

TANZANIA INVESTMENT CENTRE

DAR ES SALAAM

PROGRESS REPORT

(Information required for the project's progress report after every six months or for amendment of Certificate of Incentives)

1. Panned activities for the period

To expand tea production in own plantation and surrounding out-growers in Mufindi, Njombe, and Kilolo District in Iringa and Njombe. The company produces beverage crops (by planting, growing, producing, and manufacturing tea) as a business to establish a larger integrated production by its own and surrounding out-growers and manufacturing of tea business in Tanzania.

The business will focus on the expansion of tea production by selling tea locally and exporting tea as the end product. The company will focus on specific varieties of tea production that will yield a positive return for the business.

2. Achievements made on the project implementation to date

- i. The company successfully produces 10,000 tons of tea annually in its estates
- ii. The company successfully employed 4,863 as of February 2023
- iii. The company successfully Built a new factory in Kabambe in 2018,
- iv. The company improved the capacity Kibwele factory from 100 tons per day to 150 tons per day
- v. Automation in both Kibwele and Kilima factories to improve efficiency.
- vi. Replaced CTC at Lugoda factory to improve efficiency.
- vii. Replacement of dryer in both Kilima and Lugoda factories to improve efficiency.
- viii. The Company has successfully managed to build a new factory and also install more processing lines for processing green leaf. i.e., One new factory-Kabambe and additional processing line at Kibwele factory in 2016
- ix. The Company invested in green leaf collection and transportation infrastructure. i.e., Road maintenance costs from 2018 to 2022 the company used up to TZS 3,580,926.46.
- x. The company has successfully been able to increase the production of Greenleaf that the company purchase from out growers for the period prior 2014 and post 2014 as follows:

- Prior 2014 from 2010 to 2013 the company produced 3,756.74 Tons
 - Post 2014 2013 the company produced 57,885.27 Tons
- xi. the Company has successfully managed to invest in the plantation's expansion worthy of TZS 1,300,615,061,471.80.
- xii. the Company has successfully managed to invest in factories by building factories worthy of TZS 50,130,746,733.46.
- xiii. the company has successfully sponsored field schools for out growers, engaging in farmer training on replanting, infilling, general tea agronomy, farmer organization and business skills worthy Total cost for 2022 up to TZS 204,288,291.47.
- xiv. the company has successfully established/developed tea estates in Njombe and Kilolo District through establishing an industrial block comprising of 1,000 ha core plantations and factories for processing the green leaf procured supported by 6-7000 ha of out grower's schemes being a joint venture with a nominated partner who will bring 60% of equity contribution in Kabambe factory.

3. Provide updated information on the following aspects:

S/No.	Information	Description	Current Project Status
1	Shareholder's Information	Current Shareholders names, nationality and percentage of ownership	1. Ekaterra Group Holdings B.V (Netherlands) holder of 8,014,369,360 ordinary shares 2. Ekaterra Group Holdings 2 B.V (Netherlands) holder of 3,982 ordinary shares
2	Company communication Information	Email address Mobile Number Land Line Telephone Number Physical Address (Plot No. Block No. Street, District and Region)	Email: jonathan.wangubo@lipton.com Mob/Tel No: 255759433246 Plot No. 5627, Lugoda Estate, Dar Es Salaam/Mbeya Road, P.O.Box 40, Mufindi, Iringa-Tanzania
3	Contact Person	Name Position Communication details (Email, Mobile and telephone)	Name: Jonathan Mwita Wangubo Position: Company Secretary Email: Jonathan.Wangubo@lipton.com Phone: 0765 352 308/0759 433 246
4	Incorporation	Certificate of Incorporation Number	452
5	TIN Information	TIN Certificate No.	100-122-197

6	Project Objective	Project Core Activity	Growing of beverage crops (Tea Production and manufacturing)
7	Capacity	Project capacity per year	
8	Direct Employment	Foreign Men Foreign Women Local Men Local Women	1 1 1,361 1,233
9	Indirect employment	Type/areas of Indirect employment (Seasonal employees) Foreign Men Foreign Women Local Men Local Women	1,000 to 2,500 seasonal employees 0 0 991 1,202

