

# Business Plan

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## **Tea Estates Project - Farm Mechanization, Improved Crop Husbandry & Made-Tea Marketing**

**East Usambara Tea Estates,  
Amani Area, Muheza District,  
Tanga Region**

Presented by:

East Usambara Tea Company Ltd  
(EUTEACO)  
P.O. Box 5707,  
Tanga,  
TANZANIA

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**October, 2024**

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## Project Summary

East Usambara Tea Company Ltd

**Nature of Project** : Acquisition & Improvement of Tea Estates

**Project Concept** : (i) Acquisition of Tea Estates  
(ii) Mechanization of Tea Gardens  
(iii) Crop Husbandry Improvement  
(iv) Made-Tea Marketing

**Project Size** : (i) 35,005 acres Tea Estates  
(ii) 4,850-acres Tea Gardens  
(iii) Operation of 2-Tea Factories –  
• Kwamkoro Tea Factory – 3,000Kg/Hour  
• Bulwa Tea Factory – 3,000Kg/Hour

**Products/Services** : Made Tea  
• Non-Organic Made Tea

**Project Location** : Kwamkoro Farms, Amani  
Muheza District  
Tanga Region

**Project Promoter** : East Usambara Tea Company Ltd  
Tanzania's Private Limited Liability Company

**Implementing Agency:** East Usambara Tea Co. Ltd (EUTEACO)

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## Background

Tea, the most widely consumed beverage in the world, has historical, socio-economic and cultural importance in tea growing communities. For developing countries, like Tanzania, tea is an important commodity in terms of jobs creation and export earnings.

The global tea market size was valued at USD 49 billion in 2021 and is forecasted to reach USD 93.2 billion by 2031, growing at a compound annual growth rate (CAGR) of 6.7% from 2022 to 2031. Tea has been grown in Tanzania for more than 60 years. After a period of relative stagnation, it is now set to make a positive contribution to the national income, both in the public and private sectors. Most of the tea grown in Tanzania is non-organic tea and less of organic tea.

In Tanzania, tea is grown in about 23,000 hectares (Ha), and the sub-sector is divided between estates (above 200 ha farms) and out-growers (less than 200 ha farms), which include medium-scale farmers with average tea holdings of 16 ha and small-scale farmers with an average 0.37 ha. The country has three main tea-growing areas namely southern Highland Zone (Mufindi, Njombe, and Rungwe Districts), the North East Zone (Lushoto, Korogwe and Muheza District) and Northwest Zone (Bukoba and Muleba district).

This Business Plan has been prepared by **East Usambara Tea Company Limited** (shortly, "EUTEACO") based in Muheza Municipality, Tanga for purposes of improvement in Greenleaf tea farming and made-tea marketing through change of estate ownership, investment in farm mechanisation and crop husbandry as well as increased made-tea marketing efforts.

The project will involve restructuring of the existing bank loans facilities and seeking for external financing for additional capital expenditure for East Usambara Tea Company Ltd, a tea estate company located in Amani area, Muheza District in Tanga Region.

The farm mechanisation will entail adoption and integration of engineering and technological advancements agricultural practices to improve efficiency and productivity. The improvement in the crop husbandry will specifically include soil management and soil fertility to planting, harvesting and marketing of the tea plantation. The project will re-introduce fertilizer application and irrigation practices in the tea estate.

## Executive Summary

### 1.1 Background

- Tea is a high impact crop in the Tanzanian economy; it is the fourth largest export crop and contributes to a third of the country's permanent crop production. Currently, Tanzania is the 5th largest producer of tea in Africa and the 14th largest in the world, producing around 0.73% of global production.
- During 2022, Tanzania tea exports amounted to 21,000 tons with exports earnings of USD 30.0 million, a decrease of 8.7% from the previous year. During the period, tea prices increased by 4.7% reaching USD 1,420.3 per ton compared to 2021 prices of USD 1,356.5 per ton.
- EUTEACO is planning to invest in the in large-scale infrastructure for Greenleaf production, tea processing, as well as tea blending and packing.

