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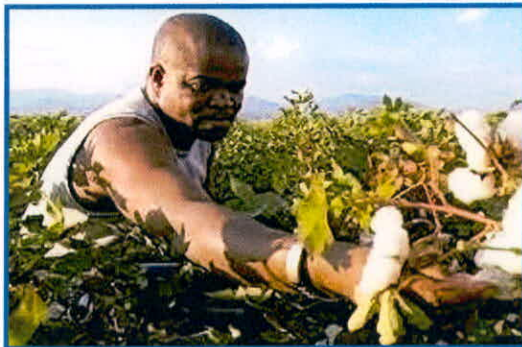
PRIME LINI GINNERIES

LTD



Business plan

Primelint Ginneries: revitalizing the cotton industry in the Mwanza region



June 2013

Final Draft, Confidential

Prepared for:

Bio



Prepared by:

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Commissioned by:

Shindika Group Ltd.



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1 Promoter and vision

1.1 Promoter

Shindika Group Ltd. (Shindika) was established in Tanzania in 2009. The company deals in cotton ginning for export. Its head office is located in Dar-Es-Salam, but will shift to Sengerema as of August 2013. Shindika sources cotton from its outgrower scheme of 3,000 contracted smallholder farmers, gins cotton using leased facilities in Kasamwa, and exports lint and cottons seed to clients in Switzerland, China, Pakistan, Mauritius, Bangladesh and Thailand. Shindika hires facilities from the Nyanza Cooperative Union, which is licensed under the name NCU (1984) Ltd. by the Tanzanian Cotton Board. In 2012 the total volume of exported cotton amounted to 680 tons. Since 2011 the company has gradually invested in land and building to establish own ginnery facilities.



Shindika is a family owned business, and 50% of the shares are held by **Mr. Kusanya Frederick Shindika** (Mr. Fred Shindika). The remaining 50% of the shares are owned by **Mrs. Catherine Fidea Shindika** (Mrs. Catherine Shindika), who doesn't play an active role in the company. Mr. Fred Shindika is CEO of Shindika, and he has decades of experience in all aspects of the international cotton industry.

From 1992 to 2002 Mr. Fred Shindika held several farming, procurement, ginning, marketing and trading positions for the Swiss company Primecot in the US, Switzerland, Uzbekistan and Tanzania. After take-over of Primecot by the Swiss cotton merchant Rio Verde SA, he lead the company's cotton buying operations throughout Sub-Saharan Africa for a period of 4 years. In the three year preceding the first economic activities of Shindika in 2009, Mr. Fred Shindika performed consultancies for the Government of Tanzania and Government of Switzerland. In the capacity of consultant he managed to revive cotton production in Morogoro and Iringa from 0.45 tons in 2006 to 380 tons in 2007 and 1,200 tons in 2008. He also helps introducing the current methodology of contract farming in Tanzania, which is now being promoted on national level by the Government of Tanzania via the Tanzanian Cotton Board.

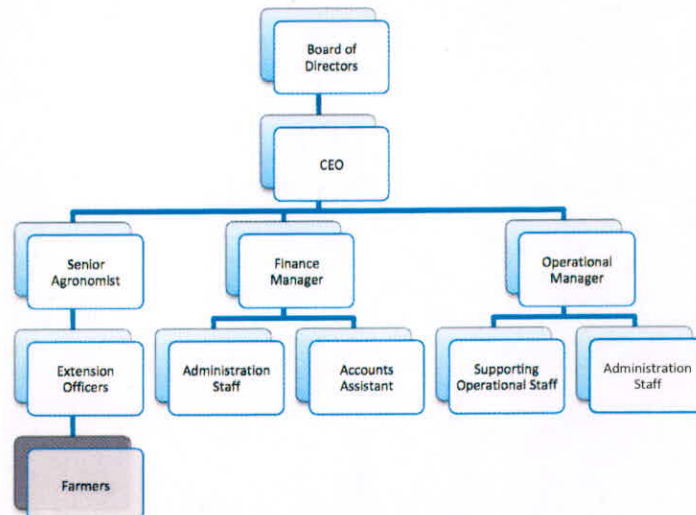


Mr. Shindika holds a Bachelor of Science in Business Accounting from Rhodes College in Memphis in the US. He was further educated at the Memphis Cotton Exchange's International Cotton School and at the United States Department of Agriculture in Memphis. Mr. Shindika is the only Tanzanian National, who is a Registered Arbitrator for the International Cotton Association. He is also one of the 4 Tanzanian certified floor traders with the New York Cotton Exchange.

Mr. Fred Shindika has long-standing relationships with senior members of the Tanzania government, and holds various public functions. He is Board Member for Vocational Education Training Authority (VETA) since 2009, Board Member for Confederation of Trade and Industries (CTI) since 2012 and Chairman of the Commerce Division of Association of Tanzania Employers (ATE) since 2012. Mr. Fred Shindika is also co-initiator and shareholder of Smartmoney (www.smartmoneyproject.org), a mobile money company that is targeting people in remote rural communities that are not being served by existing mobile money

providers. Mr. Fred Shindika has been instrumental in acquiring AECF funding for Smartmoney in 2013.

Shindika employs 16 full-time members of staff, and provides income to 43 daily labourers during harvest season. Board of Directors and management have decades of experience in cotton ginning, business administration and agriculture in the US, Asia and Africa. The organizational structure of Shindika is provided in figure below:



Organization structure, Source: Management information

The Board of Director meets on a quarterly basis, and comprises of the following 5 positions:

- **Chairman of the Board, Mr. David Charles Robertson.** Mr. Robertson is a British National with more than 40 years of experience in managing biological, agricultural and renewable energy projects in Africa en the Middle East. He has lived for more than 20 years in Tanzania, and has 3 years of experience in organic cotton farming in Tanzania as technical consultant.
- **CEO, Mr. Fred Shindika.** See description on previous page.
- **Company Secretary and Legal Specialist, Mr. Mlingi Elisha Mkucha.** Mr. Mkucha is an attorney, who is practising in Tanzania. He has extensive experience in drafting statutes and regulations. Mt. Mkucha has acquired further post-graduate qualifications in international corporate finance law, risk management, project finance, public-private-partnerships, industrial relations and labour laws. He is an accredited Company Director by the Commonwealth Secretariat and recognized by the Commonwealth Association of Corporate Governance. Has led in preparation of legal, regulatory and institutional framework of the Export Processing Zones programme and the Special Economic Zones programme in Tanzania.
- **Agricultural Specialist, Mrs. Apollinaria Elikana Pereka.** Mrs. Pereka is professor at the Faculty of Veterinary Medicine at the Sokoine University of Agriculture. She has decades of experience in animal health and disease control, as well as in the Tanzanian regulatory environment. She has held over 50 membership positions in University Committees and Professional Societies, published over 80 articles in scientific literature and has a strong record of more than 30 projects in extension work consultancies.
- **Agricultural Specialist, Mr. Abelton Mero.** Mr. Mero is Agronomist with 40 years of experience in running various agricultural projects in Tanzania. He holds a Bachelor of Science in Agriculture from the University of Dar es Salaam, a Master of Science in

Agricultural Extension from the University of Wisconsin in the US and Master of Science in Rural Development from University College Dublin in Ireland.

The fiscal year for Shindika runs from July to June. Audited annual accounts for 2010, 2011 and 2012, as well as management accounts until March 2013, have been attached to this business plan as Annex B. The key financial figures for 2010, 2011 and 2012 of Shindika are provided in table below:

Key financials Shindika (\$)	2010	2011	2012
Total assets	3,724,000	3,399,000	3,625,000
Equity	2,515,000	2,386,000	2,601,000
Long term debt	1,181,000	1,003,000	1,001,000
Turnover	798,000	996,000	1,272,000
Net profit	85,000	115,000	143,000

Key financial figures for 2010, 2011 and 2012, Source: Audited annual accounts 2010, 2011 and 2012

1.2 Vision

The promoter is envisioning fair and sustainable production of high quality cotton in Tanzania by establishing a vertically integrated supply chain, in which:

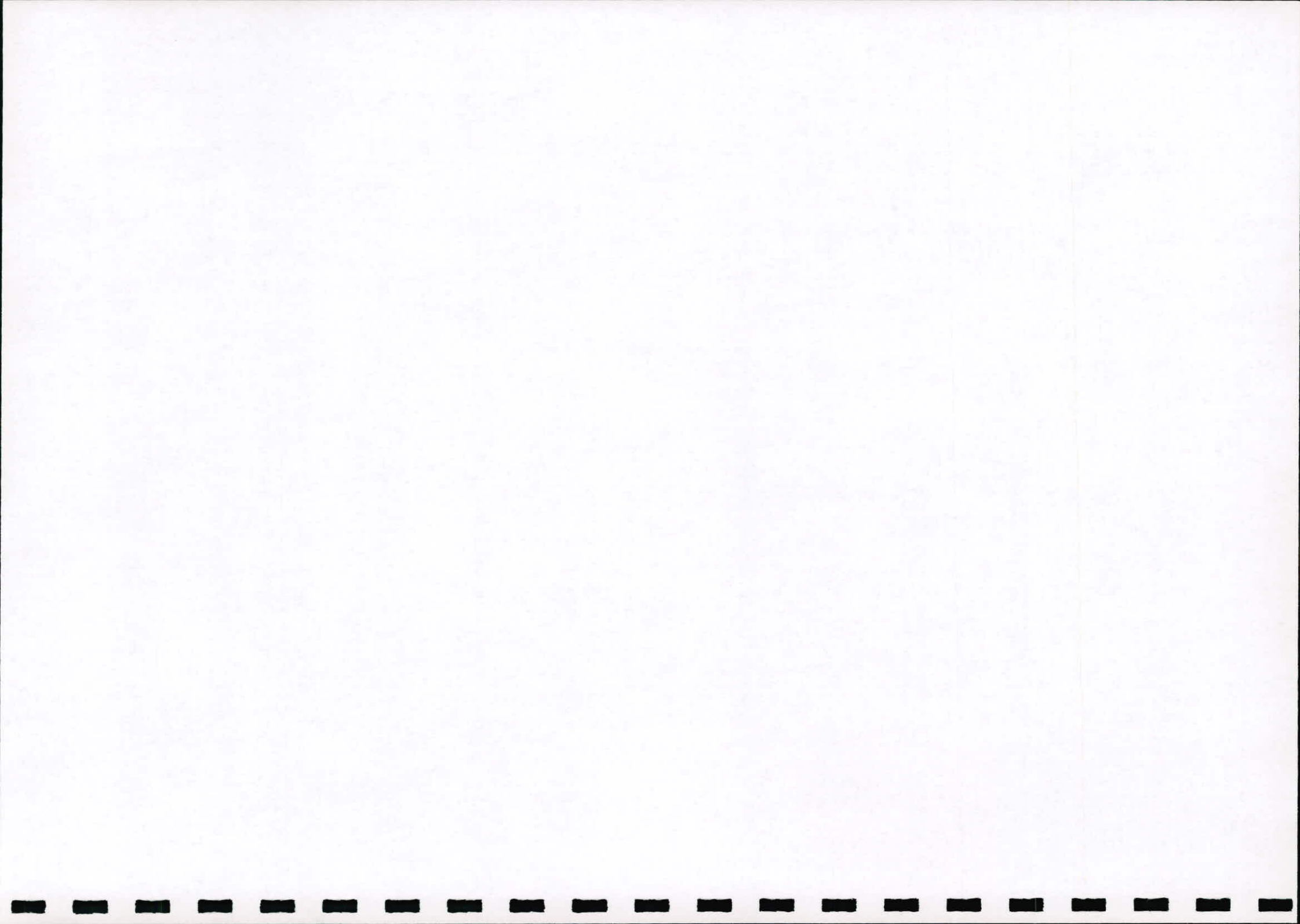
- smallholder farmers earn a fair income from a crop that is grown under near-organic conditions,
- ginning is undertaken according to high environmental standards, while staff in the processing facility earn a decent living and work under safe conditions, and
- profits are reinvested in expanding the supply chain.

During the last 4 years Shindika has worked towards the vision by establishing an outgrower scheme of 3,000 farmers in the Mwanza region. The second step in realizing the vision is establishing a state-of-the-art ginnery in Sengerema. This will enable 16,000 farmers to benefit from technical assistance, off-take guarantee, price premiums of up to 7%, pre-financing of fertilizers via the Cotton Development Trust Fund, improved yields, and provision of transport of finished produce. Commissioning of the ginnery is scheduled to take place in June 2014 before start of the 2014 procurement season. Underlying business plan is designed to attract a loan of \$ 1,800,000 from Bio to finance remaining capex investments in the ginnery.

Once ginnery is fully operational and profitable in 2016, promoter will further realize the vision by:

- transforming the cotton outgrower scheme into an organic outgrower scheme,
- increasing the number of smallholders from 16,000 to 25,000,
- facilitating seed multiplication by smallholders in the outgrower scheme,
- investing in spinning and weaving technology, and
- investing in oilseeds crushing technology.

These value addition strategies will lead to increased income for smallholder farmers and significant upward potential for promoter. Please note that implementation of these strategies is not incorporated in the remainder of underlying business plan.



2 The Company

2.1 Company ownership and objective

In view of marketability the promoter has established a new company: **Primelint Ginneries Ltd.** (Primelint). Primelint has been registered in 2013 under Tanzanian law, and its shares are equally held by Mr. Fred Shindika and Mrs. Catherine Shindika. After acquiring loan from Bio in December 2013, all assets of Shindika will be transferred to Primelint. Shareholding in Primelint will be the same as shareholding in Shindika.



The **objective** of Primelint is to set up and operate a state-of-the-art ginnery in Sengerema to process raw cotton produced by smallholders, while maximizing the returns to its shareholders. In order to support the production of raw cotton, Primelint will provide technical and financial assistance to smallholders and their organisations through an outgrower (contract farming) scheme with mutual guarantees with regard to the buying and selling of raw cotton.

Investments in the cotton industry in Tanzania have been scarce over the last 50 years, and efficiency of ginneries in Tanzania is poor in comparison to Asian competitors. For example, Shindika is currently leasing capacity of a ginnery in Kasamwa that was commissioned in 1954. By establishing a new ginnery in Sengerema with an hourly processing capacity of 11.94 tons, it is foreseen that the efficiency increases with 350%. It is conservatively estimated that 39% of the raw cotton will be processed into cotton lint and 59% will be processed into cotton seed by the ginnery, leading to a maximum annual production of 9,732 tons of cotton lint and 14,723 tons of cotton seeds.

In addition, Primelint will be able to fetch a premium of between 3% and 5% in comparison to current prices, as the company will be able to produce Gany + ½ cotton lint of type 1. Specifically, the following combination of new technologies for the Mwanza region will lead to the increase in efficiency and prices:

- Double Saw ginning technology,
- Machinery with high level of automation,
- ISO certification of operations,
- Pressing of 227 kg bales,
- Humidifier and lint cleaner

To secure quality supply of raw cotton to the ginnery, Primelint will increase the outgrower scheme of Shindika from 3,000 smallholder farmers to 16,000 smallholder farmers. Farmers in the outgrower scheme will benefit from:

- 100% off-take guarantee of raw cotton,
- agronomic training (including training on Integrated Pest Management),
- premium prices of 3% - 7% above prevailing market prices,
- pre-financing of fertilizers via the Cotton Development Trust Fund,
- provision of transport of finished produce, and
- improved yields that are expected to increase from 600 kg / ha to 800 kg / ha.

2.2 Location of the business

The ginnery of Primelint will be situated on Plots 8 and 10, Block A, Nyitundu, Sengerema in the Mwanza region of Tanzania. It is located 86 km from Mwanza on Sengerema Road in the main cotton growing belt known as the Western Cotton Growing Area (WCGA).



Location of the business, Source: Management information

2.3 Progress to date

Since 2011 Shindika has gradually been investing in land, building and supporting facilities for the ginnery from cash flow results and shareholder contributions. At the beginning of 2013 the investments have been valued at a lower amount than reported in the audited accounts of 2012. Table below provides an overview of the investments per 31 March 2013 and expected additions between 1 April 2013 and loan disbursement of Bio in December 2013.

Overview investments	March 31st, 2013	Additions 2013	December 31st, 2013
Land (13 ha, 66 year lease) + levelling + fencing	900,000	49,000	949,000
Buildings Ginnery (45m * 18m * 15m), fencing, offices, go-down foundation	730,000	72,000	802,000
Power connection		140,000	140,000
Water supply (pump house, pipes, power line, water reservoir)		58,000	58,000
Machinery (paid on technology)	10,000		10,000
Furniture (Dar Es Salam)	35,000		35,000
Vehicles	12,000		12,000
Total	1,687,000	319,000	2,006,000

Overview of investments, Source: Management information

In addition to investments in land, building and supporting facilities, the following has been achieved per May 2013:

- off-take agreements for 60% of the maximum production capacity with the Swiss company Paul Reinhart and the Singapore company Tong Teik secured,
- term sheet with African Export-Import Bank for a \$ 6,000,000 pre-shipment finance facility (interest at LIBOR plus 400 bp, and fees at 275 bp) signed,

- environmental impact assessment performed, and licensing obtained.
- Export Processing Zone status obtained, whereby Primelint will benefit from:
 - income tax holiday until 2018,
 - import duty exemption on capex,
 - export duty exempt on cotton lint,
 - and licensing to hire 15 expatriate staff.

Pictures of investments in land, building and supporting facilities per ultimo April 2013 are provided below:



Investments in land, building and supporting facilities per ultimo April 2013, Source: Management information

3 Products and Market

3.1 Products, customers and promotion

Primelint will produce and market two products:

- **Cotton lint**

Cotton is used to make a number of textile products. These include socks, underwear, t-shirts, bed sheets, denim, terrycloth, cambric, yarn, etc. While many fabrics are made completely of cotton, some materials blend cotton with other fibres such as rayon and synthetic fibres as polyester. In addition to the textile industry, cotton is used in fishing nets, coffee filters, tents, explosives, cotton paper and bookbinding.

Cotton lint is produced in bales, which vary in weight between 180 kg and 227 kg. A cluster of 300 bales makes a lot, which implies that the minimum export amount is equal to between 54 and 68 tons. Cotton is bought and sold by investors and price speculators as a tradable commodity on 2 different stock exchanges in the United States of America. Cotton futures contracts are traded on the New York Mercantile Exchange and the New York Board of Trade.

Quality and price forming of cotton is determined by colour, purity and length of the fibres. The colour of cotton fibres is primarily determined by temperature, maturity, humidity, exposure to sunlight, cotton variety, actions by micro-organism, as well as technical defects in harvesting and subsequent storage and transport. Purity is defined in terms of absence of foreign matter, which is related to the quality of the ginning process.

Qualification of cotton is based on colour ("grade") and fibre length ("type"). Internationally 7 grades of cotton are distinguished, and historically Tanzania has developed its own grade qualifications. Table below provides an overview of the link between Tanzanian grades and universal grades, as well as insight in grading of the Tanzanian cotton production in 2011:

Tanzanian grades	Universal grades	Share in 2011 season
Tang	Good middling	0.0%
Gany + 1/2	Strict middling	2.4%
Gany	Middling	46.2%
Gany - 1/4	Strict low middling	34.9%
Gany - 1/2	Low middling	13.4%
Gany - 1/4	Strict good ordinary	2.5%
Yika	Good ordinary	0.5%
Undergrade (UG)	Below grade (BG)	0.1%

Link between Tanzanian grades and universal grades, Source: International Trade Centre

Type of cotton lint is independent from its grade. A summary of the internationally recognized types, as well as overview of the Tanzanian cotton lint types of the 2011 season is given in table below:

Type	Staple length (inch)	Staple length (mm)	Share in 2011 season
Type 1	1 1/8	28.2 - 28.7	36.2%
Type 2	1 3/32	27.4 - 27.9	50.5%
Type 3	1 1/16	26.7 - 27.2	13.3%

Cotton lint types, Source: International Trade Centre

Because of quality of the cotton in the Mwanza region and modern technology of its ginning facility, Primelint will produce Gany + ½ cotton lint of type 1. Cotton lint from Primelint will be promoted by direct marketing to prospective clients and existing of Shindika. Hereto, regular visits, e-mail contact and telephone contact with potential customers will be undertaken. In addition, Primelint will be attending Biofach international agricultural trade fairs in China. The company will prepare marketing material as a website and flyers to promote its brand to the international market.

Shindika has already brokered off-take agreements with the Swiss company Paul Reinhart and the Singapore company Tong Teik. Paul Reinhart has 225 years of experience in cotton trading with multiple subsidiaries, agents and investments in Europe, Africa, Asia and Latin America. Tong Teik is a member of the RCMA Commodities Asia Group of companies. The group trades polymer (mostly rubber), coffee, coal and cotton, and originally started its activities in the rubber industry in the early 1900's. Its cotton team is based Singapore, Vietnam and Europe, and trades cotton lint from West Africa, East Africa, Central Asia, US, India, Brazil and Australia. Paul Reinhart has committed to source 2,270 tons on an annual basis and Tong Teik has committed to procure 3,500 tons on an annual basis. This is equivalent to 60% of the maximum production capacity.

- **Cotton seed**

The cotton seed which remains after the cotton is ginned is used to produce cotton seed oil. Once refined, the oil is used for cooking purposes like any other vegetable oil. The cotton seed of Primelint will be sold in Tanzania to Birchard Oilmill, Lisa Oilmill and MSK Refinery, which are already off-takers of cotton seed from Shindika.

3.2 The market place in Tanzania

Between 70% and 80% of the produced cotton lint in Tanzania is being exported. The remainder is channelled to the domestic textile industry, which mostly produces traditional East African fabrics as kanga and vitenge. During the 2011 season, Tanzania exported a total of 33,700 tons of lint valued at USD 57 million, compared to 50,300 tons worth USD 60 in 2010. The major destinations of Tanzanian cotton lint continued to be Vietnam, Thailand, Indonesia, China and Bangladesh. Local consumption of lint in 2011 was 24,100 tons compared to 37,500 tons during the 2010 season. The table below provides an overview of cotton lint exports from Tanzania in 2011:

Country	Quantity (tons)	Value (\$)
Vietnam	11,558	18,500,000
Thailand	9,312	15,400,000
Indonesia	4,300	6,800,000
China	2,835	4,700,000
Bangladesh	2,676	4,400,000
Taiwan	932	1,500,000
Portugal	861	1,500,000
India	381	800,000
Turkey	418	700,000
Rest of world	390	2,500,000
Total	33,663	56,800,000

Cotton export from Tanzania in 2011, Source: Tanzania Cotton Board

Cotton lint exports are conducted mainly through international cotton trading companies, which also operate offices, warehouses and/or ginneries in Tanzania. Cotton lint from Tanzania is exported from the seaport of Dar Es Salam that offers the shortest routes to most of the cotton lint consuming countries with freight charges at reasonable levels. Since closure of the railway system, cotton is being transported by road.

Most of the ginning companies have so far preferred so called "indirect exporting", whereby baled cotton is delivered to the exporting company. The exporting company assumes ownership of the goods, completes export formalities and ships. Payment is usually on FOT (Free on Truck) or ex-factory basis. Generally part of the cotton lint is also sold by the ginners before harvesting under forward contracts to ensure pre-financing from banks.

The Tanzanian Cotton Board (TCB) is the regulating body responsible for monitoring industry actors and quality control (HVI testing) of lint cotton. It works closely with international organizations, such as ICA, Bremen Fibre Institute, ICAC and USDA. During the ginning process one sample is taken from each bale at the bale press, and presently 10% of the total produce is tested. TCG runs two labs equipped with HVI testing equipment in Dar es Salaam and Mwanza. Qualification services are usually outsourced to Wakefield Inspections Ltd.

Historically, Tanzania has been using roller-gin type ginning equipment. Saw gins have been introduced gradually over the last decades. As per today, all of the 14 ginning installations in the ECGA are roller-gins. In the WCGA 42 of 67 ginnery installations have roller-gins, constituting to 55 % of the total installed ginning capacity. Within the WCGA the proportion of the installed capacity of saw gins to roller-gins is 69% to 31% in Shinyanga, while in Mwanza roller-ginning constitutes to 71% and saw ginning to 29%.

3.3 Market size and trends

The analysis in this section and the following section focuses on the market potential of cotton lint, as the product constitutes for 79% of the revenues of Primelint. Tables, graphs, prices, amounts and %ages in this section and the following section are obtained from the National Cotton Council of America, United States Department of Agriculture, Bloomberg, United Nations Conference on Trade and Development, Tanzanian Cotton Board, Gatsby Foundation, International Trade Centre and Shindika.

Production

Since the beginning of the 1940s, world cotton production has increased at an average annual growth rate of about 2%. Much of the growth of cotton production since the end of the Second World War was due to improved yields. The output per hectare more than quadrupled from 0.2 tons per ha in 1946 to 0.8 tons per ha in 2007. Cultivated area increased only by 35% over the same period.

