour	76%
Pollard	10%
Wheat bran	14%

Furthermore, the milling capacity utilisation assumed in the financial projections will be as shown in the production plan below.

Particulars	Year 1	Year 2	Year 3 onwards
Working days per year	300	300	300
Capacity utilisation	75%	85%	95%

- Endosperm

About 83 percent of the Kernel weight and this is the source of white flour. The endosperm contains the greatest share of protein, carbohydrates and iron as well major - B-vitamin such as riboflavin, niacin and thiamine. It is also a source of soluble fibre. The other constituents of the grain are wheat bran and wheat germ which is known as wheat pollard.

The process starts when the wheat is blended at the feeding point and the elevator takes it to the Reel machine for removing the soil and wheat husks after that it will again pass through the elevator to take it to the separator to suck and separate the impurities, broken wheat and husks and remove the light or husks by air. Then it passes through the elevator and goes to the separator doing the cleaning further. After that the wheat will go in the intensive damper for addition of moisture then it passes through the elevator to the silos for tempering for 21-24 hours. After that the wheat will pass through the conveyor to the elevator and passes to another separator for separating foreign materials metals etc which is having magnet. Again the wheat passes to another elevator to the scourer machine to remove the little bran adhering the wheat, then the wheat passes to the De-stoner for removing the stones, sand and metals from here the wheat goes to the wheat box for milling.

From the wheat box the wheat goes to the first break roll for crushing from here the crushed wheat goes to the plansifter (1st break) for sifting from the plansifter the flour goes to purifier where it separates into Semolina (sooji) and rawa, some materials can go to IR Roll and others can go to CR1 (grader). The same parator shall continue for the six Roll mills and the plansifter sifts the fine baking flour, bran, pollard and sooji(semolina). The whole baking flour comes through conveyor and arises in another conveyor where a lumping doping units adds flour improver, then it goes for packing in bags or paper bags.

The stages wheat passes through from a raw to finished products involves the following: .

(a) Storage:

When the wheat arrives by truck at the factory site it will be taken to the mill silos by tipping trucks. The Kengrow Tanzania Limited' Milling Complex shall have storage capacity of 10,000 tons.

(b) Screening/cleaning:

After silo storage, wheat is taken to mill bins, from which it is sent to the screening/cleaning. It is in this section that impurities are removed from the grain.

With imported wheat there is very little loss at the cleaning stage. If local wheat is used the loss sustained at the cleaning state is around 2%. Although the proposed project will use imported wheat, for purposes of

(c) Finished products packing section:

New packing equipment shall be used for hygienic packaging system to ensure the quality and safety of the product.

(d) Auxiliary equipment:

Additional new equipment for compressed air and maintenance equipment will also be availed to ensure minimum down time in-case of breakdowns.

(e) Plant automation:

Various types of machinery will also be supplied for the electrical control system of the mill.

(f) Screening/Cleaning machinery spare parts:

The following machinery shall be used for screening and cleaning wheat in production process.

- Reel Machine/Drum Sleeve – To take out the impurities which are bigger in size and separate the dust from the wheat.
- Separator with Aspiration Channels – To suck and separate the impurities from the wheat such as straw, chaffs, sand and stones.
- Cockle Cylinder – To separate the black seeds broken wheat, Kernels and cockles from the wheat

(g) Laboratory equipment:

Eight types of new laboratory equipment will also be supplied.

(h) Installation, training and commissioning:

Mill installation also includes elements of installation, training of employees and commission of the wheat mill.

4.3 Wheat milling processes:

The production of wheat flour industrially –i.e. by use of industrial wheat milling equipment - involves various processes/stages as briefly described below starting with wheat grain.

- The Kernel of Wheat

Sometimes called the wheat berry. The Kernel is the seed from which the wheat plant from. Each tiny seed contain three distinct parts that are separated during the milling process to produce flour.

4. PROJECT DESCRIPTION:

This Flour Mill consists of both Cleaning Section and Milling Section with four wooden silos of 20 Tons each capacity. Additional storage facility for wheat grain for 3,000 Metric Tons will also be constructed. The mill is designed for low energy requirements, minimum man power requirements, low maintenance cost and high flour yield with focus on increasing plant efficiency through automation which will produce consistent quality products while achieving high flour extraction rates.

The mill has 6 roll bodies with 4 rolls gear set pulley and brush for grinding the wheat grain into flour, semolina (sooji), atta and bran with 2 plansifters for sifting flour and for sorting various granular materials. There is high efficiency dust collector, cyclone, complete with 10 air locks and pneumatic set with cyclone.

There is an intensive Dampening unit which adds water to the wheat. A scourer with Aspiration Channel provided to scour the wheat and take out the little quantity of bran adhering to the wheat.

4.1 Background:

Following the reintroduction of trade liberalisation in Tanzania in the mid 1980s, in efforts to strengthen the country's economy, the Tanzania government simultaneously embarked on various initiatives aimed at making the private sector become the main driver of the economy.

Thus from the early 1990s the government has continued to pursue policies that have liberalized the Tanzanian markets, disciplined inflation and encourages businessmen into new global relationship.

It is against this background Kengrow Industries Limited's shareholders decided to invest in Tanzania .

4.2 New wheat mill machinery:

The new wheat mill machinery to be supplied and installed will have a milling capacity of 50 tons per 24 hrs operation for 2 shifts. The new equipment will be for various sections of the mill as indicated below.

(a) Flour mill section:

There are about 22 assortment of machinery and equipment from the elevators at receiving the wheat grain through the aspiration system to final reverse bag filters.

(b) Aspiration section:

Aspiration System - To aspirate the machine and materials and take out the impurities which are lighter in weight.

Table 1: Profit and (loss) statements for years ended 31st May 2008....

Particulars/Year	USHS: '000'	
	2008	2007
Turnover	17,676,115	15,930,403
Profit before tax	267,399	560,861
Pre-tax profit as a % of sales	1.51%	3.52%

Table 2: Balance sheets as at 31st May 2008

Particulars/Year	USHS: '000'	
	2008	2007
Non-Current assets	4,286,160	4,550,507
Current assets	4,024,933	2,373,680
Total Assets	8,311,093	6,924,187
Net current assets		
Equity & Liabilities		
Owners' Capital	2,525,000	2,525,000
Revaluation Reserve	1,832,753	1,892,109
Revenue reserves	(640,837)	(778,449)
Non-current liability	9,59,674	913,487
Current Liabilities	3,634,503	2,372,040
Total equity & liabilities	8,311,093	6,924,187

Kengrow Industries Limited's audited accounts as summarised in the above tables indicate that the company has, indeed, been operating profitably.

(c) Vision:

Kengrow Industries Limited's vision is to be "a leading fully integrated agro processing company that produces high quality products in Tanzania".

(d) Mission:

In line with its vision, Kengrow Industries Limited's mission is to satisfy its customers' needs by carrying out its farming through contract farmers and agro processing activities in an efficient and sustainable way."

3.5 Management Team:

The management team of Kengrow Tanzania Limited is made up of two key people whose brief profiles are as stated hereunder.

(a) Mr. Rehmetullah Amirally Hasham Jamal:

Mr. Rehmetullah Amirally Hasham Jamal aged 53 years is an investor and a businessman with many business interests in Kenya and Uganda. As stated above, Mr. Rehmetullah Amirally Hasham Jamal is the Chairman and Managing Director of the Company. He has more than 30 years of experience in managing investment and businesses, trading, marketing and transportation of commodities as well as in the operation of large scale manufacturing enterprises

Mr. Rehmetullah Amirally Hasham Jamal, brings into the Company his extensive knowledge and experience gained over the years to assist to propel the new Company into realising its goals and objectives

He and his other director have both acquired many years experience in the milling industry (while operating their wheat mill in Uganda) to understand and respond to the needs of their clients with quality products and excellent services.

(b) Mr. Feisal Amirally Jamal

Mr. Feisal Amirally Jamal aged 49 years is an executive director of Kengrow Tanzania Limited who shall be working in the capacity of Operations Manager. He has wide experience in management and marketing matters following work in his private investment Companies where has been involved with the last twenty years.

3.6 Business activities.

(a) Business activities:

Kengrow Tanzania Limited (KTL) is a food-industrial company that shall be engaged in milling and marketing of wheat flour and wheat by-products. It will mainly be dealing in procurement of wheat grain and milling of wheat for the local market; and export markets..

(b) Past performance:

Previous performance of Kengrow Industries Limited an associated Company in Kengrow family based in Uganda shows the financial performance has been sound as the company has been able not only to operate profitably but also to grow both its turnover and its profit as indicated in the tables here below.

3. THE COMPANY:

Kengrow Tanzania Limited is part of Kengrow Industries Limited that owns and operates milling facility in Uganda. The investors are based in Kenya and have similar businesses interest in Kenya. The investor's intent is on investing on a new wheat milling facility in Arusha, Tanzania.

3.1 Incorporation:

Kengrow Tanzania Limited (KTL) was incorporated on 17th October 2008 under the Companies Ordinance - Cap 212 of the Laws of Tanganyika as a private limited liability company. The company's certificate of incorporation is no. 67981.

Its authorised shared capital at the date of registration stands at TShs: 1.00 billion divided into 10,000 shares of TShs: 100,000/= each.

3.2 Ownership:

Kengrow Tanzania Limited (KTL) is a family business owned by three shareholders in the proportions shown hereunder.

S/n	Name of shareholder	%age shareholding
1	Mr. Rehmetullah Amirally Jamal	25
2	Mr. Feisal Amirally Hasham Jamal	25
3	Mrs. Goolshen Amirally Jamal	50
	Total	<u>100</u>

3.3 Location:

The company is located at Plot no. 51 Themu Industrial Area within Arusha Municipality. The plot is well developed and well served and linked with good transport, utilities (electricity and water) as well as communication networks.