### 1.2 The Tea Estates

- **East Usambara Tea Company Ltd** (EUTEACO) has for decades engaged in the cultivation, processing and sale of bulk tea. Apparently, EUTEACO operates two tea processing factories which are Kwamkoro and Bulwa factories located in Muheza. The company has tea plantations located in eight divisions namely, Kwamkoro, Ngua, Ndola, Monga, Maramba, Mgambo, Bulwa and Derema. The tea estate has land area measuring 35,005-acres (or 14,166-hactares)
- **Blue Mountain Tea Company Ltd** (BMTCL) own shares in EUTEACO. BMTCL is in the process to sale all its shares in EUTEACO to other shareholders through a newly registered company, namely, **EAST USAMBARA HOLDING LIMITED** (shortly, "EUHL"). Under the Sale Agreement, EUHL is set to gain 100% ownership and control of the EUTEACO.

### 1.3 Purpose of the Study

- This Business Plan is intended to evaluate the viability of investing in the farm mechanization and improved crop husbandry of tea estates project in Muheza district of Tanzania with special emphasis on sustainable development of the tea sub-sector while bringing positive returns to the investors and other stakeholders.

## 1.4 Project Concept

- Presently, the tea estates cover 1,964-Ha under tea gardens, while the two primary tea processing factories have Greenleaf intake capacity of 3,000Kkg/hour each.
- Primarily, the project entails increasing productivity and market base for quality made-tea from Tanzania. Thus, the project concept has two wings: the commercial perspective and the social perspective.
  
- Commercial Orientation –
  - Farm mechanization –
    - This involves improvement of farm mechanisation as well as crop husbandry of the tea plantation.
    - Farm mechanisation will involve investment in the tea farm weeding equipment, modern Greenleaf harvesting equipment, Greenleaf transport vehicles and the tea primary processing factories for increased quality and quantity of Greenleaf and made-tea.
  
  - Crop Husbandry -
    - The project will involve improvement in crop husbandry practices which include re-introduction of fertilizer application in the tea estates, improved farm weeding, tea leaves pruning and other farm practices.
    - The envisaged improvement in the crop husbandry will include increased marketing of made-tea in the local and export markets through exploration of new foreign markets.
  
  - Farm infrastructure –
    - The project will involve rehabilitation of the tea estates infrastructure including the workers houses, administration buildings and improvement of farm roads.
    - Additionally, the project will undertake to invest in modern human resources management infrastructure for improved human resource management.

- Social Orientation –
  - The social perspective of the project entails investment in amenities and services geared to improve livelihood of the out-growers and the local communities surrounding the estates.

## **1.5 Expected Outputs**

- The proposed project aims to strategically position EUTEACO in the competitive environment in the tea sub-sector in Tanzania while bringing in sustainability in the tea production.
- Generally, the project is expected to generate the following outputs:
  - Double Greenleaf annual production from 12,000 to 21,000-tons and the made tea production from 2,500-tons to 4,400-tons within 4years.
  - Increase production of out-growers' Greenleaf by around 40% resulting from increased capacity of primary processing machineries.
  - Increase revenues and profitability of the tea estates resulting from provision of improved tea quality and quantity.
  - Increase exports earnings and employment opportunities in the rural Tanzania.
  - Improve human resources productivity through improved human resource management facilities.

## **1.6 Project Investment Costs**

- Existing Investments –
  - The project has existing assets worth 25.5 billion which include land and land development, buildings and civil works, plant, machinery and equipment and other support facilities.
- Additional Investments –
  - EUHL, the new shareholders, through EUTEACO is planning to invest in additional facilities to improve production and operational efficiency of the estates.
  - The additional investments amount to TZS 2.2 billion in the next 2-years as summarised below:

| East Usambara Tea Company Ltd |                     |                       |                  |                   |                   |                  |
|-------------------------------|---------------------|-----------------------|------------------|-------------------|-------------------|------------------|
| PROJECTED INVESTMENTS PLAN    |                     |                       |                  |                   |                   |                  |
| Amount in TZS '000'           |                     |                       |                  |                   |                   |                  |
|                               | Existing Investment | Additional Investment |                  |                   | Total Investment  | USD Equivalents  |
|                               |                     | Year 1                | Year 2           | Total             |                   |                  |
| Exchange Rate (USD/TZS)       | 2,800               | 2,800                 | 2,800            |                   |                   |                  |
| <b>Physical Assets</b>        |                     |                       |                  |                   |                   |                  |
| Land & Land Development       | 8,751,243           | -                     | -                | -                 | 8,751,243         | 3,125,444        |
| Tea Plantations               | 10,191,028          | -                     | -                | -                 | 10,191,028        | 3,639,653        |
| Buildings & Civil works       | 5,340,000           | 142,800               | 142,800          | 285,600           | 5,625,600         | 2,009,143        |
| Plant & Machinery             | 1,246,064           | 94,248                | 94,248           | 188,496           | 1,434,560         | 512,343          |
| Farm Equipment & Tools        | -                   | 328,440               | -                | 328,440           | 328,440           | 117,300          |
| Motor Vehicles                | 44,236              | 179,312               | 145,656          | 324,968           | 369,204           | 131,858          |
| Office Equipment & Furniture  | -                   | 316,680               | 126,000.00       | 442,680           | 442,680           | 158,100          |
| <b>Physical Assets</b>        | <b>25,572,570</b>   | <b>1,061,480</b>      | <b>508,704</b>   | <b>1,570,184</b>  | <b>27,142,754</b> | <b>9,693,841</b> |
| <b>Pre-operating expenses</b> | <b>-</b>            | <b>113,550</b>        | <b>-</b>         | <b>113,550</b>    | <b>113,550</b>    | <b>40,554</b>    |
| Social Projects               | -                   | -                     | 35,000           | 35,000            | 35,000            | 12,500           |
| <b>Capital Expenditure</b>    | <b>25,572,570</b>   | <b>1,175,030</b>      | <b>543,704</b>   | <b>1,718,734</b>  | <b>27,291,304</b> | <b>9,746,894</b> |
| <b>Working Capital</b>        | <b>-</b>            | <b>428,441</b>        | <b>76,189.03</b> | <b>504,630.29</b> | <b>504,630</b>    | <b>180,225</b>   |
| <b>Total Investment</b>       | <b>25,572,570</b>   | <b>1,603,471</b>      | <b>619,893</b>   | <b>2,223,364</b>  | <b>27,795,934</b> | <b>9,927,119</b> |

## 1.7 Sources of funds

- Existing Financing –
  - The existing financing include equity and external financing. The equity amount to TZS 21.07 billion; and the external financing amount to TZS 4.5 billion comprising of Bank Overdraft loan and medium-term loans.
  - EUTEACO is proposing for restructuring of the existing loans (Overdraft and medium-term loans) into one medium-term loan.
- Additional financing –
  - The additional investment of TZS 2.2 billion is proposed to be financed through shareholders and external medium-term loans.
  - The additional equity will amount to TZS 1.2 billion, and the balance is proposed to be financed through additional medium-term loan of TZS 1.0 billion.

|                           | Existing Financing | Additional Financing |                |                  | Total Financing   | USD Equivalents  |
|---------------------------|--------------------|----------------------|----------------|------------------|-------------------|------------------|
|                           |                    | Year 1               | Year 2         | Total            |                   |                  |
| Exchange Rate (USD/TZS)   | 2,800              | 2,800                | 2,800          |                  |                   |                  |
| <b>Equity Financing</b>   |                    |                      |                |                  |                   |                  |
| Share Capital             | 200                | -                    | -              | -                | 200               | 71               |
| Shareholders' funds       | 21,072,370         | 603,471              | 619,893        | 1,223,364        | 22,295,734        | 7,962,762        |
| <b>Equity Financing</b>   | <b>21,072,570</b>  | <b>603,471</b>       | <b>619,893</b> | <b>1,223,364</b> | <b>22,295,934</b> | <b>7,962,834</b> |
| <b>External Financing</b> |                    |                      |                |                  |                   |                  |
| Long-term loans           | 4,500,000          | 1,000,000            | -              | 1,000,000        | 5,500,000         | 1,964,286        |
| Short-term loans          | -                  | -                    | -              | -                | -                 | -                |
| <b>External Financing</b> | <b>4,500,000</b>   | <b>1,000,000</b>     | <b>-</b>       | <b>1,000,000</b> | <b>5,500,000</b>  | <b>1,964,286</b> |
| <b>Total Financing</b>    | <b>25,572,570</b>  | <b>1,603,471</b>     | <b>619,893</b> | <b>2,223,364</b> | <b>27,795,934</b> | <b>9,927,119</b> |
| <b>Exposure</b>           |                    |                      |                |                  |                   |                  |
| Equity Financing          | 82%                | 38%                  | 100%           | 55%              | 80%               |                  |
| External Financing        | 18%                | 62%                  | 0%             | 45%              | 20%               |                  |
| <b>Total</b>              | <b>100%</b>        | <b>100%</b>          | <b>100%</b>    | <b>100%</b>      | <b>100%</b>       |                  |

## The Project Sponsor & The Borrower

### 2.1 The Project Promoting Company

#### (i) Legal Status

- The project is being sponsored by EUHL a private limited liability company incorporated in Tanzania in January, 2024.
- The company has acquired the assets of the EUTEACO of Muheza, Tanga, a company involved in tea growing, processing and sale of bulk tea.
- EUHL has been granted with the following certificates:
  - A Certificate of Incorporation no: 171-599-768
  - Tax Payers Identification Number (TIN): 171-599-68
- EUHL is in the process to obtain other licenses and permits including VAT certificate and others.