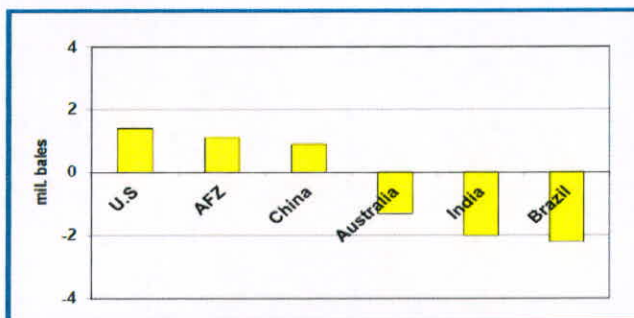
China and India are the largest producers of cotton lint with an annual production of about 33 million bales and 28 million bales respectively in the 2011/2012 season. This is equivalent to 49% of the world production. Although India also exports cotton lint, production of China and India is predominantly consumed by their respective textile industries. Cotton is one of the most important cash crops in China. Among 31 provinces in mainland China, 24 provinces produce cotton, and about 300 million people are involved in cotton production. In India the states of Maharashtra, Gujarat and Andhra Pradesh are the leading cotton producing states, as these states have a predominantly tropical wet and dry climate.

The United States is the third largest exporter of cotton in the world, followed by Pakistan and Brazil. In the United States, the state of Texas leads in total production, while the state of California had the highest yields. In Pakistan cotton is predominantly grown in the provinces of Punjab and Sindh. The states of Mato Grosso and Bahia account for more than 75 % of the crop production in Brazil. An overview of the largest cotton lint producers is provided in table below:

Annual Production (* 1,000 bales)	07/08	08/09	09/10	10/11	11/12
China	37,000	36,700	32,000	30,500	33,100
India	24,000	22,600	23,800	26,400	27,500
United States	19,207	12,815	12,188	18,104	15,573
Pakistan	8,550	8,540	9,240	8,640	10,600
Brazil	7,360	5,480	5,450	9,000	8,700
Rest of world	23,463	21,109	19,480	23,687	28,661
Total	119,580	107,244	102,158	116,331	124,134

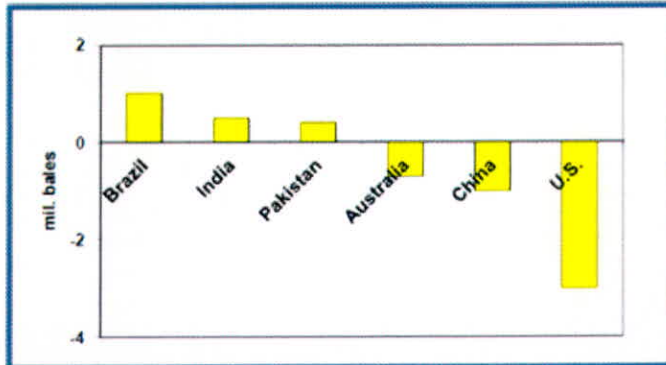
World cotton lint production, Source: National Cotton Council of America

Global 2012/13 cotton production is estimated to decline from the previous year with 4 % to 119 million bales. The estimated crop decline is the result of reductions in the major southern hemisphere producing countries and India, partially offset by increases for the United States, the African Franc Zone countries and China. World 2012/13 area harvested is estimated at 34.1 million hectares, down 4 % from the preceding year, while the world average yield is about unchanged at 759 kg/hectare. An overview of estimated changes in world production of cotton lint for the seasons 2012/13 compared with 2011/12 is provided in figure below:



Estimated changes in production for seasons 2012/13 in comparison to 2011/12, Source: United States Department of Agriculture

Global 2013/14 cotton production is projected at 115.5 million bales, down 3 % from the previous year. Relatively lower cotton market prices are expected to cause a shift in cultivated area from cotton to more profitable alternatives. Output is expected to decline in the United States, China, and Australia, which together account for 44 % of world production, compared with a 46-% share in the previous year. Brazil, India, and Pakistan are projected to increase production in 2013/14. World 2013/14 harvested area for cotton is projected to decline nearly 3 % from a year earlier to about 33.0 million hectares, while world yields are expected to remain about even with 2012/13. Figure below provides an overview of estimated changes in world production of cotton lint for the seasons 2013/14 compared with 2012/13:



Estimated changes in production for seasons 2013/14 in comparison to 2012/13, Source: United States Department of Agriculture

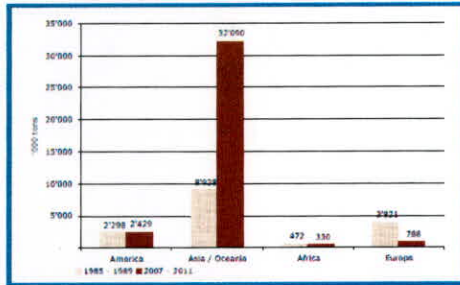
China is projected to produce 33.0 million bales in 2013/14, down 3% from a year ago. Despite the government's generous cotton price support program, cotton growers in eastern China face rising production costs, especially for labor, and are expected to shift production to less labor-intensive and more profitable alternatives. However, planted area in the high-yielding Xinjiang Autonomous Region continues to expand, raising the national yield and partially offsetting reductions in the eastern provinces. China's 2013/14 harvested area is projected at 5.0 million hectares, a 5-% reduction from the previous year.

It is expected that India will produce 26.0 million bales in 2013/14, a 2-% increase from the previous year. While planted area is expected to decline slightly, recovery in yields from 2012 is expected to support production. Pakistan's 2013/14 production is projected to increase with 4 % to 10.0 million bales. The projected increase in output is mainly due to a yield rebound. Pakistan's 2013/14 harvested area is projected at 3.0 million hectares, unchanged from the preceding year. Brazil's 2013/14 crop is projected at 7.5 million bales, up 1.0 million from the previous year, as continued investment in cotton infrastructure and lower prices for competing crops support cotton production. Brazil's 2013/14 harvested cotton area is projected at 1.15 million hectares, 15 % above 2012/13, while the yield is projected to remain about the same.

Demand

Just as production, world cotton consumption has increased at an average annual growth rate of about 2% since the beginning of the 1940s. Growth in the demand for cotton was comparatively higher in the 1950s and 1980s, with an average growth rate of 4.6% a year during the 1950s and 3% in the 1980s. Developing countries have absorbed much of global cotton output since the end of WWII, and processing of cotton lint into yarn has been multiplied by 3.6 in Asia/Oceania over the last 20 years. The share of developing countries in

global consumption has become even more significant since the beginning of the 2000s. Developing countries accounted for approximately 78% of global cotton consumption between 1981 and 1999, while they absorbed almost 94% of global cotton output in 2010. An overview of the annual cotton yarn production by region for the periods 1985 – 1989 and 2007 – 2011 is provided in graph below:



Average annual cotton yarn production by region 1985 – 1989 and 2007 – 2011, Source: United Nations Conference on Trade and Development

Cotton consumption has shifted to developing countries mainly as a reflection of rising wage levels in developed countries. Labour accounts for about 1/6 of the production costs in the textile sector. This means that raising labour costs eroded the competitive edge of developed countries, and contributed to the shifting of cotton processing to low-cost economies (most notably Asia and the Maghreb). Specialisation and exogenous factors as the development of new technologies and improved infrastructures favoured delocalisation of production by multinational companies based in developed countries.

Since the 1970s a declining trend of cotton's share in textiles fibres can be observed when compared to chemical fibres. In 1960 cotton accounted for 68% of the fibres against 22% for chemical fibres, while cotton accounted for 40% of the fibres against 58% for chemical fibres. However, cotton remains by far the most important natural fibre of the 21st century. The total international trade of cotton lint is estimated to be \$12 billion in 2011. The five leading exporters of cotton in 2011 were the United States, India, Brazil, Australia and Uzbekistan. The largest nonproducing importers are Korea, Taiwan, Russia, Hong Kong and Japan.

China is by far the largest cotton yarn producer in the world, accounting for 48% of world production of 37.6 million tons in 2011. India and Pakistan follow with a production of 9.6% and 8.8% in 2011 respectively. Indonesia and Bangladesh complete the top 5 yarn producing countries. Because of its dominant position in production capacity of cotton lint, yarn and manmade fibres, financial dominance and regulation driven economy, **developments in China** are the **first main determinant** in the market outlook of cotton lint.

Before describing developments in China it is important to note that a shift is underway in terms of where cotton is spun into yarn. For the current 2012/13 marketing year, mill demand outside is expected to increase with 5.4 million bales to 67.2 million bales. India and Pakistan together account for half of this increase. For the 2013/14 season the same developments are expected with a slightly lower growth increase of 4 million bales. Continued growth in mill use is being supported by the relatively stable price pattern of the beginning of 2012/13 season, more competitive prices when compared to polyester and more favourable spreads between yarn values and fibre prices.

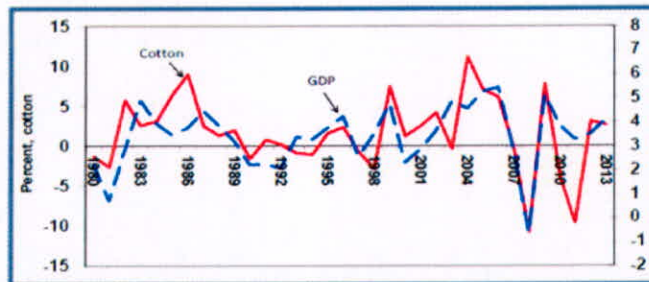
The other factor supporting mill use in these countries is China's current policy of buying cotton for their strategic reserves. While the spread between yarn values and local prices is

attractive to spinners in India and Pakistan, this relationship does not hold for China that holds over 50% of the global stock. By purchasing their domestic production at prices of 40% above world prices, China is causing their cotton spinning to be uncompetitive. For China differentials between yarn values and fibre prices are only one-third of those in India and Pakistan. Fabric manufacturers in China are therefore increasingly looking to fill their yarn demand with imported product.

China's current policy has also furthered the shift to manmade fibre. Over the 2009 through 2012 marketing years, mill use in China declined by almost 15 million bales. Over that same period China's use of manmade fibre grew by 40 million bales. This resulted in a decrease of cotton's market share from 30% to 19%. In the few years cotton has regained only a fraction of the market share lost to synthetic fibres as a result of the high prices in 2010/11. February 2013 data on textile imports to the United States, show only a marginal recovery for cotton's fibre share from a year earlier in the world's largest retail consumer of textiles.

Both in the current marketing year and the years to come, the most important unknown is the extent to which China releases cotton from its reserves. Although no official announcement has been made regarding the 2013 policy, it is expected that the government support price remains at a level comparable to 2012. As a result, mill use for the 2013 marketing year is expected to decline further, falling to 34.3 million bales. With the support price well above world market prices, the vast majority of China's domestic production will enter government reserves. If China's textile mills are to continue to consume between 34 and 35 million bales of cotton, then there will be either significant sales from government reserves or significant imports from the world market. In the current marketing year the government has commenced sales from the reserves. It is assumed that China will also purchase a significant amount from this year's crop. As a result, China will continue to build government reserves and import bales. However, total imports for the 2013/14 marketing year are expected to be half of the import level for the 2012/13 market season.

The **second main determinant** in the market outlook of cotton lint is **global economic growth**. As can be obtained from graph below, world cotton consumption and economic growth are highly correlated:



World cotton lint consumption and economic growth 1980 – 2013, Source: United States Department of Agriculture

The International Monetary Fund expects that world economic will continue for the next two years at slightly improved rates over 2012. However, their forecast also notes that much of the growth is policy dependent, and that downside risks remain significant. Recovery in the Euro Zone is expected to be further delayed, and the outlook for the U.S. economy depends on fiscal policies. In summary, world economies are expected to grow, but the continued recovery is not robust.

Conclusion

After consecutive declines between 2009 and 2012 because of the damaging effects of the recession and the high prices during the 2010/11 season, cotton demand has stabilized and is expected to grow in the coming years. However, the battle for market share with manmade fibres has never been fiercer due to policy developments in China. With a recovering global economy, there is excellent potential for growth in cotton demand. The potential impact of China's management of their 40 million bale reserves must be reiterated. Should China choose to be a more active seller in the coming year, imports and prices will decrease. China could also go to the other extreme and choose to sell very little of their reserves. Under that scenario imports and prices could increase. As summary of this section is provided in table below summarizing the historical and expected world production, consumption and prices:



Historical and expected world production and world consumption 2008 – 2014, Source: United States Department of Agriculture

3.4 Prices

World prices for cotton lint are monitored by means of price indices, which are intended to be representative of the price level on the international cotton market. The Cotlook A-Index and the Cotlook B-Index are the standards in the global cotton trade. The standards are published daily on the Cotlook website. Cotlook Limited is a private UK cotton consultancy, which has been publishing the indices since the 1970s.

The Cotlook A-Index is the average of the cheapest five quotations from a selection of the 19 main cottons traded internationally: Memphis/East in the US, California/Arizona in the US, Orleans/Texas in the US, Tanzania, Turkey, India, Uzbekistan, Paraguay, Pakistan, Côte d'Ivoire, Burkina Faso, Benin, Mali, Greece, Australia, Mexico, Syria, Brazil, China. The Cotlook B-Index is an average of the cheapest three quotations for cotton used in spinning from nine origins in Orleans/Texas in the US, Argentina, Brazil, Turkey, Syria, Uzbekistan, China, Pakistan, India shipped to European ports.

Fluctuations in cotton prices are determined by several factors. Shifts in the level of demand, stock and supply are the most important factor, followed by the related factor of changes in producing countries' and processing countries' cotton policies. Especially the United States, China and the EU need to be mentioned in this respect (see previous section for elaboration).

Projections of world supply and demand, combined with the assumed China policies, indicate a Cotlook A-Index of between 75 and 95. Underlying world economic growth, China's price support policies, and a modest tightening of world stocks outside of China are factors supporting prices. At the same time however, sharply lower projected prices for feed

grains and oilseeds, which compete with cotton for area, could have a price depressing impact.

China’s policies put a floor under world prices during the first half of the 2012/13 season, because of its subsidy on national production and duty on imports. Cotlook A-Index averaged 83 during August 2012 –December 2012, but rose in January as global exportable supplies declined and competition for imported cotton from countries outside of China intensified. The Cotlook A-Index traded within an 11 cent range in the period August 2012 – January 2013, which is the narrowest range since 2006. The break-even price at which Chinese mills could import cotton and pay the 40% duty, compared to the government’s reserve sale price, was equivalent to a Cotlook A-Index of 86. Per May 24 2013 the value of the Cotlook A-Index is equal to 90.10.

An overview of projected prices is provided in table below:



Historical and expected prices 2008 – 2014, Source: United States Department of Agriculture

Primelint will sell its cotton at ex-factory prices, as prospective clients will take ownership of goods from its premises. This has the advantage that Primelint will receive 90% of the payments within 2 days after selling. The remaining payments will be received after 2 weeks when the products have been HVI tested. Because of quality of the cotton in the Mwanza region and modern technology of its ginning facility, Primelint will produce Gany + ½ cotton lint of type 1. This will result in a premium of between 3% and 7% above Cotlook-A Index prices.

Please note that Primelint will market cotton lint for ex-factory prices and that the Cotlook A-Index is quoted in \$ per pound for CIF Europe prices. In order to determine the ex-factory price for Primelint, \$ 0.07 needs to be discounted to get FOB prices in Dar-Es-Salam and \$ 0.04 needs to be discounted for inland charges. Given the previous analysis, the value of the Cotlook A-Index has been estimated at 86 in underlying business plan. This is equivalent to \$ 0.75 per pound ex-factory, or \$ 1,653 per ton ex-factory. In the business plan it is further assumed that expected quality premiums for cotton lint from Primelint will not be realized until 2015 with a premium of 2%. From 2016 onwards it is assumed that Primelint will receive a premium of 4% above the Cotlook A-Index.

4 The Raw Material

4.1 History of cotton in Tanzania

Cotton was first introduced in Tanzania by German colonialists in the 19th century with initial investments in ginning by missionaries, British companies and Asian businessmen. Production of cotton on a commercial scale started in 1928 following the construction of a railway from Tabora to Mwanza. During the 1930s, local research led to the development of a pest-resistant variety, which raised cotton production considerably. In the 1930s, Asian businessmen dominated the sector, while the colonial government engaged itself in regulating the operations, investing in seed varietal research, distributing free seeds to producers and announcing floor prices at the start of each marketing season. During the 1950s, a total of 400 co-operative societies and 20 co-operative unions gained strength. In 1952, the Tanganyika Lint and Seed Marketing Board (LSMB) became the responsible body for cotton development, and since 1956 also dealt with seed and lint export. Until the early 1960s, the ownership and management of ginneries in Tanzania remained in the hands of the private sector.



By 1968 virtually all the ginneries were owned by cooperative unions, which effectively controlled the ginning and marketing of cotton in the country. In 1976 a major institutional restructuring took place. Ginneries, oil mills and cotton marketing responsibilities were transferred to the newly-formed Tanzanian Cotton Authority (TCA). In 1984, regional cooperative unions were reintroduced to handle cotton production, input distribution, crop procurement and marketing on behalf of the Tanzania Cotton Marketing Board (TCMB), the successor to TCA.

The liberalisation of commodity markets in 1994 was a turning point in Tanzania's cotton industry. After liberalisation, farmers received more competitive farm-gate prices and prompt payments. A significant increase in the number of cotton buyers/ginners/cotton seed crushers, private banks, insurance agents, collateral firms, agro-input providers, NGOs, LGA, occurred.

In 2004 the Tanzania Cotton Board (TCB) was created as a regulatory and promotional body for the industry. Facilities for a healthy cotton economy, such as sustainable financing mechanisms, research and development, input procurement and distribution, market information, communication, promotion, etc., have progressively been developed since then. A sustainable institutional framework for the sector in the form of the Tanzania Cotton Association (TCA) was established in 1998. Related institutions, such as the Cotton Trust Fund (1995), the Cotton Development Fund (2003), the Pass Book system (2009) and the Cotton Development Trust Fund have been developed to support farmers. Enhanced research resulted in institutionalisation of "one variety, one zone" seeds.

4.2 Cotton cultivation in Tanzania

With exceptions from the 2004/05 and 2005/06 seasons when cotton was the number one foreign exchange earner among agricultural commodities, cotton is the second largest export crop after coffee. In Tanzania cotton is a smallholder crop, and the sizes of the majority of the farms are smaller than 1 ha. Around 40% of the total population derive their livelihood directly or indirectly from cotton, which is grown by an estimated number of between 350,000 to 500,000 smallholder farmers. An overview of the annual raw cotton production is provided in table below:

Raw cotton production (tons)	
1999/2000	105,853
2000/2001	123,589
2001/2002	148,142
2002/2003	187,883
2003/2004	138,917
2004/2005	341,789
2005/2006	379,591
2006/2007	130,585
2007/2008	200,662
2008/2009	368,697
2009/2010	267,004
2010/2011	163,644
2011/2012	354,000

Annual raw cotton production in Tanzania, Source: Tanzania Cotton Board

It is widely acknowledged that the increase in production in the 2011/12 season has been spurred by high prices in the 2010/11 season and success of the contract farming programme in the Mwaro region as facilitated by TCB and Gatsby Foundation. The three-year pilot program for contract farming was aimed at increasing yields by provision of technical support and increasing income by eliminating middle men, forming of farmer business groups and increase access to finance. Please note that it is mandatory to participate in the contract farming system, and that the cotton production area has been divided into 12 zones with a limited number of ginners allowed buying cotton in each zone. Shindika has been licensed to source cotton in the Mwaro region.

Cotton cultivation is generally done manually under rain-fed conditions with minimal use of inputs, such as fertilisers and chemicals. Research and development efforts are being devoted towards increasing yields. Cotton is handpicked, which generally entitles a premium in world markets. There are two cotton growing zones in Tanzania:

- **The Western Cotton Growing Area (WCGA)**, Shinyanga, Mwanza, Tabora, Mara, Singida, Kagera and Kigoma regions accounting for almost 97-99% of total production, and
- **The Eastern Cotton Growing Area (ECGA)**, Morogoro, Coast, Tanga, Iringa, Manyara Kilimanjaro and Arusha regions, producing the remaining 1-3% range.

Average cotton yield is around 600 kg of raw cotton per hectare, mainly due to factors such as rain-fed growing conditions, use of low yield seeds, insufficient use of fertilizer and chemicals. Hand-hoe is the most commonly used instrument, with some animal traction for soil preparation as well as during planting and in subsequent weeding. TCB has supported farmers in the use of tractors, which contributed to the employment of modern farming techniques.

Of the two cotton seed varietal development and multiplication centres, Ukiriguru is the station covering the total area of the WCGA. UK 91 has been the seed used in the WCGA since 1991. New varieties UK 08 and UKM 08 have also been released recently. Ilonga is the other centre covering the area of the ECGA, where Mkombozi (ALAI 90) has been in use since 2002.

In the west, planting is between November and December, while harvesting is being done between June and July. Ginning takes place from July until December, depending on the crop size and the number of ginneries licensed to operate in that particular season. In the east, planting takes place between February and March, followed by harvesting from September to November and ginning between October and November.

Production of cotton in Tanzania is expected to drop in 2013/14, because of low prices at the end of 2012, limited distribution of pesticides, and challenges with the contract farming system as supported by TCB and the Gatby Foundation. Although being successfully adopted by farmers during the last three years, the contract farming programme has not been accepted by traders and borrowers. This has led to suspension of contract farming and decrease of pesticide distribution by Tanzania's Cotton Development Trust Fund. In addition, the system is being criticized by farmers because of high prices for inputs. Low prices at the end of 2012 also lead to inability of farmer groups to pay back loans, which also contributed to lower industry investments in cotton cultivation. Estimated cotton plantings are expected to decrease from 1.4 million ha last year to 1.1 million ha this year, and cotton production is also expected to decline with 30% in comparison to the 2011/12 season.

4.3 Sourcing outside outgrower scheme

Primelint will establish an outgrower scheme of 16,000 smallholder farmers. However, productivity of the outgrower scheme will not be sufficient to fully meet ginning capacity, and Primelint will also source raw cotton outside its outgrower scheme via local traders. By establishing an additional sourcing mechanism, Primelint also mitigates risk of productivity shortfall of the outgrower scheme due to weather and side selling. An overview of the annual yield profile for sourcing outside the outgrower scheme is provided in table below:

Sourcing outside outgrower scheme	2014	2015	2016	2017	2018
Sourcing outside outgrowers scheme (tons)	14,522	16,290	14,510	10,988	7,313
Average impurities (%)	4%	4%	4%	4%	4%
Raw cotton available for processing (tons)	13,941	15,639	13,930	10,549	7,021

Cotton sourcing outside outgrower scheme, Source: Financial Projections

Primelint will be able to attract sufficient raw cotton for its production. The maximum raw cotton processing capacity of the ginnery is 24,955 tons per year, and Primelint will process a maximum of 15,639 tons of raw cotton from outside its outgrower scheme in 2015 (= 63% of maximum processing capacity). This is equivalent to 4.4% of the total raw cotton production in Tanzania for the season 2011 / 2012.

4.4 Smallholder scheme development

The outgrowers scheme is crucial for long term success of Primelint, as it will secure supply of quality raw cotton on the long term. The outgrower scheme will be located in the

Misungwi, Sengerema, Buchosa, Geita and Busanda districts of the Mwanza region. Farmers in the outgrower scheme will benefit from:

- 100% off-take guarantee of raw cotton,
- agronomic training (including training on Integrated Pest Management),
- premium prices of 3% - 7% above prevailing market prices,
- pre-financing of fertilizers via the Cotton Development Trust Fund,
- provision of transport of finished produce, and
- improved yields that are expected to increase from 600 kg / ha to 800 kg / ha.

The 16,000 smallholder farmers in the outgrower scheme will be asked to dedicate approximately 1.5 ha of farm for the growing of raw cotton. This is above the average land dedication for raw cotton in the area, which is estimated at around 1.2 ha. The increase in land dedication to 1.5 ha is needed to increase efficiency of the outgrower scheme and decrease span of control. As raw cotton is a seasonal crop without a demanding much workload outside harvesting season, there will be ample time and space to continue traditional subsistence farming by growing staple food crops as maize on the remaining land.

Underlying business plan assumes a yield of 0.8 tons per ha, which is above the current average Tanzanian yield of between 0.5 and 0.75 tons per ha. As smallholder farmers in West Africa are able realize a productivity of 1.0 tons per ha under similar circumstances, promoter is convinced that a yield of 0.8 tons per ha is possible given the advantages of the outgrower scheme. This implies that in total 19,200 tons of raw cotton (= 77% of maximum processing capacity) for the ginnery will be sourced from the outgrower scheme from 2019 onwards.