3.4 Board of Directors:

The present board of directors of Kengrow Tanzania Limited (KTL) Limited comprises two directors namely, Mr. Rehmetullah Amirally Jamal and Mr. Feisal Amirally Hasham Jamal. These are the company's three shareholders, with Mr. Rehmetullah Amirally Jamal as the Chairman and Managing Director of the company.

The Board of Directors is responsible for all major policy decisions of the company. These include formulation of operating strategies of the company.

2. THE INDUSTRIAL AND TRADE SECTORS IN THE DOMESTIC ECONOMY:

2.1 Introduction:

Latest published data from the Annual Economic Survey for the year 2006 – a publication of the President’s Office – Ministry of Planning and Economic Empowerment – show that for the year 2006 the industrial sector grew at an annual rate of 8.6% compared to 9.0% in year 2005. The cause in the growth rate was the high cost of electricity and water following the drought of the early part year 2006.

On the other hand the contribution of this sector to the gross domestic product during year 2006 was 9.2% compared to 9% for the year 2005. The reason for this higher contribution is the increase recorded in the production of various industrial products such as building materials like cement, roofing sheets and steel round bars, as well as an increase in the production of beverages like beer.

During the same period – year 2006, the trading and hotels sector – both retail and wholesale – grew at an annual rate of 8.4% against 8.2% in year 2005. The contribution of this sector to the country’s gross domestic product was also higher – at 17.5% - than that of the year 2005 of 17.2%. The increase in the number of hotels – which are also grouped under the trading sector was the single biggest cause for the better performance of the trade and hotels sector in year 2006 compared to the year 2005.

2.2 The new wheat milling facility at Arusha :

The proposed project to establish wheat mill at Arusha once carried out will also contribute to the growth of both the industrial and trade sectors of Tanzania’s economy. This is due to the fact that it will increase the capacity and competition which is good news for consumers. Given that the project may process locally produced agricultural goods – wheat grain, it will also act as source of an additional market for farmers growing wheat in Tanzania. So it will be a stimulant to the increase in wheat grain growing in Arusha and Manyara regions where much of the wheat is grown.

Based on the foregoing, the proposed establishment of a wheat mill in Arusha should therefore be supported as it has positive implications to the country’s economy.

1.9 Discounted Cash Flow (IRR) and sensitivity analysis:

On basis of assumptions mentioned herein above, the proposed project's operations indicate that this investment is expected to have an after tax internal rate of return of 21.00 %, a figure considered acceptable.

The sensitivity analysis carried out has shown that the profitability of the project is expected to be most sensitive to changes in selling prices followed by changes in operating costs. Changes in yield rates come third. The operations are expected to be least sensitive to changes in capacity utilisation.

1.10 Economic impact:

The economic impact of the proposed new milling operations to the country is in two areas, namely, (a) creation of direct employment opportunities of around 53 and indirect ones as well as several multiplier effects in the national economy;(b) generation of revenue to the government by way of corporation tax estimated to range between USD 87,468- in its first year of operations to US Dollars 140,125 in the eighth year.

1.11 Environmental impact:

The project is considered and expected to be environmentally friendly.

1.12 Risk factors:

Major risk factors that the operations of the wheat mill will face are of three types, namely, (a) economic; (b) political, social and religious upheavals; and (c) industry risks.

However, the possibility of any the above risks occurring at the moment in Tanzania are remote. This is so as the country's economic is at a growing stage. Secondly, the country's leadership, the clergy and laity are all exhorting Tanzanians to work and live in harmony with one another. Finally, as a producer of foodstuffs, demand for wheat will continue to grow as the country's population grows.

1.13 Conclusion and Recommendations:

The proposed establishment of a new wheat mill at the Arusha is expected to be a profitable undertaking. The project, if implemented, is expected to have an internal rate of return of **21.00 %** that is shows a good return on investment.

The promoters of the project have also confirmed their ability to raise the equity funds to execute the proposed development.

The economic impact for implementing and operating the project is also positive. The operations of the wheat mill are friendly to the environment.

In view of the above, it is recommended that the proposed wheat milling facility be established at the Arusha at the earliest possible opportunity.

that the country's actual industrial production of wheat flour for the last six years – from to 2006 - has grown from metric tons 180,098 in year 2001 to 406,160 tons in year 2007.

The big gap between demand and supply of wheat notwithstanding, Kengrow Tanzania Limited will market its products using a marketing strategy that includes five major elements, namely, (a) quality product; (b) flexible pricing policy; (c) dynamic and creative promotion; (d) segmentation of market and (e) efficient distribution system.

Although the market has many suppliers, it should be noted that the major wheat mills are concentrated in Dar es Salaam. Furthermore, given that Arusha is now a fast growing regional centre within the Great Lakes Region, wheat flour producers located in Arusha have milder competition amongst themselves than those millers located in Dar es Salaam.

So subject to appropriate implementation of its marketing strategy Kengrow Tanzania Limited is of the view that it will surmount/neutralise this competition quite considerably.

As for wheat by-products, although there are no published data to go by, Kengrow Tanzania Limited's long wheat milling experience acquired while operating a similar operation in Uganda over the last ten years, shows that there is always a big market for wheat pollard and bran, both of which may be consumed locally by manufacturers of animal feeds. Alternatively wheat bran may be exported. It is therefore expected that Kengrow Tanzania Limited will sell all their wheat by-products with much ease.

1.7 Investment cost estimates and Financing plan:

The capital investment costs for establishing a new wheat milling complex in Arusha are estimated at United States dollars (USD) 1.642 million. Initial working capital cost required to start operating the wheat mill is estimated at USD 314,941. Thus the total cost of the proposed mill programme is estimated to be USD 1,957,557.

The above estimated costs are planned to be financed initially by equity funds from Kengrow Tanzania Limited of USD 1,957,557. A bank overdraft of USD 314,941/= from the financial institution may be sought if it will be deemed necessary.

1.8 Projected financial results:

Projected profit and (loss) accounts of the proposed new wheat milling facility at Arusha show that operations of the project are expected to be profitable.

The project is expected to make profit right from the first year as it expected to generate adequate cash to meet all its operational costs.

Projected balance sheets of the proposed project show that the project is expected to have a strong financial result.

plansifters for sifting flour and for sorting various granular materials. There is high efficiency dust collector, cyclone, complete with 10 air locks and pneumatic set with cyclone.

There is an intensive Dampening unit which adds water to the wheat. A scourer with Aspiration Channel provided to scour the wheat and take out the little quantity of bran adhering to the wheat.

Planned production of the rehabilitated wheat mill is as shown in the table below.

Particulars	Year 1	Year 2	Year 3 onwards
Working days per year	300	300	300
Capacity utilisation	75%	85%	95%

The extraction ratios used in the financial projections are 76% for wheat flour; 10% for pollard and 14% for wheat bran.

The new mill shall enhance wheat productivity in Arusha and Manyara Region.

1.4 Implementation programme:

Implementation of the proposed installation of the new milling facility in Arusha is expected to take 6 months from the time of shipping of the machinery to the end of its commissioning stage.

1.5 Materials and inputs:

Raw materials and other inputs required in wheat milling operations include wheat grain, labour, utilities – water and electricity. So as to put its products into the market, packaging materials will also be needed.

Kengrow Tanzania Limited will all local produced wheat grain, but due to inadequacy of local production of wheat grain, the Company will import some the wheat grain to supplement the required quantity to run the wheat mill at Arusha. All other inputs will be obtained locally.

1.6 Marketing:

As one of the three cereals forming part of the staple food of Tanzanians, wheat flour is mainly consumed in urban centres of Tanzania. Tanzania's annual demand for wheat is currently estimates to range between 730,000 and 750,000 metric tons. On the assumption that this demand will grow at an annual rate of 4.5%, it is projected to reach metric tons 1.115 million by year 2017.

Against the above currently estimated demand for wheat, the country's current total industrial wheat milling capacity of the big mills is around 1,020,000 tons. Though this capacity is well in excess of the demand, latest published data from the Annual Economic Survey of year 2007 show

1. THE EXECUTIVE SUMMARY:

1.1 The Industrial and Trade sectors in the domestic economy:

The contribution of the manufacturing sub sector to the gross domestic product (GDP) for the year 2007 was 7.8%, the same as it was for year 2006. On the other hand the contribution of the hotels and restaurant sector to the country's gross domestic product was 2.7% in 2007 compared to 2.6% in the year 2006.

The proposed establishment of a New Milling Facility in Arusha complex once carried out will also contribute to the growth of both the industrial and trade sectors of Tanzania's economy. Accordingly the proposed wheat mill at Arusha should therefore be supported.

1.2 The Company:

Kengrow Tanzania Limited is a newly established Company that was incorporated on 17th October 2008 as limited liability Company with an authorised share capital of Tanzania shillings one billion (Tshs,1,000,000,000) made up of ten thousand ordinary shares (10,000 shares) each with a per value of Tanzania shillings one hundred thousand (Tshs 100,000)

1.3 Project description:

The Kengrow Tanzania Limited Directors are investing on new 50 ton wheat milling facility at the Arusha that will utilize latest technologies that is crucial for increasing the maximum output in processing the raw materials

The new plant shall include equipments for processing the raw grain in grain receiving, pre-cleaning and in cleaning stages. The application of these technologies in the above stages plays an important role in maximizing processing efficiency.

The plant will also include a complete mill plant machines and equipments will have input milling capacity of tons 50 per 24 hours; supply of various spare parts for the screening/cleaning section of the mill; and the purchase of laboratory equipment

This Flour Mill consists of both Cleaning Section and Milling Section with four wooden silos of 20 Tons each capacity. Additional storage facility for wheat grain for 3,000 Metric Tons will also be constructed. The mill is designed for low energy requirements, minimum man power requirements, low maintenance cost and high flour yield with focus on increasing plant efficiency through automation which will produce consistent quality products while achieving high flour extraction rates.