4. Project Financing Expenditure to date (USD)

	Foreign (USD)	Local (USD)	Total (USD)
Land and Buildings		11,176,401.89	11,176,401.89
Plant and machinery		27,048,238.75	27,048,238.75
Vehicles/Aircrafts		2,517,870.61	2,517,870.61
Furniture		76,875.32	76,875.32
Office equipment		1,256,226.03	1,256,226.03
Insurance Cover		380,959.13	380,959.13
Pre-operational expenses			
Working sub-total capital			
Grand Total		42,456,571.74	42,456,571.74

5. Project Financing.

Explain how the project is being financed e.g equity, loans, sources of loans, conditions etc. see table below:-

	Amount (USD)	Source Country
Local equity		
Local loans		
Foreign equity		
Foreign Loans	71,000,000	Netherlands/ United Kingdom
Total Investment	71,000,000	

6. Problems and Solutions

Government directives in the absence of law and regulations in place

The Company is receiving unwarranted pressure from the Ministry of Agriculture to sell its black tea through the recently established tea auction in Dar es Salaam in the absence of clear regulations and guidelines being in place to protect the investor. While the Company is willing to support the initiative and sell its tea through auction in Dar es Salaam, the same should be transparent, in compliance with competition law and country regulations in place. Currently, there is only one tea broker, and the Tea Board is forcing the company to use that tea broker. Several risks are associated with using one broker which the company has communicated to Tea Board but the same have been neglected.

The Government through Tea Board have refused to grant the company with export permit with a view of compelling the company to sell its tea through the broker in Dar es Salaam Auction. This has created a hostile environment for investment to the company.

The company requests the Government to put in place regulations regulating the Dar es Salaam Auction market as it is not regulated thus risk.

Issue of not having enough land area for investment in tea plantation purposes.

We have been facing the problem of not having enough land to expand our tea plantation project. This is because some of our lands have been taken by the Government authorities. I.e., Land with 1,350 Hectares (Ngwazi land) which is under Tanzania Forest Reserve Authority (TFS). We are still following up with the TFS to get back our land with title number 3172-MBYLR for enhancing and expansion of tea production that will increase employment and enable the investor to reach the investment plan goals.

Infrastructure

We are encumbering the following challenges:

- poor infrastructure such as roads to transport tea from production areas to factories and from factories to the main road. This leads to the spoiling of tea on the way due to delays to reach the factory area. i.e Lupembe road in Njombe;
- electricity problem. This has been a challenge to our project of tea production and manufacturing due to insufficient electricity supply. Instead, we use generators which are costly and this leads to slow in running or operating the factories. This happens both in Mufindi and Njombe factories; and

- water supply problem. This is also a problem since there are areas like Njombe with no water supply facilities despite of the government to promise building such infrastructures.

Excessive fee for dams in Mufindi

This is also a challenge of us due to the fact that we have been charged with higher fees to pay for dams constructed by the company for irrigation purposes. This goes hand in hand with penalties on the same fee. This does not help us considering the fact that we use more irrigation than depending on the rain which is rarely available.

7. Future Plans

- To plant 1,600 Hectares of tea and employ a total number of 10,000 direct employees.
- To expand the tea business and invest more in the production of the same.
- To build more factories for tea production and manufacturing.
- To increase the number of direct employment to local persons in Tanzania.

7. Recommendations and any other comments

Recommendations

- Government support in improving infrastructures like roads, water facilities, and electricity.
- Allocate us with enough land to expand our tea production investment.
- Government to reduce the fee for dams constructed by the company for irrigation purposes.
- Government to establish regulations for tea auction and regulations to regulate brokers.

Other comments

No comments

ITEM B**Summary of the investment plan in million £**

Description	Investment	Ekaterra alone	External funding	Government support	Implementation Plan
expansion	55	55	-	-	Plant additional available area within our Mufindi estate (2,800 ha) in the manner below 2014 (300ha) 2015 (600ha) 2016 (700ha) 2017 (700ha) 2018 (500ha)
Mufindi Out growers	25	20	5	-	Plant additional available area (1,800 ha) in the manner below 2014 (180ha) 2015 (250ha) 2016 (250ha) 2017 (250ha) 2018 (250ha)
Njombe/Kilolo projects	30	18	12	-	
Supporting infrastructure	20	-	-	20	
Total	130	93	17	20	

ITEM C

	Description	Answer	Comment
1	The factory has CTC lines and how many CTC lines are there?	All factories have CTC lines. Lugoda (2) Kibwele (3) Kilima (1) Kabambe (1)	The company has not developed another CTC line at Kabambe due to crop shortage.