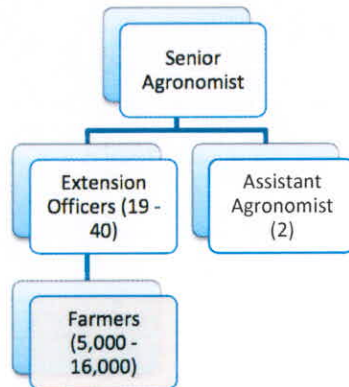
In the 2009/10 marketing season a farmer of the outgrower scheme of Shindika produced the highest yields in Tanzania. Mr. Said Mbwebweto achieved a yield of 1,007 kg / acre, and he has been awarded by Government and company.

Although cotton is the most profitable crop for farmers in the Mwanza region, an exclusive focus on growing cotton would expose farmers to high risks. For environmental reasons cotton must also be part of a diversified farming system and fertilizer usage minimized. As a matter of policy, Primelint will discourage smallholders from planting more than 50% of their holdings with cotton. The specific criteria for selecting smallholders are that

- farmers have a minimum landholding of 3.0 ha,
- have a maximum landholding of 20 ha,
- have at least 1.5 ha of land for cotton cultivation,
- have proximity to a water source,
- have residency in the area,
- have households with sufficient labour to undertake at least 50 days of growing and harvesting, and
- have a membership with a trading cooperative that is recognized by the Tanzanian Cotton Board

The outgrowers will manually irrigate when necessary. Weeding and application of fertilizers will also be carried out manually during growing season. Seeds for sowing will be provided by the Tanzanian Cotton Board or taken from harvest of the farmer from previous growing season. During agricultural training crop rotation with sunflower will be promoted. Experience has shown in Northern Tanzania that sunflower is an efficient trap crop for the crop disease "American bollworm".

A specification of the future organizational set-up of the outgrower department is provided below to guide the additional explanations in this section regarding set-up of the outgrower scheme:



Organizational set-up of the outgrower department, Source: Financial Projections

The Senior Agronomist is responsible for running the outgrower scheme. He will ensure that growing targets are met, coordinate the training-of-trainers program, liaise with internal and external stakeholders, execute the most important administrative duties and oversee the Assistant Agronomists and Extension Officers. The Extension Officers will implement the training-of-trainers program on farmer field school and via site visits, distribute chemicals to the farmers on farmer field school, oversee operations of 1 farmer field school and bulk the scattered produce from individual smallholders and farmer groups from the farmer field school. On average, one Extension Officer will be responsible for 400 farmers. The Assistant Agronomists will support the Senior Agronomist with its administrative duties, support the Extension Officers with implementation of the training program and oversee operations of 1 farmer training centre.

The Extension Officers will provide agronomical training and advice to farmers via group meetings to approximately 40 farmers per training at “his/her” farmer field school or at a farmers training center on issues as crop husbandry, application of fertilizers, timing of harvesting and post-harvest handling. A simple crop instruction leaflet explaining the most important aspects of raw cotton growing will be prepared and distributed amongst the farmers. Radio media is an important tool for the outgrowers scheme. During harvest season, prices of the commodities are daily announced on the radio. Assistant Agronomists are responsible for broadcasting a weekly interactive show on topics as sowing, application of fertilizers, crop protection and harvesting.



Set-up of the outgrowers scheme will be divided in four annual phases. An overview of phases and annual yield profile for the outgrower scheme is provided in table below. Please note that it is assumed that farmers are contracted towards the end of the year, as planting takes place between end of October and January. Hence, the planting for these farmers will only yield in the year afterwards. Moreover, it is defensively assumed that the

yield for this first season is equal to the national average of 600 kg / ha. From the following season onwards, the full potential yield of 800 kg / ha will be achieved.

Production Outgrower Scheme	Unit		2014	2015	2016	2017	2018	2019
Number of contracted farmers @ December 31st, 2013	farmer	5,000						
Number of new farmers contracted	farmer		2,500	2,500	3,000	3,000		
Average annual land dedication contracted farmers @ December 31st, 2013	ha / farmer	1.5						
Average annual land dedication new farmers	ha / farmer		1.5	1.5	1.5	1.5		
Existing area contracted farmers @ December 31st, 2013	ha	7,500						
New area	ha		3,750	3,750	4,500	4,500	0	0
Total number of farmers	farmer		7,500	10,000	13,000	16,000	16,000	16,000
Total area	ha		15,000	18,750	23,250	27,750	27,750	27,750
Yield existing planting	ton		6,000	6,000	6,000	6,000	6,000	6,000
Yield 2013 planting	ton		0	2,250	3,000	3,000	3,000	3,000
Yield 2014 planting	ton			0	2,250	3,000	3,000	3,000
Yield 2015 planting	ton				0	2,700	3,600	3,600
Yield 2016 planting	ton					0	2,700	3,600
Yield 2017 planting	ton						0	0
Yield 2018 planting	ton							0
Total sourced outgrower scheme	ton		6,000	8,250	11,250	14,700	18,300	19,200
Average impurities	%		4%	3%	2%	2%	2%	2%
Raw cotton available for processing	ton		5,760	8,003	11,025	14,406	17,934	18,816

Annual yield profile for the outgrower scheme, Source: Financial Projections

4.5 Cotton price

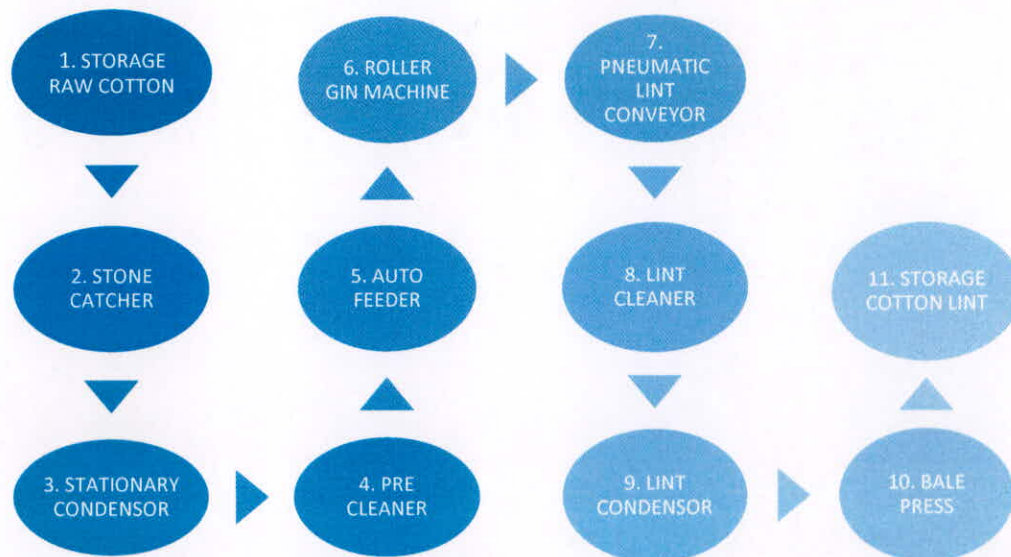
In Tanzania prices of raw cotton fluctuate heavily during the season and between years. During the last 4 years farm gate prices ranged between Tsh 700 and Tsh 1,200 per kg. Prices for raw cotton in Tanzania are directly linked to prices on the world market. As a rule of thumb, the relationship between Cotlook A-Index and farm gate prices for raw cotton in Tanzania are 1:10 (e.g. a Cotlook A-Index of 90 will lead to farm gate prices of Tsh 900 per kg). Please note that although farm gate prices fluctuate on a daily basis in relation to movements in the Cotlook A-Index, the exact ratio between Cotlook-A Index and farm gate prices are determined by exchange rates and local market demand.

Given projected Cotlook A-Index of 86 in underlying business plan (see chapter 3 for elaboration), an average farm gate price of Tsh 860 per kg is assumed in underlying business plan when sourcing from farmers outside the outgrower scheme. These prices will increase with 2.5% above inflation in 2015 and 2016, after which prices will increase with inflation. In underlying business plan the price for raw cotton sourcing from the outgrower scheme will be between 3% and 7% higher, because of quality premiums paid to farmers. It is foreseen that premiums will increase with 1% per annum from 3% in 2014 to 7% in 2018.

5 Production Process

5.1 Ginning

Ginning is one of the first steps of human kind oldest towards industrialisation. Although sophisticated technology has been introduced over the last hundreds of year to increase efficiency, essentially the ginning process has remained the same. The process flow for ginning is visualized below:



Ginning process flow, Source: Management information

After intake, the raw cotton will be stored in 2 go-downs of 60m * 18m * 10m. The go-downs are connected to each other and to the ginning facility over a distance of 25 meter to safeguard operations from fire outbreak. The stone catcher will remove immature cotton balls and stones, after which the stationary condenser and pre-cleaner will remove air and dust. The auto feeder will supply the roller gin machine, which will separate cotton lint from cotton seed. Via a conveyer belt the cotton seed will be packed in 50 kg bags, and stored in a go-down of 45m * 15m * 15m.

After being transported by a pneumatic lint conveyer, fine dust and short fibres will be removed the lint cleaner while air and dust will be removed by the lint condenser. The bale press will compress the lint in bales of 227kg type 1 cotton lint. This is the most optimal weight in international cotton logistics, as it reduces storage space during transport. The bales will be stored in a pre-fab structure of 40m * 15m * 10m that is semi-open. Overall, 2% of the raw cotton is lost as waste during the ginning process, 39% of the raw cotton will be processed into cotton lint and 59% will be processed into cotton seed.

The ginnery of Primelint will be located in Sengerema in the heart of the Western Cotton Growing Area, where the fast majority of Tanzanian cotton is cultivated. The Sengerema

area is famous for its potential for type 1 cotton lint, and the area has good infrastructural connections to the seaport of Dar-Es-Salam. Moreover, the electricity infrastructure around Sengerema is only matched by Mwanza in North-West Tanzania.

Ginning requires substantial amounts of water. For each kg of cotton lint, 0.07 litres of water is needed. In order to secure a stable and reliable water supply, Primelint has been located next to Lake Vistoria to provide the facilities with ample supply of water. In order to optimize use of fresh water, Primelint will install a water regulation unit with water reservoir and purification unit. Via the water purification unit, the discharged water from the production process will be collected in a water tank. Through sand filtering, the water will be cleaned to such extend that re-use in the production process is possible.

5.2 Technology and suppliers

The ginnery of Primelint will have an hourly processing capacity of 11.94 tons, leading to a maximum annual production of 9,732 tons of cotton lint and 14,723 tons of cotton seeds. Primelint will be able to fetch a premium of between 3% and 5% in comparison to current prices, as the company will be able to produce Gany + ½ cotton of type 1. Specifically, the following combination of new technologies for the Mwanza region will lead to increase in efficiency and prices:

- Double Saw ginning technology,
- Machinery with high level of automation,
- ISO certification of operations,
- Pressing of 227 kg bales, and
- Humidifier and lint cleaner.

Since 2011 Shindika has gradually been investing in land, building and supporting facilities for the ginnery from cash flow results and shareholder contributions from Mr. Fred Shindika and Mrs. Catherine Shindika. The investments have been valued at the beginning of 2013 at a lower amount than reported in the audited accounts of 2012. Table below provides an overview of the investments per March 31, 2013 and expected additions between April 1st 2013 and loan disbursement of Bio in December 2013.

Overview investments	March 31st, 2013	Additions 2013	December 31st, 2013
Land (13 ha, 66 year lease) + levelling + fencing	900,000	49,000	949,000
Buildings Ginnery (45m * 18m * 15m), fencing, offices, go-down foundation	730,000	72,000	802,000
Power connection		140,000	140,000
Water supply (pump house, pipes, power line, water reservoir)		58,000	58,000
Machinery (paid on technology)	10,000		10,000
Furniture (Dar Es Salam)	35,000		35,000
Vehicles	12,000		12,000
Total	1,687,000	319,000	2,006,000

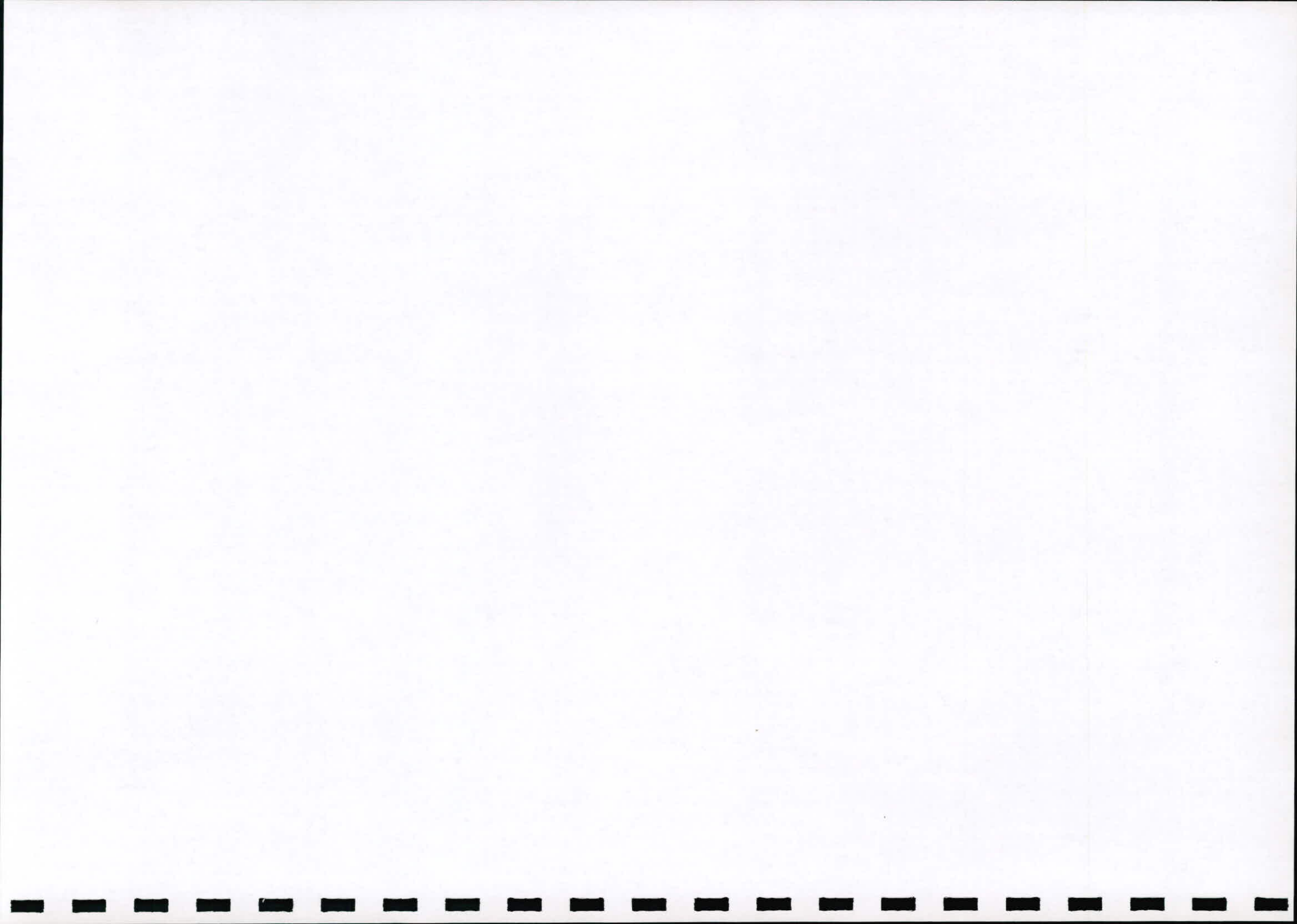
Overview investments 2013, Source: Management information

Underlying business plan is designated to attract a loan of \$ 1,800,000 from Bio to finance majority of the capex investments in the ginnery in 2014. Capex investments from 2015 onwards will be financed from operational results of Primelint. The investments for 2014 are given in table below:

Overview investments	2014
Seeds go-down (45m * 15m * 15m)	130,000
2 go-down for raw material (60m * 18m * 10m), 1 pre-fab for bales (40m * 15m * 10m)	244,000
Machinery (MY 141 Ginn Plant)	792,000
Weigh bridge (60 tons)	38,000
Vehicles (4 trucks, second hand)	200,000
Generator (1,500 KVA)	140,000
Fire fighting equipment	67,000
Water taps in villages	10,000
Farmer Field Schools (19)	76,000
Farmers Training Centre (1)	135,000
Total	1,832,000

Overview investments 2014, Source: Management information

The ginning machinery will be sourced from the American company T&B Gin Equipment, which will also be responsible for commissioning, installation and training. The weighing bridge will be sourced from Clover Scales from South Africa. Raw material and seed go-down will be constructed by local construction company Nyakirang'anyi Construction, while the pre-fab for bales will be procured from Zamil Steel from Egypt. The local construction company Nyakirang'anyi Construction Ltd. will also be responsible for construction of farmer fields schools and farmers training centre, as well as drilling of water taps in the villages. Trucks, firefighting equipment and generator will be procured from UK company Eastgate Assets Control and Swiss/Swedish company ABB.



6 Management and Personnel

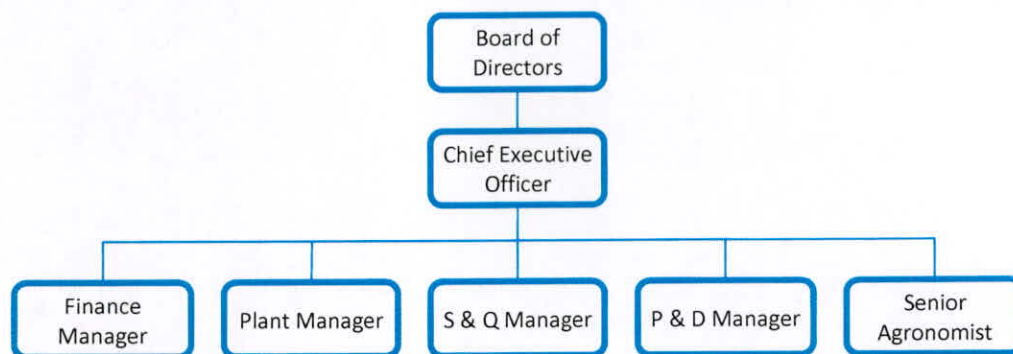
6.1 Corporate management

Primelint will be governed by its **Board of Directors (BoD)**, which reports to and represents the interests of the shareholders. The responsibilities of the BoD include but are not limited to:

- governing the company by establishing broad policies and objectives,
- selecting, appointing, supporting and reviewing the performance and compensation of the chief executive officer and other senior executives,
- ensuring the availability of adequate financial resources,
- approving annual budgets,
- oversight of the preparation of the company's financial statements, and
- accounting to the shareholders for the company's performance.

The Board will delegate day-to-day management of the company to the **Chief Executive Officer (CEO)**. The CEO has broad power to manage the business on a daily basis, but needs to get board approval for certain major actions, such as hiring his/her immediate subordinates, raising money, acquiring another company, major capital expansions, or other expensive projects. For the period 2013 – 2017 **Fred Shindika** will be the CEO of Primelint. The CEO's immediate subordinates are:

- **Finance Manager**, responsible for the company's administration, accounting and internal control, financial reporting, fiscal affairs, cash flow management, bank affairs, payroll activity, etc. From May 1st, 2013 Shindika has hired Mr. William Nyangon, a Kenyan national with 20 years of experience in finance, accounting and administration as Financial Director. Mr. William Nyangon will also be the Financial Director of Primelint from 2014 onwards.
- **Plant Manager**, responsible for planning, operating of the ginnery, production planning, staff deployment and organization, cleanliness and safety, etc.
- **Safety and Quality Manager**, responsible for compliance with internally and externally quality standards, including social and environmental, process and supply chain certification, staff training, etc.
- **Procurement & Distribution Manager**, responsible for stock keeping, customer relationships, distribution of cotton seed and cotton lint, raw material supply logistics (other than outgrower scheme), relations with producer organisations, etc.
- **Senior Agronomist**, responsible for outgrowers scheme, seed distribution, training of farmers, promotion of Good Agricultural Practices, management of extension officers, crop monitoring, demonstration, external relations, etc. Currently Mr. Mero, a Tanzanian national with 40 years of experience in running cotton outgrower schemes is Senior Agronomist for Shindika. Mr. Mero will also be the Senior Agronomist of Primelint from 2014 onwards.



Management structure Primelint, Source: Management information

6.2 Staffing plan, recruitment and training

The staffing plan for Primelint is presented in table below. The senior executives and their assistants will be employed from January 2014, and operators and quality control officers from May 2014, 1 month before the start of the ginnery operations. It is foreseen that one Extension Officer is responsible for performance of 400 farmers in the outgrower scheme, and that the Senior Agronomist will be supported by 2 Assistant Agronomists.

Staffing Primelint (FTE)	2014	2015	2016	2017 +
CEO	1	1	1	1
Secretary	1	1	1	1
Assistant	1	1	1	1
Plant Manager	1	1	1	1
Safety and Quality Manager	1	1	1	1
Drivers	6	8	9	9
General Duty	2	2	2	2
Security Guards	10	10	10	10
Finance Manager	1	1	1	1
Accountant	1	1	1	1
Clerk	1	1	1	1
Procurement & Distribution Manager	1	1	1	1
Assistant Procurement	2	2	2	2
Store Keeper	0.75	1	1	1
Senior Agronomist	1	1	1	1
Extension officers & Assistant Agronomists	21	27	35	42
Production Engineer	1	1	1	1
Quality Controller	1	1	1	1
Electricians	1	1	1	1
Artisans	4.5	6	6	6
Gin Fitters	0.75	1	1	1
Workshop Supervisors	0.75	1	1	1
Cotton Feeders	13.5	18	18	18
Ginning Machine Operators	9	12	12	12
Helping Operators	18	24	24	24
Yellow Picking Controllers	9	12	12	12
Seet Baggers / Heap Attendants	4.5	6	6	6
Press Operators	2.25	3	3	3
Bales Handlers	9	12	12	12
Cleaning and Maintenance	4.5	6	6	6
Transport Helpers	3	4	4	4
Total	134	168	177	184

Staffing Plan Primelint, Source: Management information

Key positions in Primelint that are not proposed to be held by current Shindika staff will be filled by highly qualified individuals with outstanding qualifications, track records and

references. To the extent possible, all positions will be local hiring. Senior executives should have sufficient skills, knowledge and experience to take up their positions with very limited additional training (if any). Appointment of senior executives is subject to BoD approval. A detailed staff training programme still has to be designed. Staff training will be delivered by specialists from equipment supplier T&B Gin Equipment Inc. and Senior Executives.

6.3 Conditions of work and employment

As promoter of fair labour standards in Tanzania in its capacity of Chairman of the Commerce Division of ATE (Association of Tanzania Employers) promoter strives to be a first class employer. Primelint will implement a human resources policy that ensures above-average employment conditions to all staff. This will translate in higher performance and reduced staff turnover. ISO 9001 certification on quality management will be an independent confirmation of Primelint's high standards in this regard.

Primelint will provide a healthy and safe workplace to all staff. Modern sanitary facilities will be available and a strict hygiene code will be observed. In the ginnery and go-downs, staff will be required to wear appropriate protective clothes and gear. Safety will at all times have precedence over productivity. Smoke detectors and fire extinguishers will be placed throughout the ginnery and go-downs. Selected staff will be trained in fire fighting. Evacuation procedures in case of fire or other emergency will be clearly communicated and subject of periodic training involving all staff. The facilities will have emergency exits and clear exit signalling.

Primelint's staff will have medical insurance. The company will have contracts with Sengerema Hospital Roman Catholic and Bukumbi Roman Catholic Hospital to provide medical care as and when required to the benefit of staff and company (reduced absence). Selected staff will be trained to provide first aid, and it is foreseen that a small clinic will be opened in the future.

Primelint's staff will have freedom of association and the right of collective bargaining and will be represented in a workplace committee. Primelint's canteen will provide healthy food of good quality to staff at subsidised prices. Primelint will arrange transport for staff, at least for those working outside regular business hours.

Primelint will pay salaries that exceed the average wage level for the same position in Tanzania, paid vacation days and an end-of-year bonus. Recruitment and salaries will be non-discriminatory. After successful completion of a first temporary work contract of 3 months, staff will have employment contracts with durations of 2 year or longer. The company will pay all legal taxes and social contributions. Needless to say, child labour will be altogether banned.

In keeping with Tanzania's laws, the maximum duration of a regular work schedule will not exceed eight hours daily, 48 hours weekly of daytime work. Primelint will pay extra to those working on night shifts outside regular business hours. Annual and other types of leave will be remunerated in accordance with the law.

7 Financial Analysis

7.1 Assumptions

Detailed financial projections are presented in Annex A. Follow-up investment in transforming the cotton outgrower scheme into an organic outgrower scheme, facilitating seed multiplication by smallholders in the outgrower scheme, investing in spinning and weaving technology, and investing in oilseeds crushing technology are excluded from the analysis. The assumptions underlying the projections are the following:

- **General**

- January 1st, 2014 is the starting date for the financial projections for Primelint.
- Land, building and supporting facilities for the ginnery as valued at the beginning of 2013 and additions during the same year are being transferred from Shindika to Primelint at the end of 2013, and are presented as the only items on the initial balance sheet of Primelint on January 1st, 2014.
- The currency used is US dollar (USD or \$).
- The exchange rate is 1,615 Tanzanian Shilling (Tsh) to one US Dollar.
- Inflation in costs of sales are offset by inflation of selling prices, and are therefore ignored in the financial projections. Salaries and operating expenses will annually increase 5% above inflation.