The mill has 6 roll bodies with 4 rolls gear set pulley and brush for grinding the wheat grain into flour, semolina (sooji), atta and bran with 2

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6.2	Labour	15
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7.0	Marketing	17
7.1	Demand for Wheat Flour	17
7.2	Wheat Flour Supply	19
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7.4	Competition	22

BUSINESS PLAN

FoR

**KENGROW TANZANIA
LIMITED**

NOVEMBER 2008



7. The intended capital investment of the Company in terms of Section 2(2) of the Act is Tshs./US\$ 1,953,001
8. The month and day of the financial year end is DECEMBER

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

I/We enclose a cheque/cash made payable to the **Tanzania Investment Centre** for Tshs./US\$ \$ 100 Being the Registration Fees. *In the event this application is unsuccessful we understand that this fee will not be refunded.*

I, David Tuhoye of Post Office Number 14306 Arusha do solemnly and sincerely declare that I am a ^{Agent} director/duly authorized agent of KENGROW TANZANIA 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 }
Theday of 2003 }

David Tuhoye
Applicant

Before me:

.....
Commissioner for Oaths

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 DAVID LEO TUTHOYE
(director/directors/agent of KENGROW TANZANIA LIMITED
(name of business enterprise) apply for registration of TIC

under Section 17 of the Act and Part IV of the Investment Regulations, 2002.

2. The registered office of the company will be situated at PLOT NO 51
THEMI INDUSTRIAL AREA ARUSHA

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 51 THEMI INDUSTRIAL AREA
4. The Principal Officers of the Company are PEHMETULLAH AMIRALLY
JAMAL AND FEISAL AMIRALLY HASHAM JAMAL
5. Auditors of the Company are KASEGENYA AND CO LTD
P.O. BOX 11090 ARUSHA
6. The authorized share capital of the Company is Tshs./US\$ 1,000,000,000,-

Investment Breakdown US\$/Tshs.M

Land/Building	1,115,000/-
Plant	522,766/-
Vehicles	-
Furniture & Fittings	-
Pre-expenses	4,850/-
Others	-
Working Capital	310,385
TOTAL	1,953,001

Contact Details:

Name: David Tuhoy Title: Agent
Telephone: 0787 277 414 Fax: +255 (27) 254 8058
Email: tuhoye@yahoo.com

Payments to be made payable to:

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

APPLICATION SUMMARY

Company Name: KENGRON TANZANIA LIMITED

Certificate of Incorporation Number: 67981 Status:

Certificate of Incorporation Date: 17th OCTOBER 2008

Post Box:

Town: ARUSHA

Sector: INDUSTRIAL SECTOR Sub-Sector: FOOD PROCESSING

Investment Financing Plan in Million US\$/Tshs.

Foreign Equity	Local Equity	Foreign Loan	Local Loan
	382,608	1,620,393	

Project Objectives: TO INVEST IN WHEAT PROCESSING INDUSTRY WITH A FOCUS ON INCREASING FOOD PRODUCTION IN THE COUNTRY

Capacity: 50 TONS

Employment: Foreign: 4 Local: 49 Total: 53

Implementation Period: 8 YEARS

Project Location

Site/Plot/Block No.: PLOT NO 51 THEM I INDUSTRIAL AREA

Street: THEM I AREA District: ARUSHA Region: ARUSHA (Attach sketch map showing project location)

Shareholders	Nationality	%
REHMETULLAH JAMAL	KENYAN	25%
FEISAL A.H. JAMAL	KENYAN	25%
GOOLSHEN A. JAMAL	KENYA	50%



TANZANIA INVESTMENT CENTRE

REGISTRATION FORM

FOR

CERTIFICATE OF INCENTIVES

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

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

(Please fill the form in duplicate)

FROM

The Authorised Land Officer
Arusha Municipal Council

TO

Revenue Collector
Retention Scheme
Arusha Municipal Council

RE: TITLE NO. 5286 PLOT NO. 51 BLOCK -
LOCATION THEMI INDUSTRIAL ARUSHA MUNICIPALITY

NAME: KENGROW TANZANIA LIMITED

Please receive the following payment for the purpose of Transfer/Disposition as stipulated hereunder:-

Notification of Disposition	-	Tshs	<u>2000.00</u>
Application for Approval of Disposition	-	Tshs	<u>5000.00</u>
Transfer/ Mortgage fees / Stamp Duty	-	Tshs	<u>6,450,200/=</u>
Total			<u>6,457,200/=</u>

Signature: _____

Date: 27/11/2008

041605

(S)

FROM

The Authorised Land Officer
Arusha Municipal Council

TO

Revenue Collector
Retention Scheme
Arusha Municipal Council

RE: TITLE NO. 5286 PLOT NO. 51 BLOCK —
LOCATION THEMI INDUST ARUSHA MUNICIPALITY

NAME: KENGROW TANZANIA LIMITED

Please receive the following payment for the purpose of Transfer/Disposition as stipulated hereunder:-

Notification of Disposition	-	Tshs	<u>2000.00</u>
Application for Approval of Disposition	-	Tshs	<u>5000.00</u>
Transfer/Mortgage fees / Stamp Duty	-	Tshs	<u>6,450,200/=</u>
Total			<u>6,457,200/=</u>

Signature: _____

Date: 27/11/2008





TFN. 614 (Rev. 8.94)

MHURI YA MUUNGANO WA TANZANIA
THE UNITED REPUBLIC OF TANZANIA
TAKABADHI YA SERIKALI

CHEQUER RECEIPT

MEPOKEA KWA
Received from

No - 2600
5000
33421083
6450700
1
KIASI
Amount

201-1846-01

Shs.		Chs.
6	4	50700

KENYON TANGANYIKA LTD

MILA YA SHILINGI (Kwa maneno)
The Sum of Shillings (Words)

SIX MILLION FOUR HUNDREDS FIFTY

SEVEN THOUSAND TUPUZA NA SENTA
Kwa Centi

WA MALIPO YA
Respect of

Plot 51 THEMU HINDWI. TRANSFER STAMP DUTY

WA FEDHA TASLIM/HUNDI NAMBA
Cash/Cheque No.

000284 - 28/11/08

KIPUO - Station Macindale

MIHI YA MPOKEAJI - Receiving Officer's
Signature.

[Signature]

CHEQUE Title

lete

TAARIFA Date

11/11/08

ovt. Press, Dsm.

TICC/PP.10/041605/2

17 November 2008

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

Yours sincerely,
Tanzania Investment Centre



B. D. Chonjo
For: Executive Director

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

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

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

2

TICC/PP.10/041605/2

17 November 2008

Managing Director,
Kengrow Tanzania Ltd,
P.O. Box 14306,
ARUSHA

RE: CERTIFICATE OF INCENTIVES FOR INVESTMENT IN THE ESTABLISHMENT OF WHEAT MILLING/PROCESSING FACILITIES

We wish to acknowledge receipt of your project proposal to establish wheat milling/processing facilities as presented in the TIC P.A. 1 Form No. 07512 and Feasibility Study with a projected investment of USD 1.953 m.

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

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

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

.../2

IN WITNESS WHEREOF the parties hereto have duly executed these presents on the days and in the manner hereinafter appearing.

SIGNED and DELIVERED by the said)
CUTHBERT PETER SAWE "the Vendor")
who is known to me personally/has been)
introduced to me by _____)
the latter being known to me personally in my)
presence this 1st day of November, 2008.)



Name: _____

Signature:  _____

Postal Address: _____

Qualification: _____

Edward John Mrosso
Advocate, Notary Public &
Commissioner for Oaths
P. O. Box 1232, Arusha

SEALED with the Common Seal of KENGROW)
TANZANIA LIMITED and DELIVERED in the)
presence of us this 1st day of November, 2008.)



Name: Peter Mwanuzi A. Jamir

Signature: 

Postal Address: P.O. Box 192 Arusha

Designation: Director

Name: Faisal A. Jamal

Signature: 

Postal Address: P.O. Box 192 ARUSHA

Designation: Director

14. Completion of this Agreement will take place on the happening of the following events:
 - (a) Purchaser obtaining Tanzania Investment Centre Certificate which enables the transfer of the Property.
 - (b) Approval is received from the Commissioner of Lands for the transfer of the Right of Occupancy comprised in Certificate of Title Number 5286 from the Vendor to the Purchaser.
 - (c) Registration of the Purchaser as the registered owner of the said Right of Occupancy.
15. This Agreement of Sale constitutes the entire contract between the parties with regard to the matters dealt with in this Agreement and no representation, term or warranties not contained herein shall be binding on the parties.
16. No agreement varying, adding to, deleting from or cancelling this Agreement shall be effective unless reduced to writing and signed by or on behalf of the parties.
17. This agreement has been executed in triplicate and each shall serve the purpose of the original.
18. Any notice or demand shall be sent by registered mail and shall be deemed to have been duly served when the same would in the ordinary course have reached its destination and in providing such service it shall be sufficient to prove that the letter containing the notice or demand was properly addressed and stamped and put into the Post Office. Until written notice to the contrary shall have been given to the party concerned, all notices or demands shall be sent to the addresses hereinabove appearing.
19. This agreement shall be governed by the Laws of Tanzania.

performed and no notice of any breach of any of the same have been received or is to the Vendor's knowledge likely to be received;

- (c) all information given by or on behalf of the Vendor to the Purchaser in the course of negotiations leading to this Agreement was when given and remains true, complete and accurate in all respects and the Vendor is not aware of any facts or matters which would render such information untrue, incomplete, inaccurate or misleading;
 - (d) the execution or completion of this agreement or performance of its terms will not result in any breach of any agreement to which the Vendor is a party or of any Court order;
 - (e) the Vendor, as to his best knowledge, is not aware of any encroachment by the Property onto any neighbouring property;
 - (f) the Vendor is not aware of any intended expropriation of the Property or any portion of it.
11. The Vendor hereby indemnifies the Purchaser against all costs, damages, claims, demands, expenses and liabilities relating to the property up to the handover of vacant possession of the Property to the Vendor excluding water bills, electricity charges and other outgoing charges if any.
12. Transfer of the Property shall be effected by the Purchaser. The Vendor shall deposit with **KISARIKA, MALIMI & MLOLA (ADVOCATES)**, ("the **Conveyancers**") the original Certificate of Title of the Property, Sale Agreement, Land Forms No. 29, 30, 35 and spouse consent and all documents required for transfer of the Property upon signing of the Agreement and the Conveyancers shall hand over the documents to the Purchaser upon transfer and confirmation from the Vendor that Purchase Price had been paid in full.
13. The Vendor shall hand over vacant possession of the Property to the Purchaser upon payment of the full Purchase Price. Risk and profit shall pass to the Purchaser upon handing over of the vacant possession of the Property by the Vendor.