- **Production**

- Planting takes place in end of October and January. Harvest takes place between end of May and end of July. Procurement between end of June and November. Processing between end of June and November.
- It is estimated that it will take 6 months between ordering hardware and commissioning. This implies that the ginnery will commence operations by Q3-2014. Although this is in time to process harvest from the 2014 season, it is defensively estimate that ginnery will only operate at 75% efficiency due to training and challenges during start-up. For 2015 the efficiency is set at 90% and at 95% from 2016 onwards.
- Sourcing from outgrower scheme and outside outgrower scheme will be developed as per the schedule presented in section 7.
- Raw cotton sourced until commissioning of the refinery will be stored in go-downs of Primelint.
- It is conservatively estimated that the ginnery 39% of the raw cotton will be processed into cotton lint and 59% will be processed into cotton seed
- The ginnery will have an hourly processing capacity of 11.94 tons, leading to a maximum annual production of 9,732 tons of cotton lint and 14,723 tons of cotton seeds.

- **Revenues**

- It is estimated that on average 3% of the produced cotton lint and cotton seed will be unsellable due to quality issues in 2014. In 2015 this %age decreases to 2%, after which the %age will stable tat 1%.
- It is foreseen that on average Primelint will have 10% of the annual amount of produced cotton lint and cotton seed in stock.
- Primelint will charge \$ 1,653 in 2014, \$ 1,687 in 2015 and \$ 1,720 in 2016 per ton ex-factory for cotton lint.

- Primelint will charge \$ 310 per ton ex-factory for cotton seed.
- **Cost of sales**
 - Primelint will source raw cotton outside outgrower scheme for \$ 533 in 2014, \$ 546 in 2015 and \$ 559 in 2016 per ton.
 - Premiums for sourcing from outgrower scheme will annually increase with 1% from 3% in 2014 to 7% in 2018 onwards.
 - Primelint will transport raw cotton to ginnery from farmer field schools at \$ 17 per ton.
 - Costs for packaging material, water and electricity of processing is estimated at \$ 2.80 per ton processed.
- **Operating costs**
 - salaries and operating expenses will annually increase 5% above inflation.
 - salaries are gross, including taxes, social contributions. End-of-year bonuses and other benefits are estimated at 15% of the salaries.
 - Costs for Land lease & fees, Licenses & certification, Fee Collateral Manager, Water & electricity (other than processing), Fuel, Travel & subsistence & representation, Legal, professional & bank fees, Training (incl. material & media), ICT, stationary & postal charges are based on monthly estimates.
 - Costs for outgrower information and payment system are estimated at 1.0% of procurement expenses of outgrower scheme
 - Maintenance is estimated at 2.0% of initial capital expenditures.
 - Bank charges are estimated at 0.5% of the revenues.
 - Fire insurance capex is estimated at 0.3% of initial capital expenditures.
 - Fire insurance finished product is estimated at 0.3% of value finished products.
 - Fire insurance raw materials is estimated at 0.3% of value raw materials.
 - Cash insurance for cash carry is estimated at 0.1% of revenues.
 - Contingencies are estimated at 5.0% of the operational costs.
- **Depreciation**
 - capital expenditures is presented in section 5
 - new capital expenditure on buildings and infrastructure is depreciated over 20 years
 - equipment is depreciated over 3, 5 or 10 years
 - fully depreciated assets are replaced.
- **Working capital**
 - On average payment from cotton lint debtors will be received in 10 days.
 - On average payment from cotton seed debtors will be received in 37 days.
 - Primelint will pay its creditors in 30 days
 - Primelint will keep a stock of raw cotton of two weeks production.
- **Taxation**
 - the corporate tax rate is 0% until 2017 and 30% from 2018 onwards.
 - tax payments have to be settled within 180 days in the following year.
- **Financing**
 - The loan from Bio of \$ 1,800,000 is scheduled to be disbursed at the end of December 2013.
 - The loan will have a tenor of 6 years, including a 2 year grace period (interest only).
 - In 2016, 2017, 2018 and 2019 Primelint is scheduled to repay \$ 450,000 per annum.
 - Interest rate of loan is set at 7%.

7.2 P&L, valuation and analysis

Table below provides the projected P&L for the period 2014 – 2019.

Year	2014	2015	2016	2017	2018	2019
Cotton Lint	11,090,781	14,972,021	16,471,607	16,574,703	16,574,703	16,574,703
Cotton Seed	3,145,692	4,163,268	4,490,449	4,518,554	4,518,554	4,518,554
Total revenue	14,236,473	19,135,288	20,962,056	21,093,258	21,093,258	21,093,258
Raw cotton outside outgrower scheme	-7,733,011	-8,891,585	-8,117,851	-6,147,482	-4,091,444	-3,577,435
Raw cotton from outgrower scheme	-3,290,898	-4,683,139	-6,608,691	-8,717,598	-10,954,903	-11,493,668
Packaging material, water & electricity	-54,060	-64,871	-68,475	-68,475	-68,475	-68,475
Transport costs raw cotton to ginney	-348,872	-417,185	-437,920	-436,698	-435,423	-435,104
Total cost of sales	-11,426,840	-14,056,782	-15,232,938	-15,370,254	-15,550,246	-15,574,683
Gross profit	2,809,633	5,078,507	5,729,118	5,723,004	5,543,012	5,518,575
Bad debt	-142,365	-191,353	-209,621	-210,933	-210,933	-210,933
Staff costs	-377,556	-472,801	-536,608	-597,881	-627,775	-659,164
Other operational expenses	-512,188	-507,286	-536,272	-564,238	-612,921	-651,275
Total operating costs	-1,032,109	-1,171,440	-1,282,500	-1,373,052	-1,451,629	-1,521,371
Operating profit	1,777,524	3,907,067	4,446,618	4,349,953	4,091,384	3,997,203
Depreciation	-155,142	-255,817	-281,425	-285,467	-287,367	-286,167
Profits before interest and tax	1,622,383	3,651,250	4,165,193	4,064,486	3,804,017	3,711,037
Interest paid and received	-260,692	-324,006	-323,647	-293,261	-264,412	-233,133
Profit before tax	1,361,691	3,327,244	3,841,546	3,771,225	3,539,605	3,477,904
Taxation	0	0	0	0	-1,061,881	-1,043,371
Profit after tax	1,361,691	3,327,244	3,841,546	3,771,225	2,477,723	2,434,533
Dividends declared	0	0	0	0	0	0
Retained profit for the year	1,361,691	3,327,244	3,841,546	3,771,225	2,477,723	2,434,533

Projected P&L Primelint, Source: Business Plan

The result of the investment appraisal in terms of net present value (NPV) is provided in table below. In addition to assumptions as described in section 8.1, it needs to be mentioned that the NPV is calculated with discount rate of 25% and terminal value growth rate of 2%.

Year	2014	2015	2016	2017	2018	2019
NPV						
Free cash flow						
Operating cash flow	328,875	3,504,304	4,284,525	4,333,436	4,077,335	3,995,273
Capital expenditure	-1,832,000	-124,000	-252,000	-28,000	-12,000	-302,000
Cash taxes	0	0	0	0	-578,419	-1,127,067
Free cash flow	-1,503,125	3,380,304	4,032,525	4,305,436	3,486,916	2,566,206
Discount factor						
Discount factor	1.25	1.56	1.95	2.44	3.05	3.81
NPV of free cash flow						
NPV of free cash flow	-1,202,500	2,163,394	2,064,653	1,763,506	1,142,593	672,715
Cumulative NPV of free cash flow	-1,202,500	960,894	3,025,547	4,789,053	5,931,646	6,604,361
End value 5 year						
Grow percentage Primelint after 5 years	2%					
End value Primelint 5 years +	18,064,454					
NPV end value Primelint after 5 years	5,919,360					
Valuation Primelint						
Cumulative NPV free cash flows year 1 - year 5	5,931,646					
NPV Primelint end value after 5 years	5,919,360					
Company value Primelint	11,851,006					

Company valuation Primelint, Source: Business Plan

In table below the financial performance of Primelint is evaluated in terms of profitability and financial ratios:

Year	2014	2015	2016	2017	2018	2019
Profitability						
Gross profit margin	19.7%	26.5%	27.3%	27.1%	26.3%	26.2%
Operating profit margin (EBITDA margin)	12.5%	20.4%	21.2%	20.6%	19.4%	19.0%
Profit before tax margin (PBT margin)	9.6%	17.4%	18.3%	17.9%	16.8%	16.5%
Financial						
Gearing	34.8%	21.2%	11.4%	5.9%	2.6%	0.0%
Debt - equity ratio	53.4%	26.9%	12.8%	6.3%	2.7%	0.0%
Interest cover	6.8	12.1	13.7	14.8	15.5	17.1
Debt service coverage ratio (DSCR)	14.1	31.0	7.9	8.2	6.1	6.3

Performance Primelint, Source: Business Plan

The forecasts in underlning section show that:

- Primelint will have positive operating profit from 2014.
- the free cash flow is positive from 2015 onwards.
- with aggressive discount rate if 25%, the company is valued at \$ 11,800,000
- the company is able to fund capital expenditure from its operational cash flow.
- gross margin will stabilize at around 25%.
- maximum gearing is 34.8% in 2014.
- the debt service coverage ratio is above 1 in all years.

7.3 Sensitivity

The robustness of the NPV has been tested for a range of scenarios that are based on more pessimistic assumptions. Scenario 0% is the base case (no variation in parameters), scenario -10% shows the effect of lowering the assumed parameter values by 10%, and scenario -20% shows the effect of lowering the assumed parameter values by 20%. In underlying section the NPV is analyzed for the following key assumptions:

- **the volume of raw cotton available for processing**, which may be less than assumed if the smallholders production is considerably less or side selling is much greater than forecasted. For this purpose the annual projected utilization of ginnery is used as parameter value in the analysis (ie. annual amount of processed raw cotton is being decreased for every year).
- **the selling price of cotton lint**, which may be less than assumed if the world market price develops less favourably than projected. Please note that it is assumed that sourcing prices for raw cotton are affected in the same way.

The buying price of raw cotton could be added to this list, but it seems reasonable to assume that increase in raw material price is closely related to increase in selling price of cotton lint. Quality of raw cotton, which may lead to lower productivity and/or requirement to source a larger volume of raw cotton is another key assumption that could be evaluated. However, scenario analysis of the volume of raw cotton available for processing sufficiently covers this assumption. An overview of the scenario analysis is provided in tables below:

Scenario analysis company value	Scenario 0%	Scenario -10%	Scenario -20%
Scenario analysis raw material availability	11,851,006	9,975,734	8,100,462
Scenario analysis prices	11,851,006	11,601,155	11,351,303
Scenario analysis combined	11,851,006	9,767,854	7,768,643

Sensitivity analysis company valuation Primelint, Source: Business Plan

8 Risk Factors and Mitigation

Primelint's business case is exceptionally attractive if all assumptions are upheld in practice. However, there are important risk factors that may compromise its profitability. Below the principal risks are listed as well as proposed mitigation actions, if any:

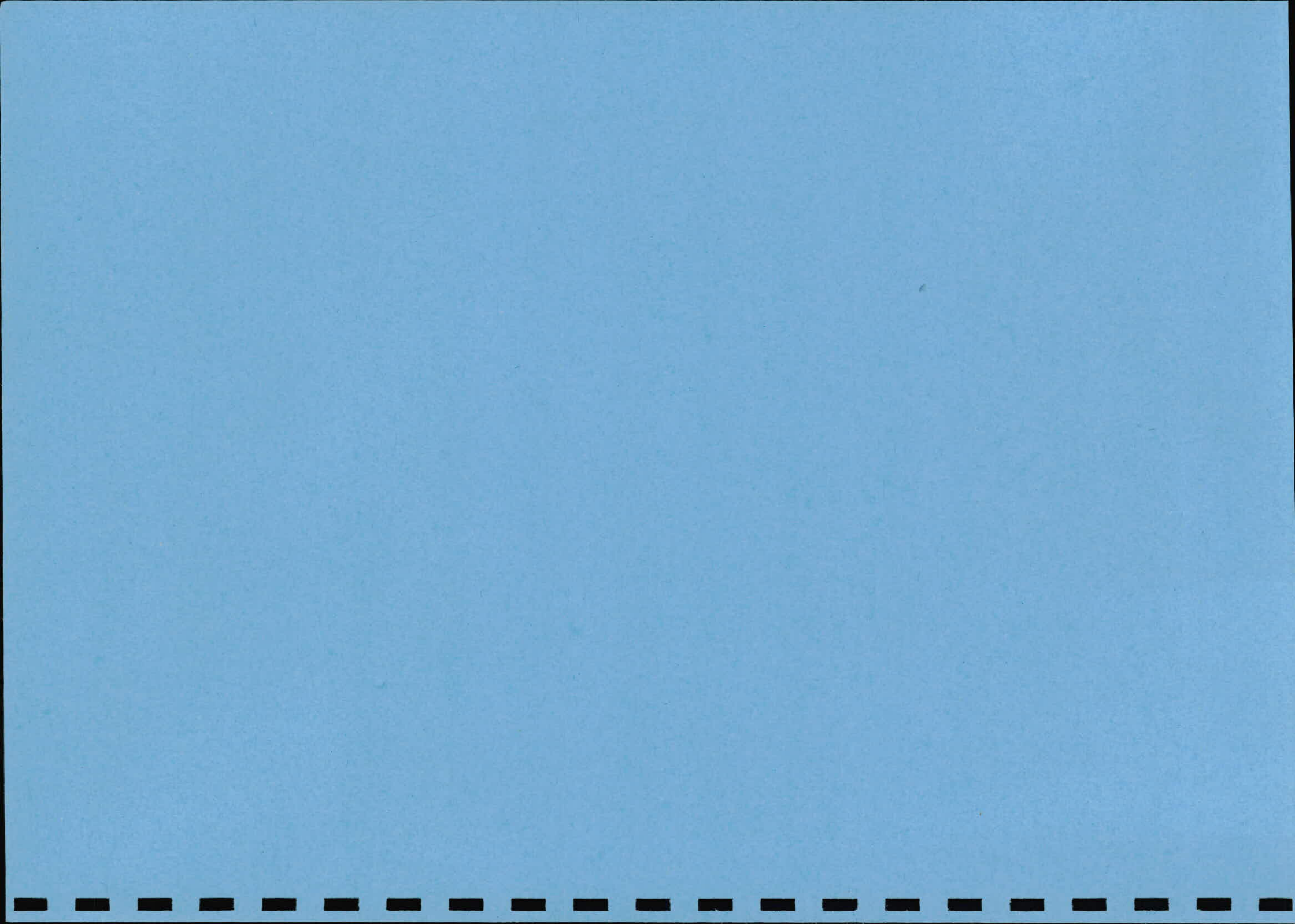
- **Low production due to drought (risk level: medium)**
Although contract growers will be assessed on the availability of water and the possibility to use irrigation, a lot of contract growers will not have these opportunities. Supported by the presence of big forests, fortunately the Sengerema area has a very suitable rainfall pattern for cotton with rainfall 6 months of the year. Additionally, cotton is relatively drought resistant with a rather long growing season. Crucial is crop rotation and the choice of the right moment of sowing. Proper crop advice and careful monitoring of weather forecasts by staff of the outgrower scheme will increase the chances on good yields. Primelint also mitigates the risk of low production due to drought by establishing an additional sourcing mechanism outside the outgrower scheme.
- **Limited to no interest for farmers in the outgrower scheme to grow cotton (risk level: low)**
Promoter doesn't foresee big problems with attracting cotton farmers for the outgrower scheme, as:
 - Cotton growing is an important economic activity in North-West Tanzania. The region is responsible for making cotton the second biggest foreign exchange earner. At full processing capacity of 24,955 tons, Primelint only requires 7.0% of the total cotton production in Tanzania of 354,000 tons in 2012.
 - Mr. Fred Shindika has been active in sourcing of cotton for decades from outgrower schemes larger than the projected 16,000 farmers.
 - Shindika has four years of experience with sourcing cotton from an outgrower scheme consisting of 3,000 farmers, and has a large network in the rural areas in North West Tanzania that will be activated to identify suitable outgrowers.
 - By providing premium prices, pre-financing fertilizers, provision of transport, provision of intensive agronomical training and guaranteeing commodity off-take, Primelint will make the outgrower scheme as attractive as possible.
- **Side selling of outgrowers (risk level: medium)**
Extension Officers of Primelint will pay regular farm visits, pre-finance fertilizers, providing agronomical training and arranging transport from farmers to ginnery. It is expected that because of these measures and because of the success of the outgrower scheme, Primelint will offer the opportunity for a long-term mutual cooperation that will be appreciated by farmers in the unstable market conditions in Tanzania, and that farmers will not take the chance of exemption from the scheme by selling their cotton to free riders. Primelint also mitigates the risk of side selling by establishing an additional sourcing mechanism outside the outgrower scheme.
- **Not enough clients (risk level: low)**
A marketing plan has been made, which justifies the potential in Asia for cotton lint from Primelint. Primelint has secured off-take agreements with Swiss company Paul Reinhart and Singapore company Tang Teik for 60% of the maximum production capacity.

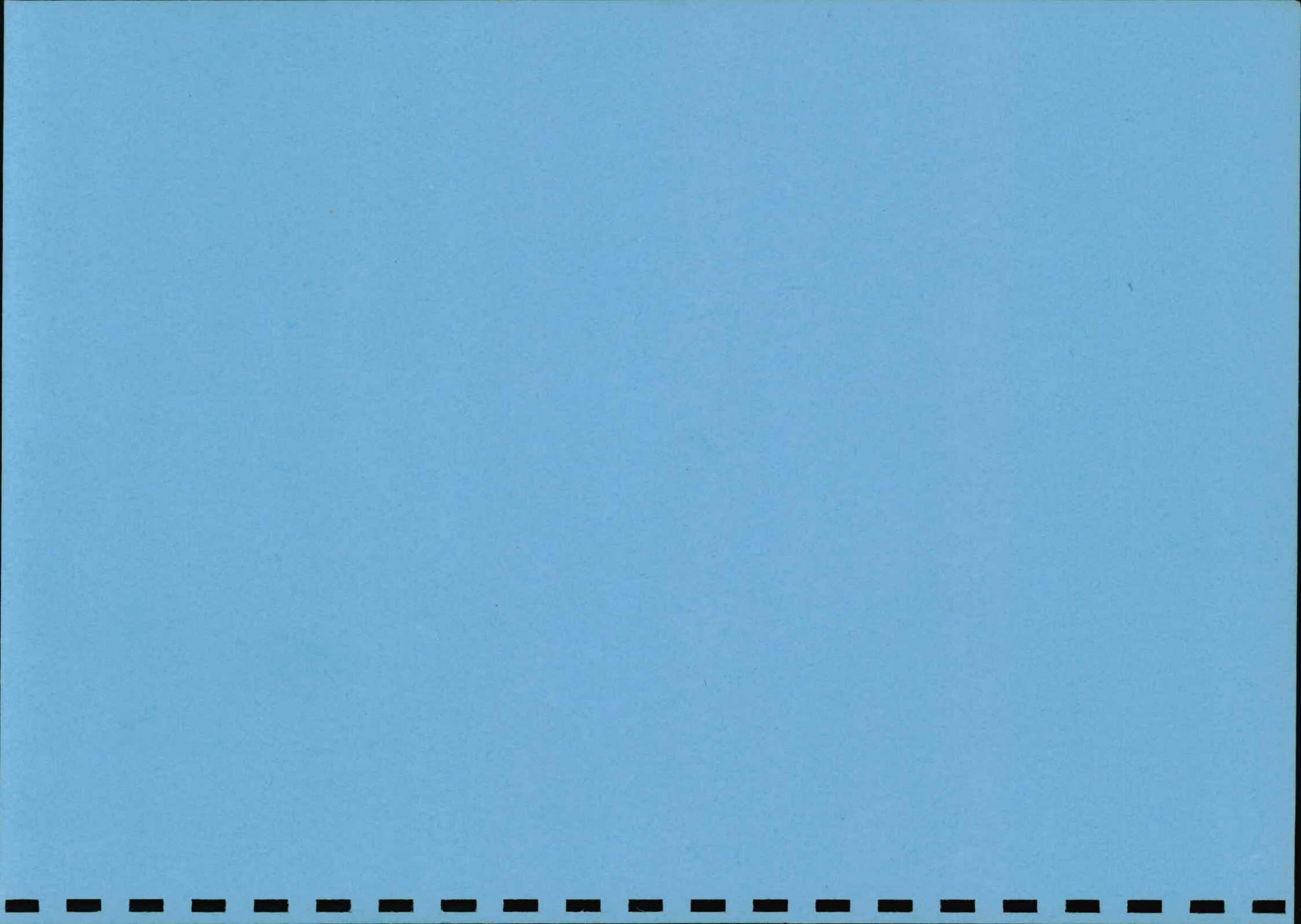
Moreover, the network and expertise of Mr. Fred Shindika in marketing cotton lint will assure that the project will be a commercial success.

- **Late completion of construction and installation activities (risk level: low)**
This can lead to delayed start-up of the ginnery. Ample time in the project planning has been allocated to make sure that processing will be started in June 2014. Project management will start planning for capex procurement and construction on time. Primelint will also closely monitor the construction progress and will impose penalties when unreasonable delays occur.
- **Inability to find suitable personnel (risk level: medium)**
Companies in Mwanza and Sengerema experience challenges in hiring competent management and technical staff due to competition from NGOs and mining companies in North West Tanzania, as well as migration of higher skilled labour to Dar Es Salam. By offering excellent working condition and salaries that above industry standards, Primelint is confident that it will attract the required management staff and technical staff.
- **Power (risk level: medium)**
Electricity availability and electricity price are major constraints for the industry in North West Tanzania. There is a lack of power generating capacity in the region, and power cuts in are frequent. To mitigate this risk, Primelint will acquire a 1,500 KVA backup generator.

Appendix A: Detailed Financial Projections

Appendix B: Audited Accounts Shindika Group





THE COMPANIES ACT (2002)

COMPANY LIMITED BY SHARES

MEMORANDUM AND ARTICLES OF ASSOCIATION

PRIMELINT GINNERIES LIMITED

Incorporated This Day of 2013

DRAWN BY:

Elisha Mlingi Mkucha (Advocates)
NDC Building, 6th Floor, Kivukoni/Ohio Close,
P.O. Box 63300,
DAR ES SALAAM

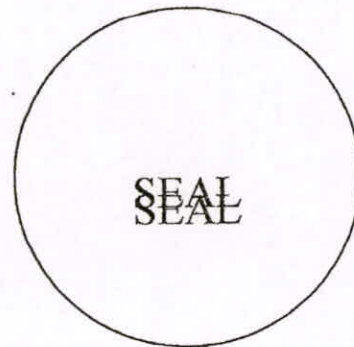
TANZANIA GOVERNMENT

CERTIFICATE OF INCORPORATION

NO.....

I HEREBY CERTIFY that, **PRIMELINT GINNERIES LIMITED** is this day incorporated under the Companies Act (2002) and that the Company is Limited.

GIVEN under my hand at Dar Es Salaam this.... Day of Two Thousand and Thirteen.



REGISTRAR OF COMPANIES

TANZANIA

THE COMPANIES ACT (2002)

COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

PRIMELINT GINNERIES LIMITED

THE COMPANIES ACT (CAP.212 R.E. 2002)

COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

PRIMELINT GINNERIES LIMITED

1. The name of the company is PRIMELINT GINNERIES LIMITED
2. The Registered Office of the Company will be situated on the mainland of the United Republic of Tanzania.
3. The objects for which the Company is established are (and it is expressly declared that the several sub-clauses of this clause and all the powers thereof are to be cumulative and in no case is the generality of any one sub-clause to be narrowed or restricted by any particularity of expression in the same sub-clause or by the application of any rule of construction *ejusdem generis* or otherwise):
 - (a) To carry on business of cotton **Ginning** and related businesses ie, cotton trading, purchase and sale of cotton lint, of all form in raw cotton, cotton seeds pressing (**Oilmill**), dressing, storage, technology transfer, delinting, into various forms, investments in **Textile**; spinning, knitting, weaving, dyeing
 - (b) To carry on the general cotton **farming** in nucleus farm and contract farming, support contract-farming scheme with supplies of all related farming inputs, extension services, and agronomics services to farmers. Investments in cotton funding, sourcing of cotton crop from production to value addition and public projects and products including, factories, processing all agricultural crops, transportation, stock exchanges shares, transportation (passengers and cargo) by road, train, air or marine, etc.; and related lawful transactions for which companies may

be incorporated in Tanzania; and more particularly, the Company shall have the powers:-

- (c) To enter into PPP [Public Private Participation] ventures and joint Ventures.
- (d) To establish in JV or Independently PPP [with local, regional or overseas Governments, private companies, local Governments (District councils, Municipals)
- (e) To provide financial advisory services to local market or foreign market, Government organization, institution and any related source.
- (f) To apply for, register, purchase, or by other means acquire and protect, prolong and renew, whether in the United Republic of Tanzania or elsewhere, any patents, patent rights, brevets d'Invention, licenses, secret processes, trademarks, designs, protections and concessions and to disclaim, alter, modify, use and turn to account and to manufacture under or grant licenses or privileges in respect of the same, and to expend money in experimenting upon, testing and improving any patents, inventions or rights which the company may acquire or proposes to acquire.
- (g) To acquire or undertake the whole or any part of the business, goodwill, and assets of any person, firm or company carrying on or proposing to carry on any of the business which the company is authorized to carry on and as part of the consideration for such acquisition to undertake all or any of the liabilities of such person, firm or company or to acquire an interest in, amalgamate with, or enter into partnership or into any arrangement for sharing profits, or for co-operation, or for mutual assistance with any such person firm or company, or for subsidizing or otherwise assisting any such person firm or company, and to give or accept, by way of consideration for any of the acts or things aforesaid or property acquired any Shares, debentures, debenture stock or securities that may be agreed upon and to hold and retain or sell, mortgage and deal with any Shares, debentures, debenture stock or securities so received.
- (h) To improve, manage, construct, repair, develop, exchange, let, lease or otherwise mortgage, charge, sell, dispose of, turn to account, grant

licenses, options, rights and privileges in respect of, or otherwise deal with all or any part of the property and rights of the Company.

- (i) To invest and deal with the monies of the Company not immediately required in such manner as may from time to time be determined and to hold or otherwise deal with any investments made.
- (j) To lend and advance money or give credit on any terms and with or without security to any person, firm or company (including without prejudice to the generality of the foregoing any holding company, subsidiary or fellow subsidiary of, or any other company associated in any way with the Company), to enter into guarantees, contracts of indemnity and surety of all kinds, to receive money on deposit or loan upon any terms, and to secure or guarantee in any manner and upon any terms the payment of any sum of money or the performance of any obligation by any person, firm or company (Including without prejudice to the generality of the foregoing any such holding company subsidiary, fellow subsidiary or associated company as aforesaid).
- (k) To borrow and raise money in any manner and to secure the repayment of any money borrowed, raised, owing by mortgage, charge, standard security, lien or other security upon the whole or any part of the company's property or assets (whether present or future) including its uncalled capital, and also by a similar mortgage charge, standard security, lien or security to secure and guarantee the performance by the Company of any obligation or liability it may undertake or which may become binding on it. (k) To draw, make, accept, endorse, discount, negotiate, Execute and issue cheques, bills of exchange, promissory notes, bills of lading, warrants, debentures, and other negotiable or transferable instruments.
- (l) To apply for, promote, and obtain any license of authority for enabling the Company to carry any of its objects into effect, or for effecting any modification of the Company's constitution, or for any other purpose which may seem calculated directly or indirectly to promote the Company's interests, and to oppose any proceedings or applications which may seem calculated directly or indirectly to prejudice the Company's interests.

- (m) To enter into any arrangements with any government authority (supreme, municipal, local, or otherwise) that may seem conducive to the attainment of the Company's objects or any of them, and to obtain from any such government or authority any charters, Ordinances, rights, privileges or concessions which the Company may think desirable and to carry out, exercise, and comply with any such charters, Ordinances, rights, privileges and concessions.
- (n) To subscribe for, take, purchase, or otherwise acquire, hold, sell, deal with and dispose of, place and underwrite Shares, stocks, debenture stocks, bonds, obligations or securities issued or guaranteed by any other company constituted or carrying on business in any part of the world, and debentures, debenture stocks, bonds, obligations or securities issued or guaranteed by any government or authority municipal, local or otherwise, in any part of the world.
- (o) To control, manage, finance, subsidize, co-ordinate or otherwise assist any company or companies in which the Company has a direct or indirect financial interest, to provide secretarial, administrative, technical, commercial and other services and facilities of all kinds for any such company or companies and to make payments by way of subvention or otherwise and any other arrangements which may seem desirable with respect to any business or operations of or generally with respect to any such company or companies.
- (p) To promote any other company for the purpose of acquiring the whole or any part of the business or property or undertaking or any of the liabilities of the company, or of undertaking any business or operations which may appear likely to assist or benefit the Company or to enhance the value or any property or business of the Company, and to place or guarantee the placing of underwrite, subscribe for, or otherwise acquire all or any part of the Shares or securities of any such company as aforesaid.
- (q) To sell or otherwise dispose of the whole or any part of the business or property of the Company, either together or in portions, for such

consideration as the company may think fit, and in particular for Shares, debentures, or securities of the Company.

- (r) To act as agents or brokers and as trustees for any person, firm or company, and to undertake and perform sub-contracts.
- (s) To remunerate any person, firm or company rendering services to the Company either by cash payment or by the allotment to him or them of Shares or other securities of the Company credited as paid up in full or in part or otherwise as may be thought expedient.
- (t) To pay all or any expenses incurred in connection with the promotion, formation, and incorporation of the Company, or to contract with any person, firm or company to pay the same, and to pay commissions to brokers and others for underwriting, placing selling, or guaranteeing the subscription of any Shares or other securities of the Company.
- (u) To make payments towards insurance; and to set up, establish, support and maintain superannuation and other funds or schemes (whether contributory or noncontributory) for the benefit of any such person and of their wives, widows, children and other relatives and dependents; and to set up, establish, support and maintain profit sharing or Share purchase schemes for the benefit of any of the employees of the Company or of any such subsidiary, holding or fellow subsidiary company and to lend money to any such employment or to trustees on their behalf to enable any such purchase scheme to be established or maintained.
- (v) To distribute among the members of the Company in kind any property of the Company of whatever nature.
- (w) To procure the Company to be registered or registered or recognized in any part of the world.
- (x) To amalgamate, merge, enter into a joint venture, enter into a profit sharing arrangement, or enter into a partnership with any other company or body of persons.
- (y) To do all or any of the thing or matters aforesaid in any part of the world and either as principals, agents, contractors or otherwise, and by

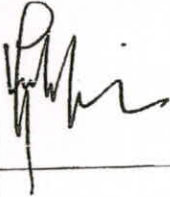

or through agents, brokers, subcontractors or otherwise and either alone or in conjunction with others.

- (z) To do all such other thing as may be deemed incidental or conducive to the attainment of the company's objectives or any of them.

AND IT IS HEREBY DECLARED THAT:


- (aa) None of the objects set forth in any sub-clause of this clause shall be restrictively construed but the interpretation shall be given to each such object, and none of such object shall, except where the context expressly so requires, be in any way limited or restricted by reference to or inference from any other object or object set forth in such sub-clause, or by reference to or inference from the theme of any other associated Clause of this section, or by reference to or inference from the name of the Company.
- (bb) None of the sub-clauses of this clause and none of the objects therein specified shall be deemed subsidiary or ancillary to any of the objects specified in any other such sub-clause, and the Company shall have as full a power to exercise each and every one of the objects specified in each sub-clause contained the objects of a separate Company.
- (cc) The liability of the members is limited.
- (dd) The Share Capital of the Company is Tanzania Shillings Fifteen Billion only (TZS 15,000,000,000/=) divided into Three Million (3,000,000) Shares of Tanzania Shillings Five Thousand Only (TZS 5000/=) each subject and without prejudice to the right attached to any class of Shares for the time being carrying special rights, the Shares of the company, whether part of the original or any increased capital, of the company, may be issued with any special qualified, preferred or deferred rights and privileges or condition as to capital dividends, right of voting of other matter but so that any such rights, privileges or conditions shall not be altered or modified except in accordance with the Articles of Association of the Company for the time being in force.

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

<p>KUSANYA FREDERICK SHINDIKA P.O.BOX 1200 MWANZA</p>	<p>1,240,000</p>	
<p>CATHERINE FIDEA SHINDIKA P.O.BOX 1200 MWANZA</p>	<p>812,000</p>	

Dated this 12 Day of December, 2013

WITNESS TO THE ABOVE SIGNATURES:

SIGNATURE: 

ADDRESSES: P.O. BOX 33029
ATA - P.O. KILIMANJARO

QUALIFICATION: ADVOCATE



THE COMPANIES ACT (2002)
PRIVATE COMPANY LIMITED BY SHARES
ARTICLES OF ASSOCIATION
OF
PRIMELINT GINNERIES LIMITED

PANZANIA
Sard
4078 12/12/2013
[Signature]

2500k
4078 12/12/2013
[Signature]

PRELIMINARY

1. No Articles of similar registration set out in any statute, or contained in any instrument made under (including Table A), concerning companies shall apply to the company, but the following shall be the Articles of Association of the company.

INTERPRETATIONS

2. (a) In the Articles unless the context otherwise requires, the words in the first column below shall bear the respective meanings set opposite them in the second column.

Words:	Meanings:
"A" Director"	a Director appointed by the "A" Shareholder
"A" Share	an "A" Share of TZS 2,500 each in the capital of the Company having the rights described in these Articles:
"Accountant"	a person registered as a Certified Public accountant with NBAA:

"Accounts" The audited profit and loss account and balance sheet of the Company, sources and application of funds or if the Company has any subsidiary undertakings, the audited consolidated profit and loss account and balance sheet of the Company and its subsidiary undertakings together with all notes thereto for each financial year or period (as the case may be) calculated on the historical cost basis and prepare in accordance with all applied statement of Statements of Standard Accountancy Practice, Financial Reporting Standard and pronouncements issued by the Accountancy Standards Committee of the National Board of Accountant and Auditors ("NBAA") or where there are none in accordance with

generally accepted accounting principles and practice of the company and giving a true and fair view of the assets and liabilities of the Company and its subsidiary undertakings as at the end of the financial year or period (as the case may be) in question and of their profit or loss for such year or period

"Affiliate" means any company, partnership or other entity which directly or "indirectly controls, is controlled by or is under common control with a person;

"Articles"	These Articles of Association as from time amended
"Auditors"	The Auditors for the time being of the Company;
"B" Director"	A Director appointed by the "B" Shareholder;
"B" Share"	A "B" Share of TShs 2,500 each in the capital of the Company having the rights described in these Articles;
"The Board"	The Board of Directors of the Company from time to time (including any duly Appointed committee thereof);
"Business Plan"	The business plan stipulated in Article 105 of the Articles;
"Clear Days"	In relation to the period of a notice, means that period excluding the day when the notice is given or deemed to be given and the day for which it is given or which it is to take effect;
"Company"	means PRIMELINT GINNERIES LIMITED
"Director"	A director or alternate director for the time being of the company;
"Dividend"	The payment made out of the profits to the Shareholders of the Company including any distribution of assets of the Company;
"Executed"	Includes any mode of execution;
"Office"	The registered office of the Company;
"Ordinance"	The Companies Ordinance, (Act 2002) of the law of Mainland Tanzania (including any statutory modifications or re-enactments thereof for the time being in force);
"Paid-up"	Includes credited as paid up;
"Register"	The register of Shareholders of the Company;

"Seal"	The common seal of the Company;
"Secretary"	The Secretary of the Company or any other Person appointed to perform the duties of the secretary of the Company, including a joint assistant or deputy secretary;
"Shareholder" or "Holder"	In relation to Share means the person whose name is first entered into the Register as the Holder of the Share;
"Share"	Any "A" or "B" Share of the time in the capital of the company;
"Special Resolution"	Has the meaning set out in section 117 of the Act;
"Table A"	Table A in the First Schedule to the Act;
"Tanzania"	Means the United Republic of Tanzania;

(b) In the Articles unless the Context otherwise requires:

- (i) Expression referring to writing shall be construed as including reference to typing, printing, lithography and other modes of representing or reproducing words in a visible form;
- (ii) Any reference to a statutory provision or enactment shall include any Statutory modification or re-enactment thereof;
- (iii) Any reference to a "person" shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having legal personality);
- (iv) Words and expressions defined in the Act as existing on the date of incorporation, of the Company shall, unless the context or the subject otherwise requires bear the same meaning in the Articles;
- (v) A "Special" or "Extraordinary" resolution shall be effective for any purpose for which an ordinary is expressed to be required under the Act or the Articles and a Special Resolution shall be effective for any purpose for which an Extraordinary Resolution is so expressed to be required;
- (vi) The headings are inserted for purpose of convenience only and shall not affect the construction of the Articles; and

- (vii) Words importing the masculine gender only shall exclude the feminine gender.

PRIVATE COMPANY

3. The Company is a private company and accordingly:
- (a) Any invitation to the public to subscribe for any Shares or debentures of the Company is prohibited;
 - (b) The right to transfer Shares is restricted;
 - (c) The number of Shareholders of the Company (exclusive of persons in employment with the Company) is limited to 50, provided that where two or more persons hold Share(s) jointly, they shall be treated as one person, and
 - (d) The Company shall not issue Share warrants to bearers.

SHARE CAPITAL

4. The authorized Share capital of the Company at the date of adoption of the Articles is TZS One Billion (TZS15, 000, 000,000) divided into 6,000,000 Shares of TZS 2,500 each. The Shares shall rank '*pari passu*' 'inter se' in all respects.
5. Subject to the provisions of the Act and without prejudice to any right attached to any existing Shares, any Share may be issued with such rights or restrictions as the Company may by Ordinary Resolution determine.
6. Subject to the provisions of the Act Shares may be issued which are to be redeemed at the option of the Company or the Holder thereof on such terms and in such manner as may be provided by the Articles.
7. The Company may exercise the powers of paying commission conferred by the Act to the full extent permitted. Such commissions may be satisfied by the payment of cash or by the allotment or fully or partly paid Shares or partly in one way and partly in the other. The Company may also on any issue of Shares pay such brokerage as may be lawful.
8. Except as required by law, no person shall be recognized by the Company as holding any Share upon any trust and (except as otherwise provided by the Articles

or by law) and the Company shall not be bound by or recognize any interest in any Share except an absolute right to the entirety thereof in the Holder.

9. Subject to the provisions of the Act the Company may purchase its own (including any redeemable) Shares. Neither the Company nor the Board shall be required to select the Shares to be purchased ratably or in any other particular manner as between the Holders of Shares of the same class or as between them and the Holders of Share of any other class or in accordance with the right as to dividends or capital conferred by any class of Shares.
10. If at any time the Share capital is divided into different classes of Shares, the right attached to any class may, subject to the provisions of the Act (whether or not the Company is being wound up), be varied or abrogated with the consent of the Holders thereof in nominal value of the issued Shares of that class, or with the Sanction of an Extraordinary Resolution passed at a separate general meeting of the Holders of the Share or the Shares of the class. To every such separate general meeting all provisions of the Articles relating to a general meeting of the Company shall *mutatis mutandis* apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one- third in nominal value of the issued Shares of the class (but so that at any adjourned meeting any Holder of Share of the class present in person or by proxy shall be a quorum) and that any Holder of Share of the class present in person or by proxy may demand a poll and that every such Holder shall on a poll have one vote for every Share of the class held by him. The foregoing provisions of these Articles shall apply to the variation or abrogation of the special rights attached to some of the Shares of any class as if each group of Shares of the class differently treated formed a separate class, and their special rights were to be varied.
11. Unless otherwise expressly provided by the terms of issue of the Shares of that class or by the term upon which Share are for the time being the right attached to any class of Shares shall be deemed to be varied by the allotment of further Shares ranking in priority to them for payment of a Dividend or repayment of a Dividend or repayment of capital but shall be deemed not to be modified, abrogated or varied by the creation or issue of further Shares ranking *pari passu* with or subsequent to those already issued or by the purchase or redemption by the Company of its own Shares.

SHARE CERTIFICATES

12. Every person whose name is entered as a Shareholder in the Register 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 or several certificate each for one or more of his Shares upon payment of Tshs 100 for every certificate after the first or such lesser sum as the Directors shall from time to time determine. Every certificate shall be under the Seal and shall specify the Shares to which it relates and the amount Paid-up thereon. Provided that in respect of a Share or Shares held jointly by several persons the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a Share to one of several joint Holders shall be sufficient delivery to all such Holders.
13. The Company shall not give, whether directly or indirectly, and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase of subscription made or to be made by any person of or for any Shares in the Company or in its holding Company nor shall the company make a loan for any purpose whatsoever on the security of its Shares or those of its holding company, but nothing in this Article shall prohibit transactions mentioned in the provision to section 46 (1) of the Act.
14. If a Share certificate be defaced, worn out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and the payment of out of pocket expenses reasonably incurred by the Company in investigating evidence as the Board may determine but otherwise free of charge, and (in the case of defacement or wearing-out) on delivery up of the old certificate.
15. Nothing in these Articles shall require title to any Shares or other securities of the Company to be evidenced or transferred by a written instrument if any rules or regulations from time to time made under the Act so permit. The Board shall have power to adopt and implant any arrangements as they may think fit for recording and transferring title to Shares or other securities which accord with those rules and regulations. References in these Articles to certificates for Shares and instruments of transfer shall be construed accordingly.
16. Nothing in the Articles shall require the Company to issue under the Seal any certificate or other instrument other than a Share certificate, which is not by law required to be so issued

CALLS ON SHARES AND FORFEITURE

17. Subject to the terms of allotment, the Board may from time to time make calls upon the Shareholders in respect of any moneys unpaid on their Shares (whether in respect of nominal value or premium) and each call may be revoked in whole or part and payment of a call may be postponed in whole or part. A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the Shares in respect of which the call was made.
18. A call shall be deemed to have been made at the time when the resolution of the Board authorizing the call was passed and may be required to be paid by installments.
19. The joint Holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.
20. If a call remains unpaid after it has become due and payable the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due and payable until it is paid at the rate fixed by the terms of allotment of the Share or in the notice of the call or, if no rate is fixed at the appropriate rate (as defined by the Ordinance) but the Board may waive payment of the interest wholly or in part.
21. An amount is payable in respect of a Share on allotment or at any fixed date, whether in respect of nominal value or premium or as an installment of a call and if it is not paid the provisions of the Articles shall apply.
22. Subject to the terms of allotment, the Board may, on the issuance of Shares, differentiate between the Holders as to the amount of calls to be paid and the times of payment.
23. If a call remains unpaid after it has become due and payable the Board may give to the person from whom it is due not less than fourteen Clear Days' notice requiring payment of the amount unpaid together with any interest which may have accrued. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the Shares in respect of which the call was made will be liable to be forfeited.
24. If the notice is not complied with any Share in respect of which it was given may, before the payment required by the notice requiring payment of the amount unpaid together with any interest which may have accrued, be forfeited. The notice shall name the place where payment is to be made and shall state that if the notice is not

complied with the Share in respect of which the call was made will be liable to be forfeited.

25. If the notice is not complied with any Share in respect of which it was given may, before the payment required by the notice has been made, be forfeited and shall include all dividends or other moneys in payment in respect of the forfeited.
26. A person any of whose Shares have been forfeited shall cease to be a Shareholder in respect of them and shall surrender to the Company for cancellation the certificate for the Shares forfeited but shall remain liable to the Company for all the money which at the date of forfeiture were presently payable by him to the Company in respect of those Shares with interest at the rate at which interest was payable on those moneys before the forfeiture or, if no interest was so payable at the appropriate rate (as defined in the Act) from the date of forfeiture until payment but the Board may wholly or in part or enforce payment without any allowance for the value of the Share at the time of forfeiture or for any consideration received on their disposal.
27. A statutory declaration by a Director or the Secretary that a Share has been forfeited on a specified date shall be conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the Share and the declaration shall (subject to the execution of an instrument of transfer if necessary) constitute a good title to the Share and the person to whom the Share is disposed of shall not be bound to see to the application of the consideration, if any, nor shall his title to the Share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture or disposal of the Share.

Lien

28. The Company shall have a first and paramount lien on every Share (not being a fully paid Share) for the all moneys (whether presently payable or not) called or payable at a fixed time in respect of that Share, and the company shall also have a first and paramount lien on all Shares (other than fully paid Shares) standing registered in the name of a single person for all moneys presently payable by him or his estate to the Company, but the Directors may at any time declare the Share to be wholly or in part exempt from the provisions of this Article. The Company's lien, if any, on a Share shall extend to all Dividends payable thereon.
29. The Company may sell, in such manner as the Directors think fit, any Shares on which the Company has liens, 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 such part of the registered Holder for the time being of the Share, or the person entitled thereto by reason of his death or bankruptcy.

30. To give effect to any such sale the Board may authorize some person to transfer the Share sold to the purchaser thereof. The purchaser shall be registered as the Holder of the Shares comprised in any such transfer, and he shall not be bound to see to the application of the purchase money, nor shall his title to the Sale be affected by any irregularity or invalidity in the proceedings in reference to the sale.
31. The proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the Shares before the sale) be paid to the person entitled to the Shares at the date of the sale.
32. All transfers of the Shares shall be in writing in any common form or any other form acceptable to the Board and shall be signed by or on behalf of the transferee. The transferor shall be deemed to remain the Holder of the Share until the name of the transferee is entered in the Registering respect thereof.
33. Subject to such of the restrictions of these Articles as may be applicable, any Shareholder may transfer all or any of his Shares by instrument in writing in any usual or common form or any other form which the Board may approve.
34. The Board may in their absolute discretion and without assigning any reason refuse to register any transfer of any Share:-
- (a) which is not a fully paid Share; or
 - (b) which is favor of more than four transferees;-
 - (c) unless the instrument of transfer is duly stamped and lodged at the Office (or such other place as the Board may from time to time determine) to be registered is accompanied;-
 - (i) By a certificate of the Share to which it relates and,
 - (ii) By such other evidence as the Board may reasonable require to show the right of the transferor to make the transfer and,
 - (iii) (If some other person on his behalf executes the instrument of transfer) by the authority of the person to do so: or
 - (d) Unless the instrument of transfer is in respect of only one class of Share; or
 - (e) Which is in favor of a minor, infant, bankrupt or person of unsound mind; or

- (f) On which the Company has a lien pursuant to the Articles.
- 35 If the Board refuses to register a transfer of a Share, they shall within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal.
- 36 No fee will be charged by the Company in respect of the registration of any instrument of transfer or probate or letters of administration or certificate of marriages or death or stop notice or power of attorney or other document relating to or affecting the title to any Shares or otherwise for making any entry in the Register affecting the title to any Shares.
- 37 The Company shall be entitled to retain any instrument of transfer, which is registered, but any instrument of transfer, which the Directors refuse to register, shall be returned to the person lodging it when notice of the refusal is given.
- 38 The registration of transfers may be suspended at such time and for such period as Board may from time to time determine and either generally or in respect of any class of Shares provided always that such registration shall not be suspended for more than 30 days in any year.
- 39 The Company shall be entitled to destroy:
- (a) any instrument of transfer which has been registered at any time after the expiration of six years from the date of registration thereof;
 - (b) any divided mandate or any variation or cancellation thereof or any notification of change of address at any time after the expiration of two years from the date of recording thereof;
 - (c) any Share certificate which has been cancelled at any time after the expiration of one year from the date of such cancellation and;
 - (d) any other document on the basis of which any entry in the Register is made at any time after the expiration of six years from the date an entry in the Register was first made in respect thereof.

And it shall conclusively be presumed in favour of the Company that every entry in the Register purporting to have been made on the basis of the instrument of transfer or other document so destroyed and duly and properly made and that every Share certificate so

destroyed pursuant to the Article was a valid and effective document in accordance with the record particulars whereof in the books or records of the Company; provided always that:-

- (i) The provision aforesaid shall apply only to the destruction of a document in good faith and without express notice to the Company that the preservation of such document was relevant to any claim;
- (ii) Nothing contained in this Article shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any case where the conditions of proviso (i) above are not fulfilled; and
- (iii) Reference in this Article to the destruction of any document includes references to its disposal in any manner.

40. The board may at any time after the allotment of any Share but before any person has been entered in the Register as the Holder recognize renunciation thereof by the allottee in favor or some other person and may accord to any allottee of a Share a right to effect such renunciation upon and subject to such terms and condition as the board may think fit to impose.

41. In case of the death of a Shareholder, the survivors or survivor where the deceased was a joint Holder, and the legal representative of the deceased where he was sole or only surviving Holder, shall be the only person or persons recognized by the Company as having any title to or interest in the Shares, but nothing in these Articles releases the estate of deceased Holder (whether sole or joint) from any liability in respect of any Share held by him.

42. Any person becoming entitled to a Share in consequence of the death or bankruptcy of a Shareholder or of any other event giving rise by operation of law to such entitlement may (subject as herein provided) upon supplying to the Company such evidence as the Board may reasonably require to show his title to the Share either to be registered himself as Holder of the Share, upon giving to the Company notice in writing of his desire to be so registered or transfer such Share to some other person by executing a transfer of the Share to the person.