4

[Handwritten signature] *[Handwritten initials]* *[Handwritten mark]*

AGREEMENT OF SALE

THIS AGREEMENT is made this 1st day of **November, 2008** **BETWEEN CUTHBERT PETER SAWE** of P. O. Box 6445, Dar es Salaam, Tanzania (hereinafter called "**the Vendor**") of the one part

AND

KENGROW TANZANIA LIMITED of Post Office Box 192, Arusha (hereinafter called the "**Purchaser**") of the other part.

WHEREAS the Vendor is the beneficial owner of the property situate on that piece or parcel of land situated on **Plot No. 51, Themis Industrial Area, Arusha** comprised in and as further described under **Certificate of Title No. 5286, Moshi Land Registry** including all buildings and other developments thereon (hereinafter referred to as "**the Property**").

AND WHEREAS the Vendor is desirous of selling and the Purchaser is desirous of buying the said Property at a consideration of **United States Dollars Five Hundred Fifty Thousand (US \$ 550,000.00)** only (hereinafter referred to as the "**Purchase Price**").

NOW THEREFORE IT IS AGREED as follows:-

1. The Vendor hereby sells and the Purchaser hereby buys all that piece and parcel of land known as **Plot No. 51, Themis Industrial Area, Arusha** held under a Right of Occupancy comprised in **Certificate of Title No. 5286, Moshi Land Registry** together with all buildings and other developments thereon (hereinafter called the "**Property**") upon the terms and conditions set out hereinafter.
2. The Purchase Price hereinabove mentioned shall be payable on the dates and in the manner hereinafter appearing;
 - (i) The Purchaser shall pay the sum of **United States Dollars Fifty Thousand (US 50,000.00)** only upon signing of this Agreement by parties.
 - (ii) The Purchaser shall pay the 2nd final instalment of the Purchase Price being an amount of **United States Dollars Five Hundred Thousand (US \$ 500,000.00)** on or before **30th November, 2008**.
3. Simultaneously with the signing of this Agreement the Vendor and the Purchaser shall execute a Deed of Transfer (Land Form No. 35) of the Right of Occupancy



041605

AGREEMENT OF SALE

BETWEEN

CUTHBERT PETER SAWE

AND

KENGROW TANZANIA LIMITED



**RELATING TO THE PROPERTY ON PLOT NO-51, THEM I
INDUSTRIAL AREA, ARUSHA, L.O. NO. 87215, CERTIFICATE OF
TITLE NO. 5286, MOSHI LAND REGISTRY**

DRAWN BY:

KISARIKA, MALIMI & MLOLA (ADVOCATES)

Dar es Salaam Office:

3rd Floor, Elite City Building,
Samora Avenue/Morogoro Road,
P.O Box 71394, Dar es Salaam.
Tel # +255 22 2133616/2133619
Fax # +255 22 2133615
Cell # +255 754 380 600, 754 224 935
E-Mail – info@kmadvocates.com

Arusha Office:

PPF Olorien Commercial Centre, Suite 04,
Them I Hill, Njiro Area,
P.O. Box 1056, Arusha,
Tel. : +255 27 254 9078
Fax: +255 27 254 9079
Cell # +255 754 380 600
kisarika@kmadvocates.com

Website: www.kmadvocates.com

[Handwritten signatures in blue ink]



GRUPE BANK OF AFRICA

10 October 2008

The Commissioner
Tanzania Investment Authority
Dar es Salaam,
Tanzania

Dear Sir,

RE: KENGROW INDUSTRIES LTD

At the request of our valued client, Kengrow Industries Ltd, we wish to confirm to you that they have been banking with us since 1998. Their accounts which are in Uganda shillings and USD have been conducted in a responsible manner that meets our overall satisfaction.

Kengrow is into wheat processing on a large scale in Uganda but also have a small electronic trading wing. They also process cotton seed into oil and have grown to become a major corporate client and one of the top performers in Uganda in the manufacturing and trade and commerce sectors.

The directors of the company are very well known to us as responsible men with good standing in society. They have the capacity to meet their commitments and any assistance rendered to them will be much appreciated.

This information is communicated to you in confidence without liability on the part of the Bank or any of its officers.

Yours truly,

A handwritten signature in blue ink, appearing to read "Alex Kiwanuka", with a stylized flourish.

Alex KIWANUKA
Senior Relationship Manager

A handwritten signature in red ink, appearing to read "Kwame Ahadzi", with a stylized flourish.

Kwame AHADZI
Managing Director



TIC Evaluation Report

Name of the Company
Kengrow Tanzania Ltd.

Post Box	Themi Area Plot No. 51 Themi Industrial Area	COI Number	67981	Contact	Mr. David Tuhoye
Post Office	0 14306	COI Date	17/10/2008	Designation	Agent
Region	Arusha	Application F. No	07512	Phone	0
Country	Tanzania	Status	New	Direct Phone	0
		Sector	Manufacturing	Cell Phone	0787 277414
		Sub Sector	Wheat Processing	Fax	027 254 8058
		File No	041605	E-Mail Address	tuhoye@yahoo.com

Project Location		Investment Finance Plan in Millions USD										
Plot/Block	Plot No. 51	<table border="1"> <tr> <th>Foreign Equity</th> <th>Local Equity</th> <th>Foreign Loan</th> <th>Local Loan</th> </tr> <tr> <td>0</td> <td>0.333</td> <td>1.62</td> <td>0</td> </tr> </table>	Foreign Equity	Local Equity	Foreign Loan	Local Loan	0	0.333	1.62	0		
Foreign Equity	Local Equity		Foreign Loan	Local Loan								
0	0.333		1.62	0								
Street	Themi Industrial Area											
District	Arusha											
Region	Arusha											

Shareholders Detail			Investment Breakdown (USD Million)	
Name	Nationality	(%)	Land/Building	Plant
Goolshen Amirally Jamal	Kenyan	50	1.115	0.523
Feisal Amirally Hasham Jamal	Kenyan	25	0	0
Rehmetullah Amirally Jamal	Kenyan	25	0	0
			Furniture & Fittings	0
			Pre-expenses	0.005
			Others	0
			Working Capital	0.31
			Total	1.953

Employment	53	Evaluated By	Sospeter Ndelema Dome
Capacity	50 tons	Drawn By	Shokko Registry
Project Turn Over			

Description

To establish wheat milling/processing facilities

Recommendations

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

Decision

Approved: [Signature]
 Ed 13/11/08

KEGROW TANZANIA LIMITED

P.O Box 14306 Arusha, TANZANIA
Tel 255 27 254 8058

Our Ref.: KTL/TIC/11/08

Date: 06th November 2008

The Executive Director,
Tanzania Investment Centre
Shabaan Robert Street
P.O. Box 938
Dar Es Salaam

Dear Sir,

RE: APPLICATION FOR CERTIFICATE OF INCENTIVE

Kegrow Tanzania Limited is a limited liability company that was incorporated in Tanzania on 17th October 2008, with an objective of investing in wheat milling industry at Arusha to increase food production in the country.


The company is now applying for the certificate of incentives.

Along with this application we submit following documents for your necessary action;

1. Memorandum and Articles of Association,
2. Certificate of Incorporation,
3. Financial Statement from Kengrow Industries Limited – Uganda,
4. Our Business Plan which shows among other things; the profile of the company, implementation period, programme of implementation and operative dates,
5. Minutes Board Resolution,
6. Letters from the Banks,
7. Memorandum of Understanding,
8. Sale Agreement,
9. Copy of Title

We look forward to your favourable response

Yours truly,
Kegrow Tanzania Limited,


Rehmetullah A. Jamal
Managing Director





SKETCH MAP SHOWING PROJECT LOCATION



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

Land/Building 1,115,000,-
Plant 522,766,-
Vehicles -
Furniture & Fittings -
Pre-expenses 4,850,-
Others -
Working Capital 310,385
TOTAL 1,953,001

Contact Details:

Name: David Tuhoye

Title: Agent

Telephone: 0787 277 414

Fax: +255 (27) 254 8058

Email: tuhoye@yahoo.com

Payments to be made payable to:

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

APPLICATION SUMMARY

Company Name: KENGRON TANZANIA LIMITED

Certificate of Incorporation Number: 67981 Status:

Certificate of Incorporation Date: 17th OCTOBER 2008

Post Box:

Town: ARUSHA

Sector: INDUSTRIAL SECTOR Sub-Sector: FOOD PROCESSING

Investment Financing Plan in Million US\$/Tshs.