43. All the limitations, instructions and provisions of the Articles relating to the right to transfer and the registration of transfers of Share shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Shareholder or other even as aforesaid had not occurred and the notice of transfer were a transfer Executed by such Shareholder.

44. A person becoming entitled to a Share by reason of the death or bankruptcy of a Shareholder or other event giving rise by operation of law to such entitlement shall, upon supplying to the Company such evidence as the Board may reasonably require to show his title to the Share, be entitled to the same Dividends and other advantages to which he would be entitled if he were the registered Holder of the Share, except that he shall not, before being registered as a Shareholder in respect of it, exercise any right conferred to Shareholders in relation to a meeting of the Company.

Provided always that the Board may at any time give notice requiring any such person to elect either to be registered himself or to transfer the Share, and if the notice is not complied with within 90 days the Board may thereafter withhold payment of all Dividends, bonuses or other money payable in respect of the Share until the requirements of the notice have been complied with.

CONVERSION OF SHARES

45. The Company may by Ordinary Resolution convert any Paid-up Shares into stock and reconvert any stock into Paid-up Shares of any denomination. After the passing of any resolution converting all the full Paid-up Shares of any class in the capital of the Company into stock, any Shares of the class which subsequently become fully Paid-up rank *pari passu* in all other respects with such Shares and shall, if so provided in such resolution and by virtue thereof and of this Article, be converted into stock transferable in the same units as the Shares already converted.
46. 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 conversion have been transferred, or as near thereto as circumstances admit, and the Board 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 Share from which the stock arose.
47. 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 privilege or advantages (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.
48. Such of the Articles of the Company as are applicable to Paid-up Shares shall apply to stock, and the words "Shareholder" therein shall include "stock" and "stockholder".

ALTERATION OF CAPITAL

49. The Company may from time to time by Ordinary Resolution increase the Share capital by such sum, to be divided into Shares of such amount, as the resolution shall prescribe.
50. Subject to any direction to the contrary that may be given by the Company in general meeting, all new Shares shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing Shares to which they are entitled. The offer shall be made by notice specifying the number of Shares offered, and limiting a time, with which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the Shares offered, the Board may dispose of those Shares in such manner as it thinks most beneficial to the company. The Board may likewise so dispose of any new Shares which (by reason of the ratio which the new Shares bear to Shares held by persons entitled to an offer of new Shares) cannot, in the option of the Board be conveniently offered under this Article.
51. The new Shares shall be subject to the same provisions with reference to the payment of calls, liens, transfer, transmission, forfeiture and otherwise as the Shares in the original Share capital
52. 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:
 - (b) Sub-divide its existing Shares, or any of them, into Shares of smaller amount than is fixed by the Memorandum of Association subject, nevertheless, to the provisions of section 51(1)(d) of the Act;
 - (c) 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.
53. The Company may, by Special Resolution, reduce its Share capital redemption reserve fund in any manner and with, subject to, any incident authorized, and consent required.
54. The new Shares shall be subject to all the provisions of the Articles with reference to liens, the payment of calls, forfeiture, transfer, and transmission and otherwise.

55. Whenever as a result of consolidation of Shares any Shareholders would become entitled to fractions of a Share, the Board may, on behalf of those Shareholders, sell the Shares representing the fractions for the best price reasonable obtainable to any person (including subject to the provisions of the Act, to the Company) and distribute the net proceeds of sale in due proportion among those Shareholders, and the Board may authorize some person to Execute an instrument of the Shares to, or in accordance with the directions of, the purchaser. The transferee shall not be bound to see to the application of the purchase money nor shall his title to the Shares be affected by any regulation in or invalidity of the proceedings in reference to the sale.

GENERAL MEETINGS

56. The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year and shall specify the meeting as such in the notices calling it, and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next.

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

57. All general meetings other than annual general meetings shall be called extraordinary general meetings.
58. The Board may, whenever it thinks fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on such requisition, or in default may be convened by such requisitions, as provided by section 114 of the Act. If at any time there are not within Tanzania sufficient Board members capable of acting to form a quorum, any Director or any two Shareholders of the Company may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Board.

NOTICE OF MEETINGS

59. An annual general meeting and a meeting called for the passing of a Special Resolution or (save as provided by the Act) a resolution of which special notice has been given to the Company shall be called by not less than 21 days' notice in writing, and any other meeting shall be called by not less than 14 days notice in

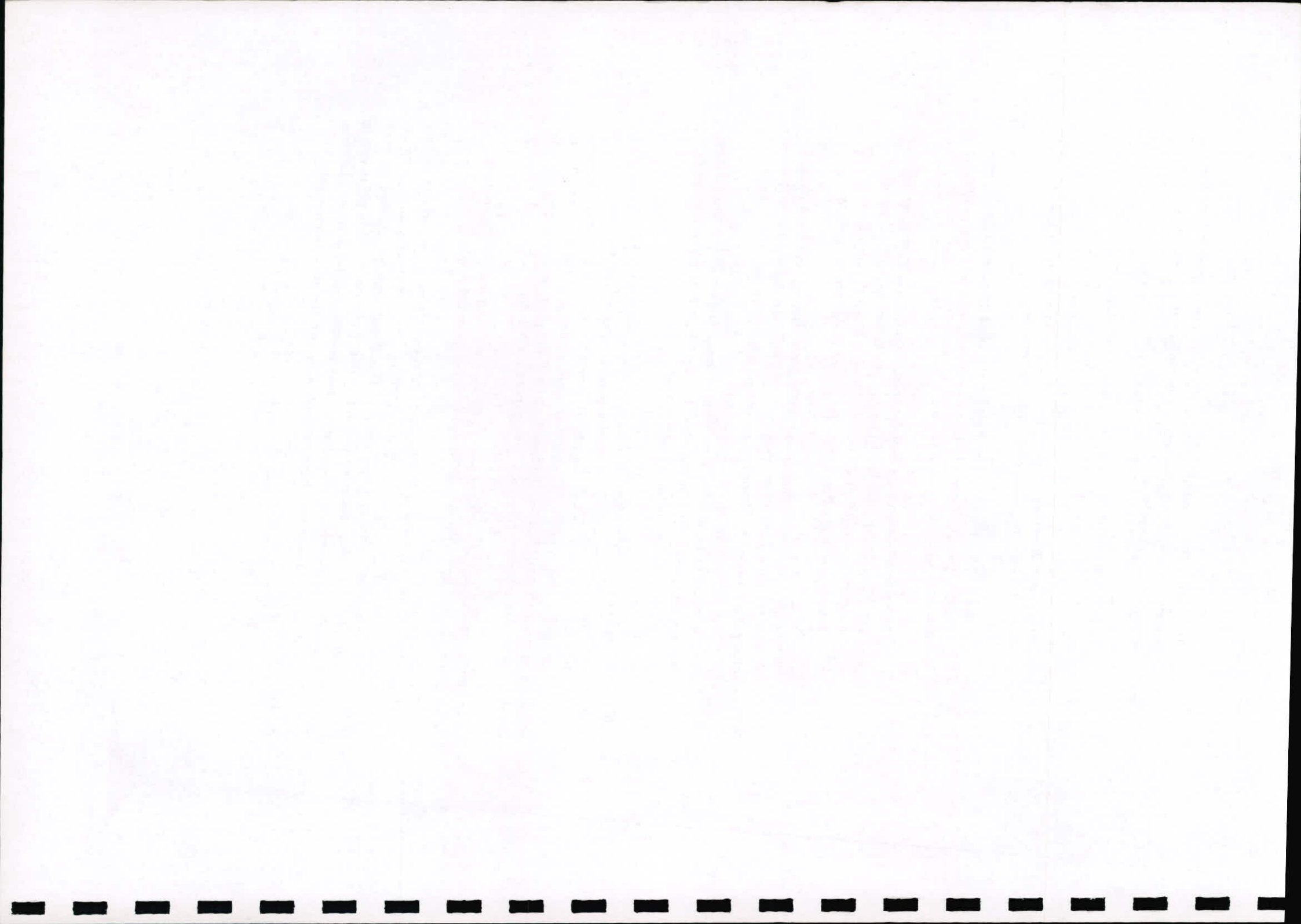
writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given and shall specify the place, the day and the hour of the meeting and shall be given in the manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Board, to such persons as are under the Articles, entitled to receive such notices from the Company. In the case of any general meeting at which special business is to be transacted the notice shall specify the general nature of such business. A notice convening a meeting at which any resolution is to be proposed a meeting, at which any resolution is to be proposed as an Extraordinary Resolution or as a Special Resolution, shall contain a statement to that effect. Provided that a meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in this Article be deemed to have been duly called if it is so agreed:

- (a) In the case of an general meeting by all the Shareholders having a right to attend and vote at the meeting, and.
 - (b) In the case of any other meeting, by majority in number of the Shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent in nominal value of the Shares giving that right.
60. (a) In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a Shareholder entitled to attend and vote is entitle to appoint one or more proxies to attend and vote in his stead and that a proxy need not be a Shareholder.
- (b) The accidental omission to give notice of a meeting or form of proxy to or the non-receipt of notice of a meeting or form of proxy by, any person entitled to receive notice shall not invalidate the proceedings at the meeting.
61. (a) Subject to the restrictions contained in the Act or in any other of the Articles, every Shareholder shall be entitled to attend a general meeting, in person or by proxy. This entitlement shall be subject to any arrangements referred to in the remainder of this Articles, provided that where the meeting is to be held at more than one place, the arrangements shall operate so that any Shareholder or proxies prevented or excluded from attending at one place are permitted to attend and participate at one of such other places.
- (b) In accordance with Paragraph (a) above, the Board may make such arrangements as they shall in their absolute discretion consider to be appropriate, for any of the following purposes:-

- (i) To regulate the level of attendance at any place specified for the holding of a general meeting, or to ensure the salary of people attending at any such place.
 - (ii) To facilitate attendance at such meeting or adjournment;
- (c) In the case of any meeting to which such arrangements apply the Board may when specifying the place of the general meeting:-
- (i) direct that the meeting shall be held at a place specified in the notice at which the Chairman of the meeting shall preside ("Main Meeting Place"); and
 - (ii) Make arrangements for simultaneous attendance and participation at the place by Shareholders and proxies otherwise entitled to attend the general meeting but excluded from it under the provisions of this Article or who to attend at the provisions of Paragraph (a) above.
- (d) Such arrangements for simultaneous attendance may include arrangements for regulating the level of attendance in the manner aforesaid at any such other places subject to the provisions of Paragraph (a) above.
- (e) For the purposes of all other provisions of these Articles (unless the context requires otherwise) the Shareholders shall be deemed to be moving in one place, which shall be the Main Meeting Place.
- (f) If the Board in their absolute discretion, considers that it is impractical or undesirable for any reason to hold a general meeting on the date or at the time or place specified in the notice calling the general meeting they may postpone the meeting to another date, time and place. When is so postponed, notice of the date, and place of the postponed meeting shall be placed in at least two national newspapers in Tanzania.

Notice of the business to be transacted at such postponed meeting shall not be required.
The arrangements referred to in the Article apply to the postponed meeting.

- (g) The Board may require Shareholders or proxies seeking attendance at any general meeting to submit to such searches or other security arrangements, as the Board considers appropriate. The Board shall be entitled, in their absolute discretion and notwithstanding the provisions of Article 62, to refuse entry to, or eject from, a general meeting any Shareholder or proxy who does not submit to such searches or comply with such security arrangements.



62. All business transacted at general meetings of the Company shall be deemed special business other than the following business if transacted at an annual general meeting, namely:-
- (a) Declaring a Dividend.
 - (b) The consideration of the Accounts, balance sheets and the reports of the Directors and the Auditors;
 - (c) The election of Directors in place of those retiring (by rotation or otherwise); and
 - (d) The appointment of, and the fixing the remuneration of, the Auditor or the manner in which such remuneration is to be fixed.

PROCEEDINGS AT THE GENERAL MEETINGS

63. No business shall be transacted at any general meeting unless a quorum of Shareholders is present at the time when the meeting proceeds to business but the absence of a quorum shall not preclude the appointment, or election of a chairman, which shall not be treated as part of the business of the meeting. Save as herein otherwise provided, Shareholders representing more than 50% of the authorized and issued Share capital, present in person or by proxy and entitled to vote shall be a quorum.
64. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the same day in the next week, at the same time and place or to such other day such other time and place as the Board may determine, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the Shareholders present shall be a quorum.
65. The chairman if any, or in his absence the deputy chairman, if any, of the Board shall preside as chairman at every general meeting of the Company, or if there is no such chairman or deputy chairman, or neither of them shall be present within 15 minutes after the time appointed for the holding of the meeting or is unwilling to act the Directors present shall elect one of their number to be chairman of the meeting.
66. If at any meeting no Director is willing to act as chairman or if no Director is present within 15 minutes after the time appointed for holding the meeting, the

Shareholders present whether in person or by proxy shall choose one of their number to be chairman of the meeting.

67. The chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the 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.

68. 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:

- (a) by the chairman of the meeting; or
- (b) by at least two Shareholders present in person or by proxy and entitled to vote; or.
- (c) by any Shareholder or Shareholders present in person or by proxy and representing not less than one tenth of the total voting rights or all the Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been Paid-up equal to not less than one tenth of the total sum paid upon on all the Shares conferring that right.

Unless a poll be so demanded a declaration by the chairman of the meeting that a resolution has a show of hands been carried or carried unanimously, or by a particular majority, or lost and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favor of or against such resolution.

69. A poll demanded on the election of a chairman of the meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting shall direct and any business other question shall be taken at such time as the chairman of the meeting shall direct and any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.

70. 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 not be entitled to a second or casting vote.

VOTES OF SHAREHOLDERS

71. 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 not be entitled to a second or casting vote.
72. Subject to any rights or restrictions for the time being attached to any class or classes of Shares, on a show of hands every Shareholder who (being an individual) is present in person or (being a corporation) is present by a duly authorized representative, not being himself a Shareholder entitled to vote, shall have one vote for each Share of which he is the Holder.
73. In the case of joint Holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Holders, and for this purpose seniority shall be determined by the order in which the names of the Holders stand in the Register.
74. A Shareholder in respect of whose estate a manager has been appointed under Section 26 of the Mental Health Act, 2008, may vote, whether on a show of hands or on a poll, by his said manager, and any such manager may, on a poll, vote by proxy.
75. No Shareholder shall be entitled to vote at any general meeting or at any separate meeting of the Holders of any class of Shares in the Company, either in person or by proxy, in respect of any Share held by him unless all calls or other sums presently payable by him in respect of Shares in the Company have been paid.
76. No objection shall be raised to the qualification 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 objections made in due time shall be referred to the chairman of the meeting, whose decision shall be final and conclusive.
77. On a poll votes may be given either personally or by proxy. A Shareholder may appoint more than one proxy to attend on the same occasion.

78. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing or, if the appointer is a corporation, either under Seal, or under the hand of an officer or attorney duly authorized. A proxy need not be a Shareholder of the Company.

79. An instrument appointing a proxy shall be in the following form or a form as near hereto as circumstances admit.

I/We _____ of _____ being a Shareholder/Shareholders of **PRIMELINT GINNERIES LIMITED**, hereby appoint _____ of _____ or failing him _____ of _____ as my/our proxy to vote for me/us/on my/our behalf at the (annual or extraordinary, as the case may be) general meeting of the Company to be held on the _____ day of _____ and at any adjournment thereof.
Signed this _____ day of _____ 2013

80. Where it is desired to afford Shareholders an opportunity of voting for or against a resolution the instrument appointing a proxy shall be in the following form or a form as near thereto as circumstances admit.

I/We _____ of _____ Being a Shareholder/Shareholders of the above- named Company, hereby appoint _____ of _____ or failing him _____ of _____ as my/our proxy to vote for me/us/on my/our behalf at the (annual or extraordinary, as the case may be) general meeting of the Company to be held on the _____ day of _____ and at any adjournment thereof.
Signed this _____ day of..... 2013

81. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll and to speak at the meeting.

82. An instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarial certified copy thereof, shall be deposited at the Office or at such other place within Tanzania as is specified for that purpose in or by any of a note to the notice convening the meeting, or in any instrument of proxy set out by the Company in relation to that meeting not less than 48 hours before the time for holding the meeting or adjourned meeting, at which the person

named in the instrument proposes to vote, or in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll at which it is to be used and in default, the instrument of proxy shall not be treated as valid. When two or more valid but different instruments of proxy are delivered in respect of the same Share for use at the same meeting, the one which is last delivered (regardless of its date or the date of its execution) shall be treated as replacing and revoking the other as regards that Share. If the Company is unable to determine which was last delivered, none of them shall be treated as valid in respect of that Share. Delivery of an instrument appointing proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned.

83. An instrument appointing a proxy shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting to which it relates. An instrument of proxy expressed to relate to more than one meeting having once been delivered pursuant to the Articles for the purposes of any meeting shall not require again to be delivered for the purpose of any subsequent meeting to which it relates. No instrument of proxy shall be valid after the expiration of 12 months from the date of its execution except at an adjourned meeting or on a poll demanded at a meeting or adjourned meeting in case where the meeting was originally held with 12 months from that date.
84. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument of proxy or of the authority under which the instrument of proxy was executed provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office or such other place (if any) as is specified for depositing the instrument of proxy not later than the last time at which an instrument of proxy should have been delivered in order to be valid for use at the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) 24 hours before the time appointed for the holding of a poll at which such vote is given.
85. Subject to the provision of the Act, a resolution in writing signed by or on behalf of all the Shareholders for the time being entitled to receive notice of and to attend and vote a general meetings shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held, and may consist of two or more documents in like form each signed by or on behalf of one or more of the Shareholders.

CORPORATIONS ACTING BY REPRESENTATIVES AT MEETINGS

86. A corporation (including a corporation sole) which is a Shareholder of the Company may by resolution of its Board or other governing body or, by authority given under seal or under the hand of an officer duly authorized by it, authorize such person or persons as it thinks fit to act as its representative or representatives at any meeting of the Company or of any class of Shareholders in respect of its entire holding or any part of parts thereof. A person so authorized pursuant to the foregoing provisions of the Article shall be entitled to exercise the same powers on behalf of the corporation which he represents in respect of that part of such corporation's holding to which his authorization relates as the corporation could exercise if it were an individual Shareholder with such a holding.

NUMBER OF DIRECTORS

87. (a) Subject to paragraph (b) the number of Directors shall be not less than two.

The following shall be the first Directors of the Company

- (i) **MR. KUSANYA FREDERICK SHINDIKA**
- (ii) **MR. CATHERINE FIDEA SHINDIKA**

- (b) The Company may by Special Resolution from time to time vary the minimum number and/or the maximum number of Directors

88. A director shall not be required to hold any Shares in the capital of the Company.
89. A Director who is not a Shareholder shall nevertheless be entitled to receive notice of and attend and speak at all general meetings of the Company and all separate general meetings of the Holders of any class of Shares in the capital of the Company.

ALTERNATE DIRECTORS

90. Any Director (other than an ultimate Director) may appoint any other Director, or any other person approved by resolution of the Board and willing to act, to be an ultimate Director and may remove from office a alternate Director so appointed by him.
91. An alternate Director shall be entitled to receive notice of all meetings of Directors and of all meetings of committees of Directors of which his appointer is a member, to attend and vote at any such meeting at which the Director appointing him is not personally present, and generally to perform all the functions of his appointer or as a Director in his absence but shall not be entitled to receive any remuneration from the Company for his services as an alternate Director.
92. An alternate Director shall cease to be an alternate Director if his appointer ceases to be a Director, but if, a Director retires by rotation or otherwise but is reappointed or is deemed to have been reappointed at the meeting at which he retires, any appointment of an alternate Director made by him which was in force immediately prior to his retirement shall continue after his reappointment.
93. Any appointment or removal of an alternate Director shall be deemed for all purposes to be a Director and shall alone be responsible for his own acts and defaults and he shall not be deemed to be the agent of the Director.
94. Save as otherwise provided in the Articles, an alternate Director shall be deemed for all purposes to be a Director and shall alone be responsible for his own acts and defaults and he shall not be deemed to be the agent of the Director appointing.

POWERS AND DUTIES OF DIRECTORS

95. The business of the Company shall be managed by the Board, who may pay all expenses incurred in promoting and registering the Company and may exercise all such powers of the Company in general meeting, such regulation, being not inconsistent with the aforesaid Articles or provisions, as may be prescribed by the Company in general meeting; but no regulation made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if the regulation had not been made.
96. The Board may from time to time and at any time by power of attorney appoint any Company, firm or person or 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 discretions (not exceeding those vested in or exercisable by the Directors under the Articles) and such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit may also authorize any such attorney to delegate all or any of the powers, authorities and discretions vested in him.

97. The Company may exercise the powers conferred by section 33 of the Act with regard to having an official Seal for use abroad, and such powers shall be vested in the Board.
98. The Company may exercise the powers conferred upon the Company by sections 100 to 103 (both inclusive) of the Act with regard to the keeping of a branch register, and the Directors may (subject to the provisions of those sections) make and vary such regulations as they may think fit respecting the keeping of any such register.
- (a) A Director who is in any way, whether directly or indirectly, Interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with section 150 of the Act.
 - (b) A Director shall not vote in respect of any contract or arrangement in which he is interested, and if he shall do so his vote shall not be counted, nor shall he be counted in the quorum present at the meeting, but neither of these prohibitions shall apply to:
 - (i) any arrangement for giving any Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company, or
 - (ii) to any arrangement for the giving by the company of any security to a third party in respect of a debt obligation of the Company for which the Director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security or
 - (iii) any contract by a Director to subscribe for or underwrite Shares or debentures of the Company, or
 - (iv) any contract or arrangement with any other company or as Holder of Shares or other securities, by the Company in general meeting.

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

100. The Director shall cause minutes to be made in books provided for the purposes:

- (a) of all appointments or offers made by the Directors;
- (b) of the names of the Director present at each meeting of the Directors and of any committee of the Directors;
- (c) of all resolutions and proceedings at all meetings of the Company, and of the Directors, and of committees of Directors, and every Director present at any meeting of Directors or committee of Directors shall sign his name in a book to be kept for that purpose.

All or any of the Directors or members of any committee of the Directors may validly participate in a meeting of the Directors through the medium of conference telephone or similar form of telecommunications equipment provided that all of the Directors participating in the meeting are able to hear and speak to each other throughout the meeting. All participating shall be deemed to be present in person at the meeting and shall accordingly be counted in a quorum and entitled to vote. All business transacted in such a manner by the Directors shall be deemed to be validly and effectively transacted at a meeting of the Directors who are physically present in the same place, provided that all decisions taken at the meeting are confirmed by fax or receipted e-mail within 24 hours of such meeting. Such a meeting will be deemed to take place where the largest group of the participating Directors is assembled, or if no such group, where the chairman of the meeting then is.

101. The Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependants and may make contributions to any fund and pay premiums for the purchase or provision of such gratuity, pension or allowance.

BOARD RESERVED MATTERS

102. Subject to Article 103 (f) and without limiting the Board's authority in respect of any other matter, no action shall be taken in respect of the following matters unless such action has received the approval of a simple majority of the members of the Board present at a Board meeting.
- (a) any transaction involving the acquisition or disposal of any asset with a value of greater than 0.50% of the Company's issued Share Capital and Reserves as disclosed in the most recently audited annual accounts;
 - (b) any transaction involving the merger of all or part of the Business with the assets or business of any third party;
 - (d) borrowing any amount which is greater than or equal to 1% of the company's Share capital;
 - (e) changes to the Dividend policy;
 - (f) approval or amendment to the Business Plan; and
103. The reserved powers of the Board set out in the Articles are subject to any laws which protect the interests of minority Shareholders.

BUSINESS PLAN

104. Subject to Article 103(f) the Board may prepare and present to the Shareholders the Revised Business Plan in each financial year.
105. The Board shall consult with the Shareholders to resolve any areas of non-agreement in respect of the Business Plan by the Board under article 103 (f) above.

CHIEF EXECUTIVE OFFICER

104. The Shareholders may from time to time appoint any person to be the Chief Executive Officer of the Company and, subject to the provisions of the Act, for such period and upon such terms as they think fit, and may vest in such Chief Executive Officer powers as may be made exercisable for such period or periods and upon such conditions and subject to such restrictions, and generally upon such terms as to remuneration and otherwise as they may determine. The remuneration

of the Executive Officer may be payable by way of salary or commission or participation in profits, or by any such appointment that he shall receive a pension, gratuity or other benefit on his retirement.