Foreign Equity	Local Equity	Foreign Loan	Local Loan
.....	382,608	1,620,393

Project Objectives: TO INVEST IN WHEAT PROCESSING INDUSTRY WITH A FOCUS ON INCREASING FOOD PRODUCTION IN THE COUNTRY

Capacity: 50 TONS

Employment: Foreign: 4 Local: 49 Total: 53

Implementation Period: 8 YEARS

Project Location

Site/Plot/Block No.: PLOT NO 51 THEM I INDUSTRIAL AREA

Street: THEM I AREA District: ARUSHA Region: ARUSHA
(Attach sketch map showing project location)

Shareholders	Nationality	%
REHMETULLAH JAMAL	KENYAN	25%
FEISAL A.H. JAMAL	KENYAN	25%
GOOLSHEN A. JAMAL	KENYA	50%
.....
.....

7. The intended capital investment of the Company in terms of Section 2(2) of the Act is Tshs./US\$ 1,953,001
8. The month and day of the financial year end is DECEMBER

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

I/We enclose a cheque/cash made payable to the **Tanzania Investment Centre** for Tshs./US\$

\$ 100 Being the Registration Fees. *In the event this application is unsuccessful we understand that this fee will not be refunded.*

I, David Tuhoye of Post Office Number 14306 Arusha
 do solemnly and sincerely declare that I am a ^{Agent} director/duly authorized agent of KENGROW TANZANIA 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 7th day of November 2003

David Tuhoye
 Applicant

Before me:

[Signature]



Commissioner for Oaths

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 DAVID LEO TUTHOYE
(director/directors/agent of KENGROW TANZANIA LIMITED
(name of business enterprise) apply for registration of TIC
under Section 17 of the Act and Part IV of the Investment Regulations, 2002.

2. The registered office of the company will be situated at PLOT NO 51
THEMI INDUSTRIAL AREA ARUSHA

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 51 THEMI INDUSTRIAL AREA
4. The Principal Officers of the Company are PEHMETULLAH AMIRALLY
JAMAL AND FEISAL AMIRALLY HASHAM JAMAL
5. Auditors of the Company are KASEGENYA AND CO LTD
P.O. BOX 11090 ARUSHA
6. The authorized share capital of the Company is Tshs./US\$ 1,000,000,000,-



TANZANIA INVESTMENT CENTRE

REGISTRATION FORM

FOR

CERTIFICATE OF INCENTIVES


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


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

(Please fill the form in duplicate)

IN WITNESS WHEREOF the parties hereto have duly executed these presents on the days and in the manner hereinafter appearing.

SIGNED and DELIVERED by the said)
CUTHBERT PETER SAWE "the Vendor")
who is known to me personally/has been)
introduced to me by _____)
the latter being known to me personally in my)
presence this 15th day of November, 2008.)



Name: _____
Signature: 
Postal Address: _____
Qualification: _____

Edward John Mrosso
Advocate, Notary Public &
Commissioner for Oaths
P. O. Box 1232, Arusha

SEALED with the Common Seal of KENGROW)
TANZANIA LIMITED and DELIVERED in the)
presence of us this 15th day of November, 2008.)



Name: Richardson A. Jamu
Signature: [Signature]
Postal Address: P.O. Box 192 Arusha
Designation: Director

Name: FEISAL A. JAMAL
Signature: [Signature]
Postal Address: P.O. Box 192 ARUSHA
Designation: Director

for the property sold hereunder to be submitted to the Commissioner for Lands for his approval upon receipt of the Right of Occupancy from the Vendor.

4. In addition to the documents mentioned in paragraph 3 hereinabove the Vendor shall execute all the necessary land forms and spouse consent authorising sell and transfer of the property to the Purchaser.
5. The Vendor and the Purchaser recognise and agree that this Agreement and the Deed of Transfer are subject to the approval of the Commissioner for Lands to transfer the Right of Occupancy. The Vendor and Purchaser agree to take all necessary and/or reasonable steps to obtain the said Commissioner's approval. In the event the Commissioner's approval is denied this Agreement shall terminate and the Vendor shall within fourteen (14) days of notification of such denial refund to the Purchaser the amount paid by the Purchaser as purchase price. Each part shall bear their own costs in the course of this transaction.
5. The Purchaser shall pay Advocate's fees, stamp duty, registration fees and any other charges whatsoever for the transfer of the said Property as shall be assessed by the relevant authorities.
6. The Vendor shall pay all outgoings levied or assessed on the property such as land rents, property tax and site rates up to the signing of the Agreement and the Purchaser shall bear all such rents, rates arising and/or falling due subsequent to the signing of the Agreement which shall also be the date of delivery by the Vendor to the Purchaser of vacant possession of the property.
8. The Vendor shall be liable for capital gains tax as may be assessed by the relevant authorities. The Vendor shall furnish the Purchaser with **Capital Gains Tax Clearance Certificate within fourteen (14) days** from the day of signing of this Agreement for purposes of transfer.
9. The Vendor shall furnish the Purchaser with current **Valuation Report** together with its receipt for the purposes of transfer **within fourteen days (14) days** from the day of signing of this Agreement.
10. The Vendor warrants that:-
 - (a) it has good marketable title to the Property and that the Property is not subject to any mortgage, charge, lien or other encumbrance of any nature whatsoever;
 - (b) all restrictions, conditions and covenants (including any imposed by or pursuant to the Right of Occupancy affecting the Property have been observed and

[Handwritten signatures]

AGREEMENT OF SALE

THIS AGREEMENT is made this 1st day of **November, 2008** BETWEEN **CUTHBERT PETER SAWE** of P. O. Box 6445, Dar es Salaam, Tanzania (hereinafter called "**the Vendor**") of the one part

AND

KENGROW TANZANIA LIMITED of Post Office Box 192, Arusha (hereinafter called the "**Purchaser**") of the other part.

WHEREAS the Vendor is the beneficial owner of the property situate on that piece or parcel of land situated on **Plot No. 51, Themu Industrial Area, Arusha** comprised in and as further described under **Certificate of Title No. 5286, Moshi Land Registry** including all buildings and other developments thereon (hereinafter referred to as "**the Property**").

AND WHEREAS the Vendor is desirous of selling and the Purchaser is desirous of buying the said Property at a consideration of **United States Dollars Five Hundred Fifty Thousand (US \$ 550,000.00)** only (hereinafter referred to as the "**Purchase Price**").

NOW THEREFORE IT IS AGREED as follows:-

1. The Vendor hereby sells and the Purchaser hereby buys all that piece and parcel of land known as **Plot No. 51, Themu Industrial Area, Arusha** held under a Right of Occupancy comprised in **Certificate of Title No. 5286, Moshi Land Registry** together with all buildings and other developments thereon (hereinafter called the "**Property**") upon the terms and conditions set out hereinafter.
2. The Purchase Price hereinabove mentioned shall be payable on the dates and in the manner hereinafter appearing:
 - (i) The Purchaser shall pay the sum of **United States Dollars Fifty Thousand (US 50,000.00)** only upon signing of this Agreement by parties.
 - (ii) The Purchaser shall pay the 2nd final instalment of the Purchase Price being an amount of **United States Dollars Five Hundred Thousand (US \$ 500,000.00)** on or before **30th November, 2008**.
3. Simultaneously with the signing of this Agreement the Vendor and the Purchaser shall execute a Deed of Transfer (Land Form No. 3⁵) of the Right of Occupancy

P. Sawe *[Signature]*

AGREEMENT OF SALE

BETWEEN

CUTHBERT PETER SAWE

AND

KENGROW TANZANIA LIMITED

**RELATING TO THE PROPERTY ON PLOT NO-51, THEMI
INDUSTRIAL AREA, ARUSHA, L.O. NO. 87215, CERTIFICATE OF
TITLE NO. 5286, MOSHI LAND REGISTRY**

DRAWN BY:

KISARIKA, MALIMI & MLOLA (ADVOCATES)

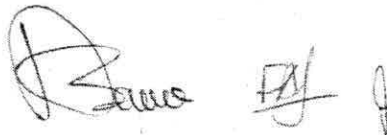
Dar es Salaam Office:

3rd Floor, Elite City Building,
Samora Avenue/Morogoro Road,
P.O Box 71394, Dar es Salaam.
Tel # +255 22 2133616/2133619
Fax # +255 22 2133615
Cell # +255 754 380 600, 754 224 935
E-Mail – info@kmadvocates.com

Arusha Office:

PPF Olorien Commercial Centre, Suite 04,
Thembi Hill, Njiro Area,
P.O. Box 1056, Arusha,
Tel. : +255 27 254 9078
Fax: +255 27 254 9079
Cell # +255 754 380 600
kisarika@kmadvocates.com

Website: www.kmadvocates.com



I. Sale Agreement

THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF LANDS, HUMAN SETTLEMENT DEVELOPMENT

Telephone No. 2753210

LAND REGISTRY,
P.O. BOX 190,
MOSHI.

Ref. No. LR/MUS/T/5286/15

21st DEC. 2006

REGISTERED POST

Sir/Gentlemen/Madam.

RE: TRANSFER OF RIGHT OF OCCUPANCY
CT. NO. 5286 PLOT NO. 51 THEM!
INDUSTRIAL AREA ARUSHA MUN.

I have the honour to refer your letter No. _____
dated _____ and enclosure thereto.
I return herewith Certificate of Titles Nos. 5286
above mentioned DEED having been registered
again the Title under F.D. Nos. 20401 on 21-12-2006
May official receipt No. _____ for Shs. _____
_____ is enclosed herewith/has already been dispatched to you.

Please acknowledge receipt of the enclosures thereto.

I have the honour to be
Sir/Gentlemen
Your Obedient Servant



.....
E. J. Muya
ASSISTANT REGISTRAR OF TITLES MOSHI.

ENCLOSURES:

- ① CT. NO. 5286
- ② COPY OF TRANSFER DEED

TO: CUTHBERT PETER SAWE
BOX 6415
DAR-ES SALAAM

c.c. MUNICIPAL LAND OFFICER
BOX 3013
ARUSHA.

THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF LANDS, HUMAN SETTLEMENT DEVELOPMENT

Telephone No. 2753210

LAND REGISTRY,
P.O. BOX 190,
MOSHI.

Ref. No. LR/MS/T/5286/15

21st DEC. 2006

REGISTERED POST

Sir/Gentlemen/Madam.

RE: TRANSFER OF RIGHT OF OCCUPANCY
CT. NO. 5286 PLOT NO. 51 THEM
INDUSTRIAL AREA ARUSHA MUN.

I have the honour to refer your letter No. _____
dated _____ and enclosure thereto.
I return herewith Certificate of Titles Nos. 5286
above mentioned DEED having been registered
again the Title under F.D. Nos. 20401 on 21-12-2006
May official receipt No. _____ for Shs. _____
_____ is enclosed herewith/has already been dispatched to you.

Please acknowledge receipt of the enclosures thereto.

I have the honour to be
Sir/Gentlemen
Your Obedient Servant



.....
E. J. Muya
ASSISTANT REGISTRAR OF TITLES MOSHI.

ENCLOSURES:

-① CT. NO. 5286.....
-② COPY OF TRANSFER DEED.....

TO: CUTHBERT PETER SAWE
BOX 6445
DAR-ES-SALAAM

c.c. MUNICIPAL LAND OFFICER
BOX 3013
ARUSHA.


THE LAND ACT OF 1999
(No. 4 OF 1999)

TRANSFER OF A RIGHT OF OCCUPANCY

TITLE No. 5286 – LRM
L. O. NO. 87215
PLOT NO. 51 THEMI INDUSTRIAL
AREA ARUSHA MUNICIPALITY

IN CONSIDERATION of Tshs 4,000,000/- Only We, **KING TOURS, TRAVEL AGENTS AND HUNTING SAFARIS LIMITED** of P.O. Box 7000 Arusha Tanzania, **HEREBY TRANSFER** to **CUTHBERT PETER SAWE** of P.O. Box 6445 Dar es Salaam Tanzania, the Right of Occupancy registered under the above reference.


SEALED with the Common Seal)
of the said KING TOURS, TRAVEL AGENTS)
AND HUNTING SAFARIS LIMITED and)
DELIVERED in the presence of us)
this ...14th... day of ...August... 2006)


Signature 
Postal Address 7000, Arusha
Qualification DIRECTOR

Signature H.S. Mellel
Postal Address 7000, Arusha
Qualification DIRECTOR



SIGNED and DELIVERED by the said)
CUTHBERT PETER SAWE)
who is known to me personally/)
identified to me by ...A. MELLEL...)
the latter being known to me personally)
this ...6th... day of ...September... 2006)

Signature 
Postal Address 3140, Arusha
Qualification DISTRICT MAGISTRATE
..... ADIICHA.....







TANZANIA REVENUE AUTHORITY

INCOME TAX DEPARTMENT

CAPITAL GAINS TAX CLEARANCE CERTIFICATE

File No. 02/CGT/225

Serial No. IT 000017

Account No. _____

TIN 102.311.957

Originating Office

To The Land District Officer

3153

ARUSA

ARUSA

In accordance with the requirements of the provisions of the Income Tax Act, 1973, this is to certify that the seller of:

* the property on plot NO 51 Themi NJIRO

* financial asset _____

has complied with the provisions of section 13 of the Act and that the Commissioner of Income Tax has no objection to the transfer of the interest or the financial asset indicated above held by the transferor to the transferee.

1 Name and postal address of transferor

KING TOURS TRAVEL AGENTS & HUNTING SAFARI

P.O. Box 7000 ARUSA

2 Name and postal address of transferee

GILBERT P. SAWE

P.O. Box 645 Dar es Salaam

Official seal

Date:

*Delete as appropriate

Full name of officer
 REGION OF INC. L. N. N. N. N.
 14 DEC 2006
 Signature: A. P. L. L. L. L.
 Counter signature: _____
 Date: 14/12/2006

MINISTRY OF LANDS AND HUMAN SETTLEMENTS DEVELOPMENT

Land Rent Invoice: 28 Feb, 2006

Lot Id: 10017801

Plot No. 51 Block: - [Industrial], THEMI INDUSTRIAL ESTATE

Please collect from:

KING TOURS & HUNTING SAFARIS LTD. Box ARUSHA

[a] Land Rent for 2005/2006	388,665.00
[b] Arreas	.00
[c] Penalty	7,773.30

TOTAL 396,438.30

Issued by: DLGARD Sign SDZ Desg Viewer

Banker's cheques to be paid to The Permanent Secretary,
Ministry of Lands and Human Settlements.

TITLE No. 5286

REGISTERED ON
4-3-1988

at 8:00 a.m.

Mwabilewa
Asst. Registrar of Titles



Stamp Duty Shs. 100/= Paid

and Revenue Receipt No. 782513

of 21-2-86 issued.

AR/2798

Mwabilewa
Asst. Registrar of Titles

THE UNITED REPUBLIC OF TANZANIA Stamp Duty Shs. 290/= Paid

on Original Revenue Receipt No.

782513 of 21-3-86

Mwabilewa
Asst. Registrar of Titles

DECLARATION OF OCCUPANCY

(Section 9 of the Land Ordinance)

The 4th day of February One thousand nine hundred and Eighty Eight.

ALL No. 5286 LAND REGISTRY MOSHI

THIS IS TO CERTIFY that MANYATA TRADING COMPANY LIMITED OF P.O. BOX 7000 ARUSHA is a limited liability Company incorporated in Tanzania and having its registered office in Arusha (hereinafter called "the occupiers") are entitled to a right of occupancy (hereinafter called "the right") in and over the land described in the Schedule hereto (hereinafter called "the land") for a term of ninety nine years from the first day of January One thousand nine hundred and eighty six according to the true intent and meaning of the Land Ordinance and subject to the provisions thereof and to any regulations made thereunder and to any enactment in substitution therefor or amendment thereof and to the following special conditions:-

1. The occupiers having paid rent up to the thirtieth day of June, 1986 shall thereafter pay rent of shillings five thousand eight hundred and seventy five (Shs. 5,875/=) a year in advance on the first day of July in every year of the term without any deduction PROVIDED that the rent may be revised by the Minister for the time being responsible for Lands (hereinafter called "the Minister") on the first day of July in each of the years 1996, 2006, 2016, 2026, 2036, 2046, 2056, 2066 and 2076 or within three years thereafter in each case.

2. The occupiers shall:-

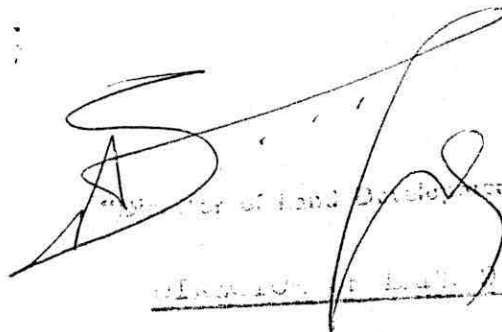
- (i) erect on the land buildings (hereinafter called "the buildings") in permanent materials designed for use in accordance with the conditions of the Right and which conform to the building line (if any) decided by the Arusha Municipal Council.
- (ii) By the thirtieth day of June 1986 submit to the Authority such plans for the buildings (including block plans showing the position of the buildings) and such drawings, elevations and specifications of them as will satisfy the Authority and conform to the conditions of the Right.

C E R T I F I C A T E

ALL that land known as Plot No. 31 Miami Industrial Area, Municipality containing eight thousand five hundred and sixty (8560) square metres shown for identification only edged on the plan attached to this certificate and defined on the registered survey plan numbered 19833 deposited at the Office of the Commissioner for surveys and mapping at Arusha is hereby

CIVIL under my hand and seal and by Order of the Minister of Lands and Survey on this _____ day and year first above written.

In this document every reference to
Commissioner for Surveys and Mapping
shall be construed as a reference to
the
Minister of Lands and Survey
and the Director of Surveys and Mapping
respectively.



Minister of Lands and Survey
Arusha

WE, the within-named MNYATA TRADING COMPANY LIMITED do hereby accept the terms and conditions contained in the foregoing Certificate of Occupancy.

SEALED with the COMMON SEAL of the said MNYATA TRADING COMPANY LIMITED and delivered in the presence of us this 22nd day of January 1988.

Signature: H. S. Mollé

Postal Address: P. O. Box 7000

ARUSHA
Qualification: MANAGING

DIRECTOR
Signature: H. S. Mollé

Postal Address: P. O. Box 7000

ARUSHA
Qualification: DIRECTOR

TITLE No. 5286

REGISTERED ON
4-3-1988

at 8.00 a.m.

Mwalilewe
Asst. Registrar of Titles



Stamp Duty Shs. 100/= Paid
and Revenue Receipt No. 782513
of 21-2-86 issued.
AN/2798 *Mwalilewe*
Asst. Registrar of Titles

THE UNITED REPUBLIC OF TANZANIA
Stamp Duty Shs 290/= Paid
on Original Revenue Receipt No.
782513 of 21-3-86
CERTIFICATE OF OCCUPANCY
(Section 9 of the Land Ordinance) *Mwalilewe*
Asst. Registrar of Titles

The 4th day of February one thousand
nine hundred and eighty eight.