105. The CEO shall not, while he continue to hold that office, be subject to Retirement by rotation.

BORROWING POWERS

106. Subject to Article 103 (C) above the Directors may exercise all the powers of the Company to borrow money, and to mortgage or its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debentures stock, and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party:

Provided that the amount for the time being remaining undercharges of money borrowed or secured by the Director as aforesaid (apart from temporary) shall not at any time, without the previous sanction of the Company in general meeting, exceed the nominal amount of the Share capital of the Company and shall be concerned to see or inquire whether this limit is observed. No debt incurred or security given in excess limit shall be invalid or ineffectual except in the cause of express notice to the lender or the recipient of the security at the time when the debt was incurred or security given that the limit hereby imposed had been or was thereby exceeded.

PROCEEDINGS OF DIRECTORS

107. The Directors may meet together for the dispatch of business, adjourn, and otherwise regulate their meetings as they think fit and any event shall meet no less than every quarter. Questions arising at any meeting shall be decided by a majority of votes. Two Directors on may call a meeting of the Board other than a scheduled quarterly meeting not less than 14 days notice.
108. The quorum for the transaction of the business of the Board shall be not less than two (2) Directors. A person, who holds office only as an alternate Director shall, if his appointer is not present, be counted in the quorum.
109. The continuing Directors or a sole continuing Director may act notwithstanding any vacancies in their number, but, if the number of Directors is less than the number fixed as the quorum, the continuing Directors or Director may act only for the purpose of filling vacancies or of calling a general meeting.

113. The Director may appoint one of their numbers to be chairman of the Board and may at any time remove him from that office. Unless he is unwilling to do so, the Director so appointed shall preside at every meeting of Directors at which he is present. But if there is no Director holding that office or if the Director holding it is unwilling to preside or is not present within five minutes after the time appointed for the meeting, the Directors present may appoint one of their numbers to be Chairman of the meeting.
- 114 (a) The Board may delegate any of their powers or discretion (including without prejudice to the generality of the foregoing all powers and discretion which involves or may involve the payment of remuneration to, or the conferring of any other benefit on, all or any members of the Board) to committees consisting of one or more Directors or other persons co-opted as hereinafter provided.
- (a) In an order where any such power or discretion is delegated to a Committee any reference in the Articles to the exercise by the Board of the power or discretion so delegated shall be read and construed as if it were a reference to the Board by such committee. Any such delegation may include authority to sub-delegate all or any of the powers of discretions delegated.
- (c) The meetings and proceedings of any such committee or sub-committee consisting of two or more members shall be governed *mutatis mutandis* by the provisions of the Articles regulating the meetings and proceedings of the Board. Any committee or sub-committee so formed shall exercise the regulations from time to time imposed by the Board. Any such regulations may provide for the co-option to the committee or sub-committee of persons other than Directors and for such co-opted members to have voting rights as members of the committee or sub-committee.
- (d) Any committee or sub-committee may be called a "board" or "council" or any other name as the Board may determine.
- 115 A committee may elect a chairman of its meetings; if no such chairman is elected, or if at any meeting the chairman is not present within five minutes after the time appointed for holding the same, the members present may choose one of their number to be chairman of the meeting.
- 116 A committee may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in the case of any equality of vote the chairman shall have a second or casting vote.
- 117 Any or all the Directors or any members of a committee or sub-committee of the Board may participate in a meeting of the Board or that committee or sub-

committee by means of a conference telephone, video conferencing or any communication equipment which allows all persons participating in the meeting to hear and speak to each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in the quorum. Such a meeting shall be deemed to take place where the largest group of those participating is assembled, or if there is no such group, where the chairman of the meeting is present.

118. If a question arises at a meeting of Directors or of a Committee of Directors as to the right of a Director to vote, the question may, before the conclusion of the meeting, be referred to the chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive.
119. A Director shall not be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote.
120. All acts done by any meeting of the Board or of committee of the Board appointed under Article 115 or by any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were or was disqualified from holding office or had in any way vacated their or his office be as valid as if every such person had been duly appointed and was qualified to be a Director.
121. A resolution in writing, signed by all the Directors for the time being entitled to receive notice of a meeting of the Board, shall be as valid and effective for all purposes as if it had been passed at a meeting of the Board duly convened and held, and may consist of two or more documents in the from each signed by one or more of the Directors, and may be in any form, including facsimile transmission.

SECRETARY

122. Subject to the provisions of the Act, the Secretary shall be appointed by the Board on such terms such period as they may think fit. Any Secretary so appointed may be removed from office by the Board, but without prejudice to any claim for damages for breach of any contract of service between him and the Company. If thought fit two or more persons may be appointed as joint Secretaries. The Board may also appoint from time to time on such terms as they think fit one or more deputy secretaries or some person to act as temporary Secretary.
123. A provision of the Act or the Article requiring or authorizing a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as, or in place of, the Secretary.

SEAL

124. (a) The Board shall provide for the safe custody of the seal, which shall be used with the authority of the Board or of a Committee authorized by the Board by the Board in that behalf.
- (b). Every instrument to which the seal shall be affixed shall be signed autographically in any of the following manners:
- (i) by one Director and the Secretary;
 - (ii) by two Directors; or
 - (iii) by a person duly authorized by the Board either generally or in relating to specific instruments of specific descriptions.
- (c) Notwithstanding the provisions of provisions of paragraph(b)of this Article and without prejudice to paragraph (c) of this Article the Board may resolve in the case of any certificates for Shares or debentures or other securities of the Company, to dispense with any or all of the signatures referred to in paragraph (b) of this Article.
- (d) Notwithstanding the provisions of Article 114 a committee authorized by the Board for the purpose of paragraph (a) of this Article may consist entirely of one or more persons other than Directors.

AUTHENTICATION OF DOCUMENTS.

- 125 Any Director or the Secretary or any person appointed by the Board 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 resolution passed by the Company or the Board or any committee, and any books, records, documents and Accounts relating to the business of the company and to certify copies thereof or any committee, or any local or area Board which is certified as aforesaid shall be conclusive evidence in favor of all persons dealing with the company upon the faith thereof that such resolution has been duly passed or, as the case may be, that such minutes or extract is a true and accurate record of proceeding at a duly constituted meeting.

RESERVES

126. Subject to the Act the Board may, before recommending any Dividend, whether preferential or otherwise, set aside out of the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be

employed in the business of the Company or be invested in such manner as the Board thinks fit. The Board may also without placing the same to reserve carry forward any profits.

DIVIDENDS

127. Subject as hereinafter provided, the Company by Ordinary Resolution may declare Dividends in accordance with the respective rights and priorities of Shareholders, but no Dividend shall exceed the amount recommended by the Board.
128. The Board may from time to time declare and pay to the Shareholders such interim Dividends, and such fixed or other Dividends payable upon any preference Shares or other Shareholders and may amend the Dividend policy set out in this Article from time to time.
129. Unless and to the extent that the right attracted to any Shares or the terms of issue thereof otherwise provide, all Dividends shall (as regards any Shares not fully paid) be paid pro rata according to the amount paid on the Share during any portions of the period in respect of which the Dividend is paid. For the purposes of this Article no amount paid on a Share in advance of calls shall be treated as paid on the Share.
130. The Board may deduct from any Dividend or other moneys payable to any Shareholder on or in respect of a Share all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in relation to Shares of the Company.
131. Subject to the provision of the Act, where any asset, business or property is acquired by the Company as from a past date (whether such date be before or after the incorporation of the Company) the profits and losses arising there from as from such date may at the discretion of the Board in whole or in part be carried to revenue account and treated for all purposes as profits or losses of the company. Subject as aforesaid, if any Shares or securities are purchased cum Dividend or interest, such Dividends or interest may at the discretion of the Board be treated as revenue, and it shall not be obligatory to capitalize the same or any part thereof.
132. The Company may pay any Dividend, interest or other money payable in cash in respect of Shares by direct debit, bank transfer, cheque or Dividend warrant and may remit the same directed to the registered address of the Shareholder or person entitled to a Dividend thereto or, in the case of joint Holders, to the registered address of the joint Holder whose name stands first in the Register, or, in the case of two or more person being entitled to a Dividend, interest or other money in consequence of the death or bankruptcy or mental disorder of the Holder or by

operation of law or any other event, to any one of such persons, or to such person and to such address as Holder or joint Holders or such other person may in writing direct. In the case of a Shareholder who is also an employee of the Company or any of its subsidiaries, the Company may remit any Dividend, interest or other moneys as aforesaid to such Shareholder through the Company's internal postal arrangements. The Company shall not be responsible for any loss of any such cheque or warrant. Every such person as the Holder or joint Holders or other person entitled thereto may in writing direct, and the payment of such cheque or warrant shall be a good discharge to the Company. Any one of two or more joint Holders or persons entitled to a Dividend, interest or other moneys in consequence of the death, bankruptcy or mental disorder of the Holder or by operation of law or any other event may give effective receipts for any Dividends, he jointly is entitled as aforesaid.

133. The Board may but shall not be obliged to retain the Dividends payable upon Shares in respect of which any person is under the provision as to the transmission of Shares hereinbefore contained entitled to become a Shareholder, or which any person is under those provisions entitled to transfer, until such person shall become a Shareholder in respect of such Shares or shall transfer the same.
- (i) Dividends, or any part thereof, declared or payable within a specified period but such period may not end later than the conclusion of the fifth annual general meeting following the date of the meeting at which the Ordinary Resolution is passed. The plan to which the authority relates may, in the absolute discretion of the Board, remain in force until the authority expires and is not renewed;
 - (ii) The basis of allotment of new Shares shall be determined by the Board so that as nearly as may be considered convenient, the relevant value of the entitled shall be equal to the cash amount (disregarding any tax credit) of the Dividend the Holder of such Shares foregoes. For this purpose the "relevant value" shall be calculated by reference to the average of the middle market quotation on the Dar Es salaam Stock Exchange, as shown in the daily official list, on each of the first five dealing days on which the Shares are quoted ex the relevant dividend, or in such other manner as may be determined by or in accordance with the Ordinary Resolution. A certificate or report by the Auditor as to the amount of the relevant value in respect of any Dividend shall be conclusive of that amount;
 - (iii) The Board shall give notice in writing to the Holders of Shares of the terms and conditions of any such plan and shall give conditions of any such plan and shall send with or following such notice forms of election so that they may exercise the rights granted;

- (iv) The Board may determine that an election by a Shareholder must be specified to be a continuous mandate and need not be renewed annually or otherwise, and shall take effect until the mandate is revoked in accordance with any procedure decided upon from time to time by the Board;
 - (v) For the purpose of any such plan the Board may capitalize out of such of the sums standing to the credit of any of the Company's reserves (including any Share premium account, capital redemption reserve fund or any other distributable reserve) or any of the profit which could have been applied in paying Dividends in cash the Board may determine, a sum equal to the aggregate nominal amount of additional Shares to be allotted on such basis and apply the same in paying up in full the appropriate number of unissued Shares for allotment and distribution to and amongst the Holders of Shares entitled to the same;
134. The waiver in whole or in part of any Dividend on any Share by any document (whether or not under seal) shall be effective only if such document is signed by the Holder thereof (or the person becoming entitled to the Share in consequence of the death, bankruptcy or mental disorder of the Holder or by operation of law or any other event) and delivered to the same is accepted as such or acted upon by the Company.
135. No Dividend or interim Dividend shall be paid otherwise than in accordance with the provisions of the Act which apply to the Company.
136. No Dividend or other moneys payable on or in respect of a Share shall bear interest against the Company.
137. (a) The Board may, if authorized by an Ordinary Resolution and Subject to the remaining provisions of the Article, operate a plan or plan for the benefit of the Holders of Shares of the Company under which the Board may give such Holders one or more of the following options, in such manner as the Board may think fit namely:
- (i) In lieu of receiving any Dividend (or, in the absolute discretion of the Board, any part) of the Share held by them from time to time, to elect to receive additional Shares credited as fully paid, on the terms and conditions of any such plan; or
 - (ii) Instead of accepting the net cash amount due to them in respect of any Dividend (or, in the absolute discretion of the Board, any of the Shares held by them or in their name from time to time), elect to

invest such cash in subscribing for unissued Share in the capital of the Company payable in the terms and conditions of any such plan; or

- (iii) Any other option in respect of the whole or any part of any Dividend on all or any Share held by them as the Board may in their absolute discretion determine.
- (b) In respect of any such plan the following provisions shall apply:
- (i) The authority contained in the said Ordinary Resolution for such plan may be in respect of a particular Dividend, or any part thereof, or in respect of all or any allotted as fully paid Shares by way of capitalization to the Shareholders or any class of Shareholder who would have been entitled to that same proportions, and the Board shall give effect to such resolution.
- (c) Where any difficulty arises in regard to any distribution under paragraph (a) or (b) of this Article the Board may settle the same as they think expedient and in particular may issue fractional certificates or authorize any person to sell and transfer any transactions or may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so or may ignore fractions altogether, and may determine that cash payments shall be made to any Shareholders in order to adjust the rights of the parties, as may seem to be expedient to the Board. The Board may appoint any person to sign on behalf of the persons entitled to participate in the distribution any contract necessary or desirable for giving effect thereto and such appointment shall be effective and binding upon the Shareholders.

ACCOUNTS

138. (a) The Board shall cause accounting records to be kept in accordance with the Act.
- (b) The accounting records shall be kept at the Office or, subject to the Act, at such other place or places as the Board thinks fit, and shall always be open to the inspection of the officers of the Company.
- (c) The Board shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounting records of the Company or any of them shall be open to the inspection of Shareholders not being officers of the Company, and no Shareholder (not being an officer of the Company) shall have any right of

inspecting any accounting records or other book or document of the Company except as conferred by statute or ordered by a court of competent jurisdiction or authorized by the Board or by the Company in general meeting.

- (d) The Board shall from time to time in accordance with the Act cause to be prepared and to be tabled before the Company in general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as are referred to in the Act.
139. (a) Subject to the provisions of Paragraph (c) of this Article, a copy of every balance sheet and profit and loss account (including every document required by law in be annexed thereto) which is to be laid before the Company in general meeting, together with a copy of the Auditor's report and the Board's report, shall be prepared not less than 21 days before the date.
- (b) The Board may, in their absolute discretion, suspend or terminate any such plan which is in operation, notwithstanding that there may be elections outstanding pursuant to such plan.
 - (c) Any communication by the Board to the Shareholders concerning any such plan, or any amendment thereto (including the notices referred to in this Article) may be made by advertisement published in accordance with Article 152.

CAPITALIZATION OF PROFITS

140. (a) The Company may, upon the recommendation of the Board, at any time and from time to time pass an ordinary Resolution to the effect that it is desirable to capitalize all or any part all part of any amount for the time being standing to the credit of any Share premium account or any capital redemption reserve and accordingly that such amount be set free for distribution among the Shareholders or any class of Shareholders who would be entitled thereto if distributed by way of Dividend and in the same proportion, on the footing that the same be not paid in cash but be applied either in or toward paying up the amounts for the time being be paid on any Share in the Company held by such Shareholders respectively or in payment up in full of unissued Shares, debentures or other obligations of the Company, to be allotted and distributed credited as fully paid among such Shareholders or partly in one way and partly in the other, and the Board shall give effect to such resolution, provided that, for the purposes of this Article, a Share premium account and a capital redemption reserve may be

applied only in the paying up of un-issued Shares to be allotted to such resolution, provided that, for the purposes of this Article, a Share premium account and a capital redemption reserve may be applied only in the paying up of un-issued Shares to be allotted to such Shareholders credited as fully paid.

- (b) The Company may, upon the recommendation of the Board, at any time and from time to time pass an Ordinary Resolution to the effect that it is desirable to capitalize all or any part of any amount for the time being standing to the credit of the Company's reserve accounts or the credit of the profit and loss account which is not available for distribution by applying such in the paying up in full of un-issued Share to be allotted to such Shareholders credited as fully paid.
 - (i) The Board may do all acts and things considered necessary or expedient to give effect to any such plan (including, without limitation any such capitalization) with full power to the Board to make such provisions as the Board thinks fit in respect of fractions, including provisions whereby, in whole or in part, fractional entitlements are accrued and/or retained and in each case accumulated on behalf of any Shareholder and such accruals or retentions are applied to the allotment, by way of bonus to or cash subscription on behalf of such Shareholder, of fully Paid-up Shareholders interested in an agreement with the company providing for such capitalization and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned;
 - (ii) The additional Shares so allotted shall rank *pari passu* in all respects with the fully paid Shares then in issue save only as regards participants in the relevant Dividend in respect of which the Shares have been issued (or Share election in lieu);
 - (iii) The Board may in their absolute discretion on any occasion determine that rights of election shall not be made available to any Holder or Shareholder in respect of which the Board believes, in their absolute discretion that it would be impractical or unduly onerous to make rights of election available or that for any other reasons aforesaid shall be read and construed subject to such determination.
- (c) The power conferred under this Article and by any authority given by the Shareholders shall not be exercised unless the Company shall have, in order to give effective to the term of any such plan:
 - (i) Sufficient un-issued Shares capable of being issued as Shares; and

- (ii) If any Shares are to be allotted other than for cash, suspend or terminate any such plan, which is in operation, notwithstanding that there may be elections outstanding to such plan.

AUDITORS

- 141 (a) An Auditor shall be appointed and his duties regulate in accordance with the Ordinance.
- (b) An Auditor shall be entitled to attend any general meeting and to receive all notices of and other communications relating to any general meeting any Shareholder is entitled to receive and to hear at any general meeting any part of the business of the meeting which concerns him as Auditor
- (b) Subject to the provisions of the Act, all acts done by any person acting as an Auditor shall, as regards all persons dealing in good faith with the Company, be valid, notwithstanding that there was some defect in his appointment or he subsequently became disqualified.

NOTICES

- 142 (a) Any notice or document (including a Share certificate) may be served on or delivered to any Shareholder by the Company either by hand or by sending it through the post or other delivery service in a prepaid cover addressed to such Shareholder at this registered address, or (if he has no registered address within Tanzania) to the service, or by delivering it to such address addressed as aforesaid.
- (b) In the case of a Shareholder registered on a branch register any such notice or document may be posted or dispatched either in Tanzania or in the territory in which such branch register is maintained.
- (c) Where a notice or other document is served or sent by hand, it shall be deemed to be served at the time it is handed to or left for the Shareholder at such address, addressed as aforesaid. Where it is sent by post or other delivery service, it shall be deemed to be served:
- (i) 72 hours after posting, where courier service is employed; or

(ii) 7 days after it is posted or given to delivery agents (as the case may be) where any means of delivery other than courier service is employed.

In provision such service or delivery it shall be sufficient to prove that the notice or document was properly addressed, prepaid (where appropriate) and posted or given to delivery agents.

143. The company may at its discretion serve any notice or document (including a Share certificate) on any Shareholder who is an employee of the Company or any subsidiary of the Company at his last known place of work in the Company or any subsidiary by sending it through the Company's internal postal arrangements and service shall be deemed to be effected on the day following that on which the letter containing the same is dispatched in the internal postal systems. The Company's records of such dispatch shall be deemed to be proof of such service.
144. Any notice given to one of the joint Holders of a Share whose name stands first in the Register in respect of the Share shall be sufficient notice to all the joint Holders in their capacity as such. For such purpose a joint Holder having no registered address in Tanzania and not having supplied an address within Tanzania for the service of notices shall be disregarded.
145. A person entitled to a Share in consequence of the death, bankruptcy or mental disorder of a Shareholder or by operation of law or any other event upon supplying to the Company such as the Board may reasonably require to show his title to the Share, and upon supplying also an address within Tanzania for the service of notices, shall be entitled to have served upon or delivered to him at such address any notice or document to which the Shareholder but for such an event would be entitled, and such service or delivery shall for all purposes be deemed a sufficient service or delivery of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the Share. Save as aforesaid any notice or document delivered or sent by post to or left at the address of any Shareholder in pursuance of the Articles shall, notwithstanding that such Shareholder be then dead or bankrupt, in liquidation or suffering from mental disorder and whether or not the Company shall have notice of any such event or circumstances, be deemed to have been duly served or delivered in respect of any Share registered in the name of such Shareholder as sole or first-named joint Holder.

WINDING UP

146. If the company shall be wound up the liquidator may, with the sanction of an extraordinary resolution of the company and any other sanction required by the Companies Act, 2002 divide among the members in specie or kind the whole or any part of the assets of the company (whether they shall consist of property of the same


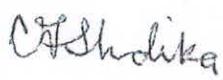
kind or not) and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such decision shall be carried out as between the shareholders or different classes of shareholders. The Liquidator may, with sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the contributors as the liquidator, with the like sanction, shall think fit, but so that no shareholder shall be compelled to accept any shares or other securities whereon there is any liability.

INDEMNITY

147. Subject to the provision of the Companies Act, every director, Chief Executive Officer, agent, auditor, secretary and other officer for the time being of the Company shall be indemnified in any proceeding, whether civil or criminal, in which judgment is given in his favor or in which he is acquitted.


ALTERATIONS OR ADDITIONS

148. Subject to the provisions of the Act and to those contained in the Memorandum of Association, the Company may by special resolution make alterations or additions to the Articles of Association and any such alterations or additions as made shall be as valid and effectual as if originally contained in these Articles and be subject in like manner to alteration by Special Resolution.

KUSANYA FREDERICK SHINDIKA P.O.BOX 1200 MWANZA	1,240,000	
CATHERINE FIDEA SHINDIKA P.O.BOX 1200 MWANZA	812,000	

Dated this 12 Day of December, 2013

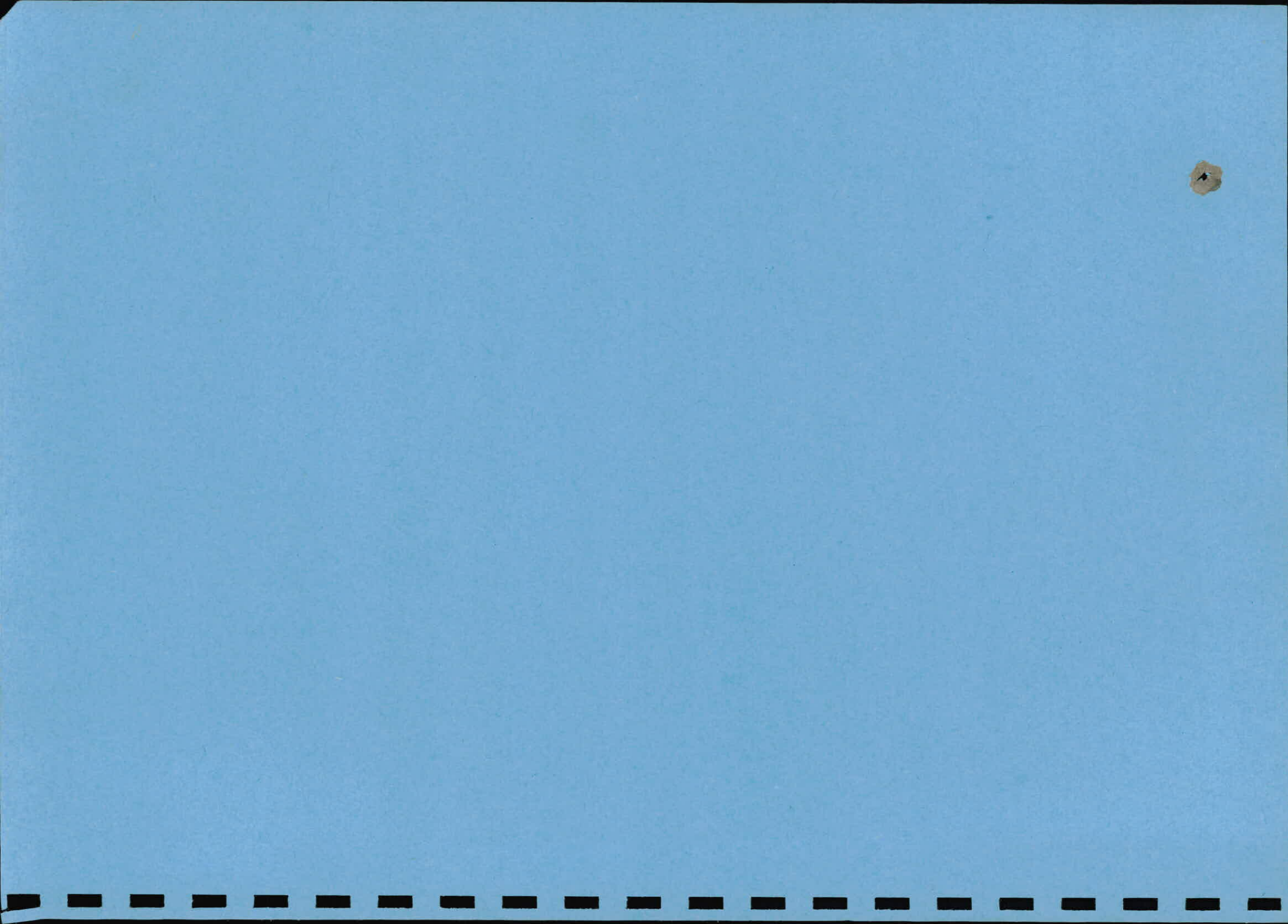
WITNESS TO THE ABOVE SIGNATURES:

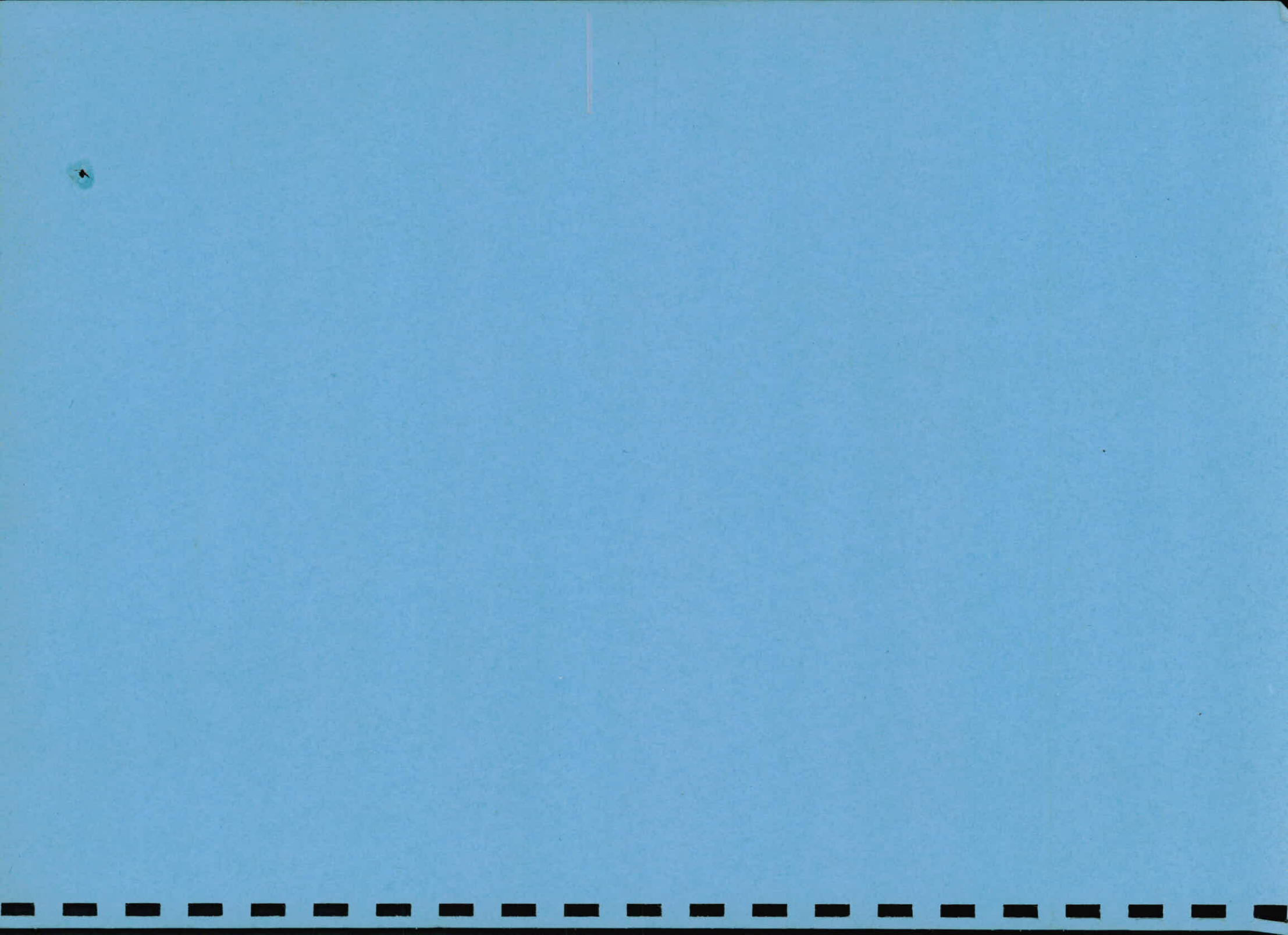
SIGNATURE: 

ADDRESSES: P.O. Box 33429

QUALIFICATION: Advocate









TANZANIA INVESTMENT CENTRE

REGISTRATION FORM

FOR

CERTIFICATE OF INCENTIVES

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

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

(Please fill the form in duplicate)

UNITED REPUBLIC OF TANZANIA

THE TANZANIA INVESTMENT ACT
(No. 26 of 1997)

APPLICATION FOR REGISTRATION
(Made under Regulation 42)

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

1. I/We KUSANYA FREDERICK SHINDIKA
PRIMELINT LINNERIES LIMITED
(director/directors/agent of PRIMELINT LINNERIES LTD
(name of business enterprise) apply for registration of PRIMELINT LINNERIES LTD
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 9 BLOCK A
NYITUNDU/BUSISI, SENKEREMA ROAD

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 1, BLOCK A

4. The Principal Officers of the Company are KUSANYA FREDERICK
SHINDIKA

5. Auditors of the Company are BK ASSOCIATES
P.O. BOX 75037 DAR-ES-SALAAM

6. The authorized share capital of the Company is Tshs./US\$ 15 BILLION

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

is Tshs./US\$ 5' 100' 244.00

8. The month and day of the financial year end is JUNE MARCH 31st

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

✓ We enclose a cheque/cash made payable to the **Tanzania Investment Centre** for Tshs./US\$

CASH PAID (REF 014204) 28/1/14 Being the Registration Fees. *In the event this application is unsuccessful we understand that this fee will not be refunded.*

I, KUSANYA SHINDIKA of Post Office Number 1200 MWANZA

do solemnly and sincerely declare that I am a director/duly

authorized agent of PRIMELINI LINNERIES 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 }

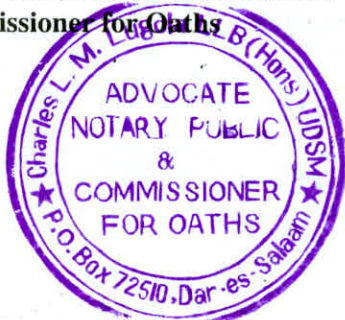
The 4th day of FEB 2015 }

Applicant

Before me:



Commissioner for Oaths



APPLICATION SUMMARY

Company Name: PRIMELINT GINNERIES LIMITED

Certificate of Incorporation Number: Status: LIMITED

Certificate of Incorporation Date:

Post Box: 1200

Town: MWANZA

Sector: AGRICULTURE Sub-Sector: COTTON

Investment Financing Plan in Million US\$/Tshs.

Foreign Equity	Local Equity	Foreign Loan	Local Loan
<u>—</u>	<u>\$ 3'300'244</u>	<u>\$ 1'800'000</u>	<u>TSH 6 BILLION</u>

Project Objectives: COTTON GINNING PROCESSING

Capacity:

Employment: Foreign: 5 Local: 121 Total: 126

Implementation Period: 18 MONTHS

Project Location

Site/Plot/Block No.: PLOT NO 9, BLOCK A

Street: NYITUNDU/BUSISI District: SENLEREMA Region: MWANZA
(Attach sketch map showing project location)

Shareholders	Nationality	%
<u>KUSANYA F. SHINDIKA</u>	<u>TANZANIAN</u>	<u>65</u>
<u>CATHERINE F. SHINDIKA</u>	<u>TANZANIAN</u>	<u>35</u>
.....
.....
.....

Investment Breakdown US\$/Tshs.M

Land/Building	\$ 1'964'030.00
Plant	\$ 2'124'930.00
Vehicles	\$ 430'514.00
Furniture & Fittings	\$ 121,512.00
Pre-expenses	\$ 400'000.00
Others	\$ 59'258.00
Working Capital	TSHS 6,000,000,000.00
TOTAL	\$ 8'803'947.70

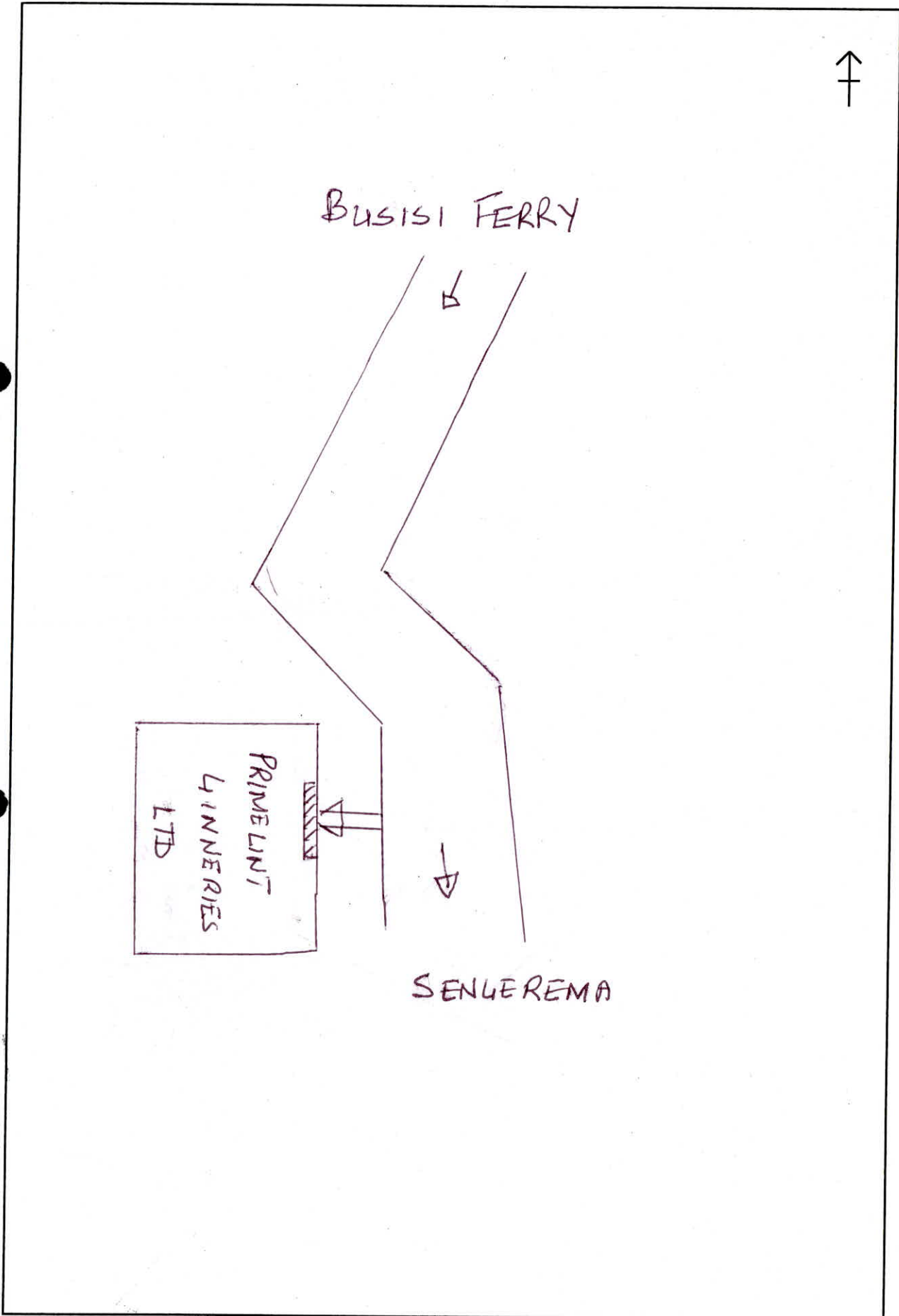
Contact Details:

Name: KUSANYA F. SHINDIKA Title: DIRECTOR
Telephone: 0768-800-000 Fax: +255-73-6604555
Email: primehintcotton@gmail.com

Payments to be made payable to:

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

SKETCH MAP SHOWING PROJECT LOCATION



TICC/PP.10/042608/3

10/02/2014

Managing Director,
Primelint Ginneries Ltd
P.O. Box 1200
MWANZA

**RE: CERTIFICATE OF INCENTIVES FOR COTTON GINNING
PROCESSING PLANT**

We wish to acknowledge receipt of your project proposal to establish and operate cotton ginning processing plant as presented in the TIC P.A. 1 Form No. 11672 and Feasibility Study with a projected investment amounting to USD 8.8485m.

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

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

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

TICC/PP.10/042608/3

10/02/2014

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

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

Yours sincerely,
Tanzania Investment Centre



Juliet R. Kairuki
EXECUTIVE DIRECTOR

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

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

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



TIC Evaluation Report

Name of the Company
Primelint Ginneries Ltd.

Post Box	Nyitundu/Busisi, Plot No. 9 Block A, Sengerema District	COI Number	104533	Contact	Mr. Kusanya F. Shindika
Post Office	1200	COI Date	16/12/2013	Designation	Director
Region	Mwanza	Application F. No	11672	Phone	0
Country	Tanzania	Status	New	Direct Phone	0
		Sector	Manufacturing	Cell Phone	0768 800 000
		Sub Sector	Cotton	Fax	0
		File No	042608	E-Mail Address	0

Project Location		Investment Finance Plan in Millions USD											
Block	Plot No. 9 Block A	<table border="1"> <thead> <tr> <th>Foreign Equity</th> <th>Local Equity</th> <th>Foreign Loan</th> <th>Local Loan</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>3.3</td> <td>1.8</td> <td>3.75</td> </tr> </tbody> </table>	Foreign Equity	Local Equity	Foreign Loan	Local Loan	0	3.3	1.8	3.75			
Foreign Equity	Local Equity		Foreign Loan	Local Loan									
0	3.3		1.8	3.75									
Street	Nyitundu/Busisi												
District	Sengerema												
Region	Mwanza												

Shareholders Detail			Investment Breakdown (USD Million)	
Name	Nationality	(%)	Land/Building	1.96
Catherine F. Shindika	Tanzanian	35	Plant	2.123
Kusanya F. Shindika	Tanzanian	65	Vehicles	0.435
			Furniture & Fittings	0.1215
			Pre-expenses	0.4
			Others	0.059
			Working Capital	3.75
			Total	8.8485

Employment	126	Evaluated By	wf officer3
Capacity	xxxxx	Drawn By	wf regist3
Project Turn Over		Project Type	Mixed(Local & Foreign)

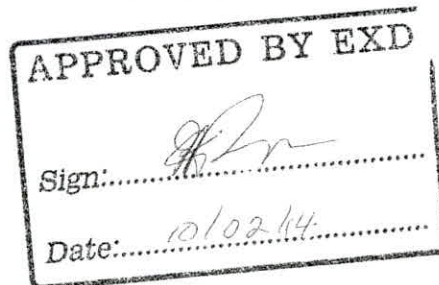
Description

To establish cotton ginning processing plant

Recommendations

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

Decision



PRIMELINT GINNERIES LIMITED

Plot No, 9 Block A, Nyitundu/Busisi, Sengerema Road
P.O.BOX 1200 Mwanza

Tel: +255-76-880-0000, Fax: +255-73-660-4555, Email: primelintcotton@gmail.com

Executive Director

Tanzania Investment Centre
P.O.Box 9134
Dar es Salaam, Tanzania



Feb 4th, 2014

CERTIFICATE OF INCENTIVE

PRIMELINT GINNERIES LIMITED is a local service company formed in 2012 with offices at Plot No 9, Block A, Nyitundu/Busisi in Sengerema Mwanza Region.

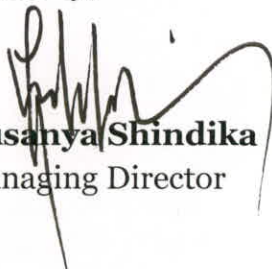
Primelint Ginneries Limited is a local owned cotton company dealing established to deal in cotton farming through contract farmers, ginning and export. The investment will engage a number of technology transfer to local Tanzanias to meet the operation requirements.

Under this circumstance we do hereby submit our application for Certificate of Incentive from your office, with this letter herewith attached:

- Memorandum and Articles of Association
- Company's Certificate of Incorporation
- Evidence of availability of Fund from Bank for the project
- Proof of Land ownership
- Company's Resolution
- Business Plan
- TIC Form No. PA 1 dully filled Serial No.9662 and TIC N 11672 and
- TIC Official Receipt covering application fee of USD 100.00 (RECo14204)

Thank you in advance for your service.

Sincerely,


Kusanya Shindika
Managing Director

9662

11672



TANZANIA INVESTMENT CENTRE

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

RECEIPT REC014204

No.008140

Received from : PRIMELINT GINNERY LTD

Address : P.O. Box 1200 Mwanza

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

Being payment in respect of : REGISTRATION FEES

Amount : USD 100.00

Cash / Cheque No: D deposit 28/1
Date : 28-Jan-2014

B. Uiso
Receiving Officer

*for Executive Director
Tanzania Investment Centre*

→ EQUITY - 47

BUILDING PHASES

→ EQUITY - RTI INSURANCE - 60-70%
CONSTRAINS

TANZANIA



Certificate of Incorporation

Section 15

No 104533

I HEREBY CERTIFY THAT

PRIMELINT GINNERIES 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 16TH day of DECEMBER**TWO THOUSAND AND THIRTEEN**

A handwritten signature in black ink, appearing to be 'A. M. M.' or similar, written over a dotted line.

Asst. Registrar of Companies

CTIN.: 2036445

ISO 9001 : 2008 Certified



TANZANIA REVENUE AUTHORITY

CERTIFICATE OF REGISTRATION

FOR

TAXPAYER IDENTIFICATION NUMBER (TIN)

(ISSUED UNDER SECTION 133 OF THE INCOME TAX ACT NO. 11 OF 2004)

THIS IS TO CERTIFY THAT

PRIMELINT GINNERIES LIMITED.

.....

has been registered with the Tanzania Revenue
Authority and assigned the Taxpayer
Identification Number

122-899-004

.....
15-01-2014

with effect from



P. N. Kassera

OFFICIAL SEAL

COMMISSIONER FOR DOMESTIC REVENUE

NOTE: THE REQUIREMENTS UNDER WHICH THIS CERTIFICATE IS ISSUED ARE STATED OVERLEAF

PRIMELINT GINNERIES LIMITED - 104533

("The Company")

**"SPECIAL BOARD RESOLUTION OF COMPANY TO REGISTER PROJECT WITH
TANZANIA INVESTMENT CENTRE"**

**PURSUANT TO A CIRCULAR RESOLUTION ON AN EXTRA ORDINARY MEETING OF
THE BOARD OF DIRECTORS OF THE ABOVE COMPANY**

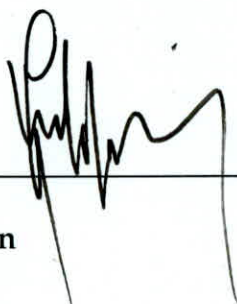
The management has advised the Board of Directors to take immediate measure with Tanzania Investment Centre to secure Certificate of Incentive.

IT WAS RESOLVED; The Board Members *endorsed* the agenda and authorized Chief Executive Officer of the Company to liaise TIC's office for application.

FURTHERMORE, The Secretary hereby instructed to file a signed copy of this resolution in the company's registry.

Signed

Primelint Ginneries Ltd.
Plot No. 8 & 10, Block A
P. O. Box 1200
Mwanza



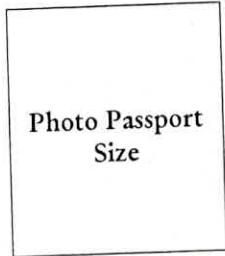
Chairman



Secretary

31/01/2014

Resolution No: LCL/2014/02



TO BE IN DUPLICATE
THE UNITED REPUBLIC OF TANZANIA
THE LAND ACT, 1999
(NO. 4 OF 1999)

APPLICATION FOR A RIGHT OF OCCUPANCY
[Under Section 25]

This Application shall be sent to the Commissioner/Authorized Land Officer

- 1. I/We hereby apply for the grant of a long-term right of occupancy over the land
 PRIMELINE CONCRETES LIMITED Male/Female
 P.O. BOX 1200, MULLANZA Male/Female
 Male/Female

2. Citizenship.....

3. Business Address Mobile phone No: 0767-800000

Residential Address P.O. BOX 1200, MULLANZA

4. Particulars of land applied Plot/Farm No. 09 BLOCK A NYITUNDU NJIMDOGO WA BUSISI

5. Purpose/use of land applied INDUSTRIAL PURPOSES USES ONLY

6. I/We hereby declare that I/We hold other land as follows:

7. Other facts which are relevant to the application e.g. disability, widow/widower orphan, guardian

8. Date Name

I/We declare that what is stated above is true to my/our knowledge

Signature of Applicants: [Signature] Date: 22/10/2014 Receipt No: 32020

For Official Use

Ref. No.

Plot /Farm No: Block No: Location: PIN No:

Application is Approved/ Rejected:

Because of:

Authorized Land Officer
Date:

Acknowledgement of receipts

Date

Served upon me/us:

[Signature]

Signature of Applicant Date:



THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF LANDS, HOUSING AND HUMAN SETTLEMENTS DEVELOPMENT

ACKNOWLEDGEMENT OF PAYMENTS

LAND DIVISION
P.O. BOX 175
SENGEREMA

Telegraphic Address: "ARDHI"

Tel. No. 2121241-9

In reply please quote:

Date: 22/01/2014

Ref. No: LD/SENG/NTI/009/10
To: PRIME LINT GENNERIES LIMITED
P.O. BOX 1200
Mwanza

RE: RECEIPT OF PAYMENTS ON PLOT/FARM NO. 09 BLOCK 'A' SURVEY
REG. PLAN NO. 89807 MEASURING 13875 sqm
LOCATION NYITUNDU-MTI MDCGO WA BUNIA Term 66 years from
11/1/2014 Rent 832,500 Per Years Use Group 0 Use Classes
(a) as defined in Town and Country Planning (User Classes) Regulations, 1960 as
Amended in 1993, amended by the Government Notice no. 249 of 1993.

This is to notify you of the receipt of various fees you effected pertaining to Plot/Farm bearing details described above, that is;

	Shillings	ERV NO's	Date
i) Premium (if any):	1,165,500.00	32020	22/01/2014
ii) Fee for Certificate of Occupancy:	160,000.00		
iii) Registration Fee:	249,750.00		
iv) Survey Fee:	PAID		
v) Deed Plans Fee:	10,000.00	48834761	22/01/2014
vi) Stamp Duty:	125,160.00		
vii) Land Rent:	832,500.00		
From 11/1/2014 to 30/6/2014		49364130	
TOTAL (IN TSHS):	2,542,910		

Furthermore you are informed that, by virtue of these payments and within ninety days, the Commissioner for Lands or an Assistant Commissioner for Lands, shall prepare and issue you a Certificate of Occupancy according to Section 29 of the Land Act, Cap 113 (R. E:2002) (As amended). The Term and conditions of the Right of Occupancy will run with effect from the date of completion of your payments bill

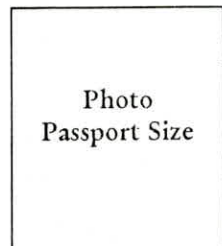
COMMISSIONER FOR LANDS/AUTHORIZED OFFICER

I/We,(The Applicant(s))

certify that the figures relating to the foretasted payments are correct.

Signature (s): Date: 24/1/2014

[Handwritten Signature]





TIC Evaluation Report

Name of the Company
Primelint Ginneries Ltd.

Post Box	Nyitundu/Busisi, Plot No. 9 Block A, Sengerema District	COI Number	104533	Contact	Mr. Kusanya F. Shindika
Post Office	1200	COI Date	16/12/2013	Designation	Director
Region	Mwanza	Application F. No	11672	Phone	0
Country	Tanzania	Status		Direct Phone	0
		Sector	Manufacturing	Cell Phone	0768 800 000
		Sub Sector	Cotton	Fax	0
		File No	042608	E-Mail Address	0

Project Location		Investment Finance Plan in Millions USD											
Plot/Block	Plot No. 9 Block A	<table border="1" style="width: 100%;"> <thead> <tr> <th>Foreign Equity</th> <th>Local Equity</th> <th>Foreign Loan</th> <th>Local Loan</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">3.3</td> <td style="text-align: center;">1.8</td> <td style="text-align: center;">3.75</td> </tr> </tbody> </table>	Foreign Equity	Local Equity	Foreign Loan	Local Loan	0	3.3	1.8	3.75			
Foreign Equity	Local Equity		Foreign Loan	Local Loan									
0	3.3		1.8	3.75									
Street	Nyitundu/Busisi												
District	Sengerema												
Region	Mwanza												

Shareholders Detail		
Name	Nationality	(%)
Catherine F. Shindika	Tanzanian	35
Kusanya F. Shindika	Tanzanian	65

Investment Breakdown (USD Million)	
Land/Building	1.96
Plant	2.123
Vehicles	0.435
Furniture & Fittings	0.1215
Pre-expenses	0.4
Others	0.059
Working Capital	3.75
Total	8.8485

Employment	126	Evaluated By	wf officer3
Capacity	xxxxx	Drawn By	wf regist3
Project Turn Over		Project Type	Mixed(Local & Foreign)

Description

To establish cotton ginning processing plant

Recomendations

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

Decision