TITLE No. 5286 LAND REGISTRY, MOSHI

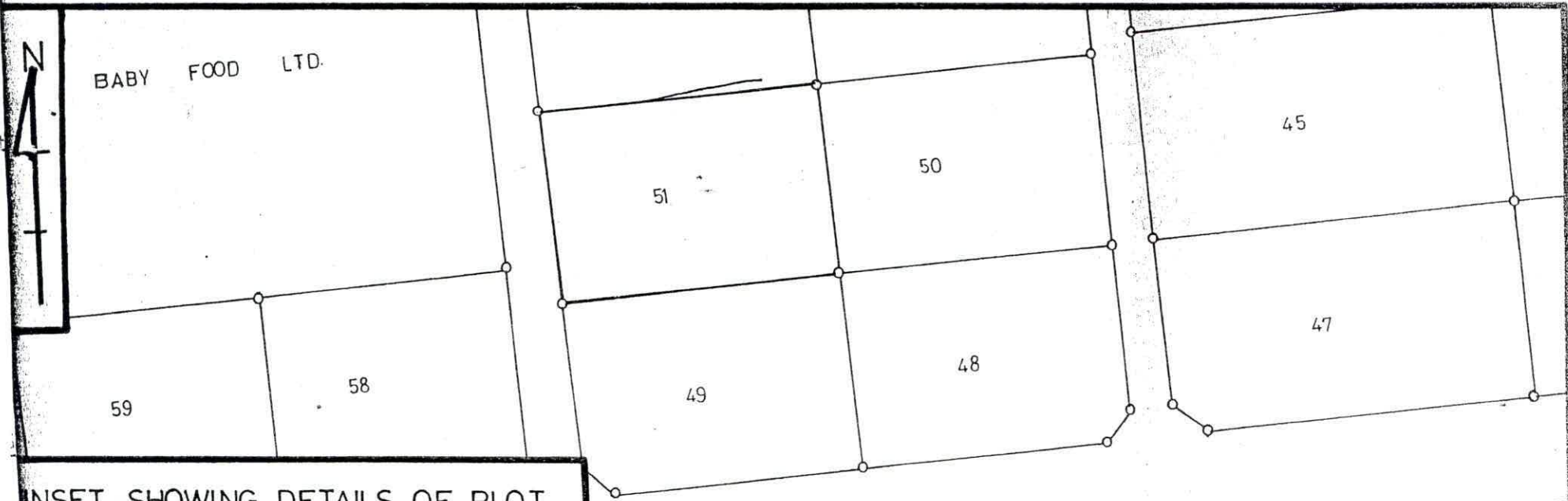
THIS IS TO CERTIFY that MANYATA TRADING COMPANY LIMITED OF P.O. BOX 7000 ARUSHA, is a limited liability company incorporated in Tanzania and having its registered office in ARUSHA (hereinafter called "the occupiers") are entitled to a right of occupancy (hereinafter called "the right") in and over the land described in the Schedule hereto (hereinafter called "the land") for a term of ninety nine years from the first day of January One thousand nine hundred and eighty six according to the true intent and meaning of the Land Ordinance and subject to the provisions thereof and to any regulations made thereunder and to any enactment in substitution therefor or amendment thereof and to the following special conditions:-

1. The occupiers having paid rent up to the thirtieth day of June, 1986 shall thereafter pay rent of shillings five thousand eight hundred and seventy five (Shs. 5,875/=) a year in advance on the first day of July in every year of the term without any deduction PROVIDED that the rent may be revised by the Minister for the time being responsible for Lands (hereinafter called "the Minister") on the first day of July in each of the years 1996, 2006, 2016, 2026, 2036, 2046, 2056, 2066 and 2076 or within three years thereafter in each case.

2. The occupiers shall:-

- (i) erect on the land buildings (hereinafter called "the buildings") in permanent materials designed for use in accordance with the conditions of the Right and which conform to the building line (if any) decided by the Arusha Municipal Council.
- (ii) By the thirtieth day of June 1986 submit to the Authority such plans for the buildings (including block plans showing the position of the buildings) and such drawings, elevations and specifications of them as will satisfy the

ARUSHA MUNICIPALITY



INSET SHOWING DETAILS OF PLOT
 Locality... Themi Industrial Area
 Block.....
 Plot No... 51...
 O. No... 87215
 Area... 856.0... sq.metres

292	291	290	289	288	287	286	285
-----	-----	-----	-----	-----	-----	-----	-----

USAID

**Issue of this plan implies no guarantee
 admission of title by the Government**

SEVENTH DAY ADVENTIST

This plan, prepared in accordance with Registered plan No. 19093 is approved for the purposes of the Land Registration ordinance.
 Director of Surveys and Mapping *[Signature]*
 Date... 23/7/1986... Ministry of Lands Housing and Urban Development.
 Dar es Salaam

LAND REGISTRY, MOSHI
TRANSFER

Filed Document No. 7622

Date of registration 10-6-93 8:00 a.m.

To KING TOURS, TRAVEL AGENTS
AND HUNTING SAFARIS LIMITED
of P.O. BOX 7000, ARUSHA
(CONS. T.SHS. 300,000/-)

[Signature]
Asst. Registrar of Titles

LAND REGISTRY, MOSHI
TRANSFER

Filed Document No. 20401

Date of registration 21-12-2006 time 8:30 A.m

To CUTHBERT PETER SAUSE
of P.O. BOX 6445, Dar-es-Salaam
(CONS. T.SHS. 4,000,000/-)

[Signature]
Asst. Registrar of Titles

LAND REGISTRY, MOSHI
MORTGAGE

Filed Document No. 7952

Date of registration 17-11-93 8:00 A.m.

To THE NATIONAL BANK OF
COMMERCIAL BANK OF
DISCHARGED
FD NO 16034 on 14-8-2003
at 11:00 am
to secure an-
unspecified amount.

[Signature] *[Signature]*
Asst. Registrar of Titles Asst. Registrar of Titles

LAND REGISTRY, MOSHI
CHANGE OF NAME FD. 7952

Filed Document No. 16033

Date of registration 14-8-2003 11:00 am.

To THE CONSOLIDATED HOLDINGS
CORPORATION
DISCHARGED
FD NO 16034 on 14-8-2003
at 11:00 am.

[Signature] *[Signature]*
Asst. Registrar of Titles Asst. Registrar of Titles

J. Copy of Title

... 2 ...

THE SELLER UNDERTAKES TO

- Provide any and all assistance to the PURCHASER to fulfill the above formalities
- Not to enter into nor sell the above plot to any third party until the PURCHASER completes above formalities
- Present the original Title Deed to any relevant authorities for inspection and generally cooperate with the PURCHASER

IT IS FURTHER AGREED THAT

- If the PURCHASER does not fulfill his obligations and pay entire consideration by 15th November, 2008 the SELLER shall have sole discretion to terminate this MOU and shall be free to sell his plot to any other party if he so wishes
- If the PURCHASER finds any litigations, caveats or any other encumbrances or hindrances for peaceful transfer of the property the SELLER shall have sole discretion to terminate this MOU
- When once SALE AGREEMENT is entered between the newly formed company and the SELLER this MOU becomes null and void.

This Memorandum of Understanding is hereby entered on the above referred date by both the parties and witnessed by

SELLER

Walter P. Sauer

[Signature]

PURCHASER

[Signature]

WITNESSED BY

1. FRANCIS R. KIMARO

[Signature]

26.09.08

UNITED REPUBLIC OF TANZANIA

MEMORANDUM OF UNDERSTANDING

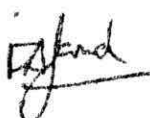
THIS memorandum of understanding (MOU) entered in Arusha on the 26th day of September, 2008 between **MR. CUTHBERT PETER SAWE** of P.O.Box 6445, Dar Es Salaam, Tanzania on the one part (hereby referred as **SELLER**) and **Mr. FEISAL A. JAMAL** of P.O.Box 1469, Jinja, Uganda on the other part (hereby referred as the **PURCHASER**)

WHERE AS the SELLER has offered to sell plot no 51, Themis Industrial Area in Arusha having Title No 5286 -LRM and L.O.No 87215 together with the developments thereon (hereby referred as PROPERTY) and the PURCHASER has offered to purchase the above plot for a total consideration of US\$ 550,000/= (United States Dollars five hundred fifty thousand only) subject to the following having completed satisfactorily

IT IS HEREBY AGREED AS FOLLOWS:-

- The PURCHASER will arrange for search of the property in the Land Registry to ascertain that the Title is genuine and free of any encumbrances and any litigations, caveats etc as soon as possible
- If the title is satisfactory then the PURCHASER will nominate a Company to be formed in Tanzania to acquire the plot referred above
- Establish a Private Limited Liability Company in Tanzania as soon as possible
- After the new Company is Registered with Registrar of Companies, enter into a Sale Agreement for the above plot between the newly formed company and the SELLER as per total consideration mentioned earlier with a deposit of US\$ 50,000/= (United State Dollars Fifty thousand only)
- Apply for Tanzania Investment Centre (TIC) License and Certificate and process as expeditiously as possible
- After obtaining TIC certificate transfer the plot to the newly formed company having paid full consideration to the SELLER

-----2/



H. Memorandum of Understanding

G. Letter from The Bank – Bank of Africa
Tanzania



ORIENT BANK LIMITED

Orient Plaza Plot 6/6A Kampala Road P.O. Box 3072 Kampala Uganda
Telephone: 256 (41) 4236012/3/4/5, Telex: 61342ORIENTBK UG, Fax: 256 (41) 4348039
e-mail: mail@orient-bank.com, Website:www.orient-bank.com

REF. NO: OBL/CERT/058/08

14th Oct 2008

Tanzania Investment Centre
Dar es Salaam
Tanzania

Dear Sir/Madam,

RE: RECOMMENDATION FOR KENGROW INDUSTRIES LTD

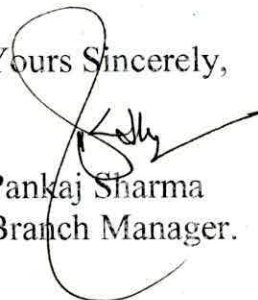
We hereby confirm that the above company is maintaining satisfactory introduced current accounts with our bank.

Kengrow Industries Ltd has been with Orient Bank for the last eleven years and has got these accounts:

1. USD A/C: 11685302020502 with our Jinja Branch
2. UGX A/C: 11685302010102 with our Jinja Branch
3. UGX A/C: 11685301010101 with Kampala Main Branch

This recommendation is issued at the request of Kengrow Industries Limited without any risk, responsibility or guarantee on the part of the bank or any of its officers.

Yours Sincerely,



Pankaj Sharma
Branch Manager.

F. Letter from the Bank – Oriental Bank Limited
Uganda

KENGROW TANZANIA LIMITED

Minutes

At the Meeting of the Board of Directors of Kegrow Tanzania Limited, duly convened and held at the registered office, on 1st November, 2008, at 16.00 hours the following resolutions were inter-alia passed:

Present:

Mr Rehmetullah A. Jamal - Director
Mr. Feisal A. Jamal - Director

EXTRACT OF MINUTES: No KTL - 2-2008

ORDINARY RESOLUTION

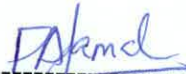
RESOLVED:

Pursuant to the powers given to Board of Directors contained in its Memorandum and Articles of Association it was **RESOLVED:**

- 1.0 That the Company requests the shareholders to obtain investment of US Dollars 2 million into the company by way of equity and term loan for capital investment for the Milling Project to be undertaken at Arusha
- 2.0 That the company should procure new plant and equipments to facilitate its flour milling operations
- 3.0 That the Company should register with Tanzania Investment Centre to secure Investment Certificate to enjoy tax incentives, to acquire land and to obtain investment guarantee.



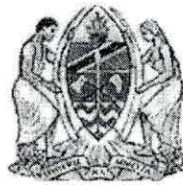
Director



Director

E. Board Resolution

TANZANIA



CERTIFIED TRUE COPY OF THE ORIGINAL

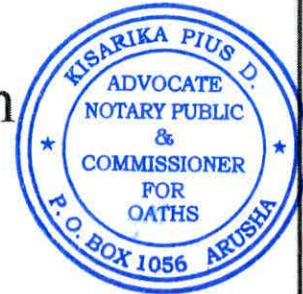
Signature *[Handwritten Signature]*

Date *28/10/2008*

Certificate of Incorporation

Section 15

No **67981**



I HEREBY CERTIFY THAT

KENGROW TANZANIA LIMITED =====

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

Given under my hand at Dar es salaam


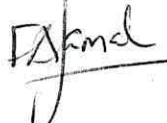

this **17TH** day of **OCTOBER**

TWO THOUSAND AND EIGHT

[Handwritten Signature]

Asst. Registrar of Companies

D. Certificate of Incorporation

Names, addresses and Subscription of subscribers	No. of Shares taken	Signature(s)
1. Mr. Rehmetullah Amirally Jamal P.O. Box 393, Village Market 00621 Nairobi, Kenya.	25	
2. Mr. Feisal Amirally Hasham Jamal P.O. Box 393, Village Market 00621 Nairobi, Kenya.,	25	
3. Mrs. Goolshen Amirally Jamal P.O. Box 393, Village Market 00621 Nairobi, Kenya.	50	

DATED at Arusha this 9th day of October, 2008

Witnesses to the above signatures

Signature: _____

Name: _____

Address: _____

Qualification: Commissioner for Oaths



the Members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of Members as the Liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares in respect of which there is a liability.

INDEMNITY

125. Subject to the provisions of the Act every Director, Managing Agent, Auditor, Manager, Secretary or officer or Servant of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto.
126. No Directors, Managing Agent, Auditor or other officers of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director or Officer, or for joining in any receipt or other act for conformity or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company, or for the insufficiency or deficiency or any security in or upon which any of the moneys of the Company shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or effects shall be deposited, or for any loss occasioned by any error of judgment, omission, default or oversight on his part, or for any other loss, damages or misfortune whatsoever which shall happen in relation to the execution of the duties of his office or in relation thereto, unless the same happen through his own dishonesty.

Indemnity of Directors
and officers or servants

balance sheet. The balance sheet shall also have attached or annexed to it, the Auditors' report and such other documents as the Act may require.

AUDIT

119. The Company shall at each Annual General Meeting appoint an Auditor or Auditors to hold office until the next ensuing Annual General Meeting. The Auditor's report shall be read before the Company at the Annual General Meeting and shall be open to inspection by any Member. The Auditors' duties shall be regulated in accordance with the Act. Appointment of Auditors
120. No Director or other officer of the Company or any person who is a partner of or in the employment of an officer of the Company, or any corporation, shall be capable of being appointed Auditor of the Company. Directors not be Auditors

NOTICES

121. Any notice or document may be served by the Company on any Member wherever resident either personally or by fax or telex or by sending it through the post in a prepaid letter addressed to such Member at his registered address as appearing in the Register of Members, provided that if such address is outside Tanzania, such letter shall be sent by air mail. In respect of joint holdings, all notices shall be given to that one of the joint holders whose name stands first in the Register of Members, and notice so given shall be sufficient notice to all the joint holders. Service of Notices
122. Any notice or other document, if sent by telefax or telex shall be deemed to have been served as soon as the message has been transmitted, and if served by post, shall be deemed to have been served Ninety-six hours after the letter containing the same is posted, and in proving such service it shall be sufficient to prove that the letter containing the notice or document was properly addressed, stamped and posted. Proof of postage to be sufficient proof of service
123. Any notice or document delivered or sent by post to or left at the registered address of any Member in pursuance of these presents shall, notwithstanding that such Member be then dead or bankrupt, and whether or not the Company have notice of his death or bankruptcy, be deemed to have been duly served in respect of any share registered in the name of such Member as sole or joint holder, and such service shall for all purposes be deemed a sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share. Service to be sufficient notwithstanding death or bankruptcy of Member served

WINDING-UP

124. If the Company shall be wound up (whether the liquidation is voluntary, under supervision, or by the Court), the liquidator may with the authority of a Special Resolution, divide among Provisions relating to liquidation

paying the fixed dividends or Preference Shares if any (including profits carried and standing to the credit of any reserve or reserves or other special account), and accordingly that the Directors be authorised and directed to appropriate the profits resolved to be capitalised to the Members in the proportions in which such profits would have been divisible amongst them had the same been applied in paying dividends instead of being capitalised, and to apply such profits on their behalf, either in or towards paying up the amounts, if any, for the time being unpaid on any shares held by such Members respectively, or in paying up in full unissued shares, debentures or securities of the Company of a nominal amounts equal to such profits, such shares, debentures or securities to be allotted and distributed credited as fully paid up, to and amongst such Members in the proportion aforesaid, or partly in one way and partly in the other.

ACCOUNTS

115. The Directors 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 of which such receipt and expenditure takes place;
(b) all sales and purchases of goods by the Company; and
(c) the assets and liabilities of the Company.
116. The books of account shall be kept at the Office or at such other place as the Directors think fit, and shall always be open to the inspection of the Directors. No Member (other than a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Act or authorised by the Directors or by the Company in General Meeting.
117. The Directors shall once at least in every year lay before the Company in General Meeting a profit and loss account and a balance sheet containing a general summary of the capital, the assets, and the liabilities of the Company arranged under suitable heads, both made up to a date not more than six months before the meeting.
118. Every such balance sheet as aforesaid shall be signed on behalf of the Board by two of the Directors, and shall have attached to it a report of the Directors as to the state of the Company's affairs and the amount which they recommend to be paid by way of dividend to the Members, and the amount (if any) which they have carried or propose to carry to the Capital Reserve, Fund, general reserve or reserve account shown specifically on the balance sheet or to be shown specifically on a subsequent

Directors to keep proper accounts

Inspection of books

Submission of balance sheets and profits and loss account

Signature of balance sheets

110. The payment by the Directors of any unclaimed dividend into an unclaimed dividend account shall not constitute the Company a trustee in respect thereof, and any dividend unclaimed after a period of twelve years from the date of declaration of such dividend shall be forfeited and shall revert to the Company. Unclaimed dividends
111. If several persons are registered as joint holders of any share any one of them may give effectual receipts for any dividend or other moneys payable on or in respect of the share. Dividends due to joint holders

RESERVES

112. The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which shall at the discretion of the Directors be applicable for meeting contingencies or for the gradual liquidation of any debt or liability of the Company or for repairing or maintaining the works plant and machinery of the Company or for special dividends or bonuses or for equalizing dividends or for any other purposes to which the profits of the Company may properly be applied and pending such application may at the like discretion either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors think fit. The Directors may divide the reserve into such special funds as they think fit, and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided as they think fit. The Directors may also without placing the same to reserve carry forward any profits, which they may think it not prudent to divide. Carry profit to reserve
Application of reserve
Division of reserve into special funds
Power to carry forward profits
113. The Directors may establish a reserve to be called the Capital Reserve, which shall not be available for dividend, but which shall be available to meet depreciation or contingencies or for repairing, improving, or maintaining any property of the Company or for such other purposes as the Directors may in their discretion think conducive to the interests of the Company, and the Directors may invest the sums standing to the Capital Reserve in such investments as they think fit, other than shares or stock of the Company, and may from time to time deal with or vary such investments and dispose of all or any part thereof with full power to employ the Capital Reserve in the business of the Company, and that without keeping it separate from the other assets and with power to divide the said Capital Reserve into separate accounts or funds if they think fit. Power to establish and deal with a Capital Reserve

CAPITALIZATION OF PROFITS AND RESERVES

113. The Company in General Meeting may, upon the recommendation of the Directors, resolve that it is desirable to capitalise any undivided profits of the Company not required for Power to capitalise profits