#### (ii) Company Ownership

- EUHL is owned by two Tanzanian shareholders. The authorised share capital of the company is TZS 10 billion divided into 100,000 shares of TZS 100,000 each. The subscribed share capital is TZS 200,000 divided into 100,000 shares, and are distributed as follows among the shareholders:

| Shareholders' name        | Number of shares | % shareholding |
|---------------------------|------------------|----------------|
| Aisiana Naftaely Mero     | 1                | 50%            |
| Augustino Wilfred Shabani | 1                | 50%            |
| <b>Total</b>              | <b>2</b>         | <b>100.00%</b> |

#### (iii) Profiles of Shareholders –

- The profiles of the shareholders are as attached to this report.

### 2.2 The Borrowing Company

- EAST USAMBARA TEA COMPANY LTD is the borrowing company for the development of the tea estates project.
- EUTEACO is 100% owned by EUHL.
- EUTEACO has been granted with all the statutory licences and permits to manage and operate tea estates business.

## Situational Analysis of The Tea Estates

### 3.1 Introduction

- EUTEACO has one tea estate and two tea primary processing factories located in the northeastern highlands of Tanzania in Muheza district. The two factories are at Kwamkoro and Bulwa villages.
- The estate is located in the Usambara mountain ranges, north east of Tanzania bordering the famous Amani Forest Reserve area in Tanga region.
- The tea estates have a total land area of 14,166 ha, and the area under the tea gardens measures 1,964 ha.



### 3.2 Tea Plantations

- Location of the Estates –
  - The estates are distributed in eight divisions along the Usambara Mountain ranges in Muheza.
  - The divisions are Kwamkoro, Ngua, Ndola, Monga, Maramba, Mgambo, Bulwa and Derema.
- Estates Area
  - The estates cover an area of 35,005 acres (equivalent to 1,963.9 ha) registered in eleven different farms as presented below:



| <b>Estates</b>         | <b>Farm No. I</b> | <b>Acres</b>  | <b>Hectares</b> |
|------------------------|-------------------|---------------|-----------------|
| 1 Kwamkoro Division    | 911A & 911B       | 1,132         | 458             |
| 2 Ngua Division        | 131               | 19,335        | 7,825           |
| 3 Ndola Division       | Kwamkoro          | 412           | 167             |
| 4 Monga Division       | Kwamkoro          | 485           | 196             |
| 5 Maramba Division     | 218/1/4           | 1,890         | 765             |
| 6 Mgambo Division      | Mwamkoro          | 1,212         | 490             |
| 7 Bulwa Division       | 219/3/3           | 1,900         | 769             |
| 8 Derema Division      | 2017/2 & 217/3    | 4,420         | 1,789           |
| 9 Derema Division      | 217/2 & 217/3     | 552           | 223             |
| 10 Maramba Division    | 218/1/1           | 187           | 76              |
| 11 Maramba Division    | 218/1/3           | 3,480         | 1,408           |
| <b>Total Land Area</b> |                   | <b>35,005</b> | <b>14,166</b>   |

- Land use of the estates –
  - The tea estate is administered by one management team and has different land uses including the following:
    - (a) Tea gardens area
    - (b) Fuelwood area
    - (c) Farm infrastructure area
    - (d) Natural Forestry area
  - The land use of the farmland is as presented below:

| Estates             | Farm Area     | Tea Plantations | Fuelwood        | Area for Farm  | Land for    | Forest          |
|---------------------|---------------|-----------------|-----------------|----------------|-------------|-----------------|
|                     | Ha            | Area            | Plantation Area | Infrastructure | Other Uses  | Area            |
|                     | Ha            | Ha              | Ha              | Ha             | Ha          | Ha              |
| 1 Kwamkoro Division | 458           | 242.9           | 13.7            | 26.3           | -           | 175.15          |
| 2 Ngua Division     | 7,825         | 207.0           | 37.0            | 9.9            | -           | 7,570.77        |
| 3 Ndola Division    | 167           | 145.0           | 39.2            | 3.4            | -           | 20.87           |
| 4 Monga Division    | 196           | 236.0           | 103.9           | 21.4           | 21          | 186.07          |
| 5 Maramba Division  | 2,249         | 239.0           | 71.4            | 9.0            | 29          | 1,900.43        |
| 6 Mgambo Division   | 490           | 304.0           | 117.6           | 11.6           | -           | 57.36           |
| 7 Bulwa Division    | 769           | 301.0           | 79.3            | 10.5           | -           | 378.05          |
| 8 Derema Division   | 2,012         | 289.0           | 38.2            | 14.1           | -           | 1,670.80        |
|                     | <b>14,166</b> | <b>1,963.9</b>  | <b>500.3</b>    | <b>106.3</b>   | <b>50.0</b> | <b>11,545.6</b> |

- The tea estates require proper maintenance including increased application of fertilizer and pesticides, constant farm clearing, timely plucking of green leaf, constant road maintenance and other modern crops husbandry practices.
- The estates also require renovation of the residential houses and the staff quarters.

### **3.3 Tea Factories**

#### **(i) Kwamkoro tea factory –**

- The factory is at Kwamkoro Division. This is a single-line tea factory installed with withering, CTC line, fermenting line, drying machine, sorter/grader machine and a boiler.
- The plant has an installed capacity to process 3,000kg/hour of tea Greenleaf.
- The factory requires replacement due to wear and tear. The project is planning to service the existing machineries.

#### **(ii) Bulwa tea factory –**

- The factory is at Bulwa village along the Usambara mountain ranges. It is a single-line tea factory installed with withering, CTC line, CFU line, drying section, sorting/grading section and a boiler.
- The plant has an installed capacity to process up to 3,000kg per hour of green leaf. The company is planning to undertake proper maintenance services of the plant.

### **3.4 Other infrastructure**

#### **(i) Buildings and civil works –**

- The buildings and civil works of the estates include office blocks, residential houses for management staff, workers quarters, factory buildings and stores buildings.
- The estates have well maintained access roads linking the estates and surrounding villages and farm roads for transporting green leaf.
- Presently, the estates have 100 workers quarters. The quarters require rehabilitation to provide decent houses to the workers.

#### **(ii) Motor vehicles –**

- The estates have motor vehicles which include tractors, trucks, pick-ups and motorcycles. The motor vehicles are used for farm operation such as transport of green leaf, fuel wood, workers and other services.
- Some of the motor vehicles require repair and maintenance works

**(ii) Farm equipment –**

- The estates have farm equipment for use by the farm workers including sprayers, tea plucking equipment and other equipment.
- The tea harvesting equipment are not modern enough to provide the required farm efficiency.
- The project is planning to procure modern plucking equipment.

**(iii) Utilities –**

- Utilities include water, electricity, telecommunication and sewage systems. The estates are well supplied with natural spring water from the Usambara mountain ranges.
- All the factories have water infrastructure including water tanks and water pipes connected to the factory sites. Some of the workers houses lack water infrastructure where workers are forced to fetch untapped water from the nearby springs or water tanks. The absence of water infrastructure also applies to most villages surrounding the tea estates. Most villagers fetch water from the nearby springs which sometimes they are polluted water.
- All factory sites are connected to power supply using high capacity electric generator and/or electricity from the national grid supplied by the Tanzania Electric Supply Company (TANESCO). The factories also use fuel wood from the estates fuel wood plantations.
- Most of the workers' houses and the village houses around the estates are not supplied with electricity. The estate workers and the villagers largely depend on fuel wood and charcoal for lighting, cooking, ironing and other uses.

**3.5 Farm Services/inputs**

- Extension services –
  - The estates will enjoy the services of qualified tea extension officers hired by the company. EUTEACO has since designed a program to assist smallholder farmers to have access to farm extension services.

- With the increased number of villagers engaged in tea growing, the present extension services offered to villagers have become inadequate. Presently, smallholders accounts for only 2% to 3% of the total green leaf produced.
- The project is planning to have smallholders account for over 10 to 20% of the total green leaf supplied to the factories with prospects of increasing to over 30% in the next 10-years.
- Farm inputs –
  - These include herbicides, insecticides, fungicides and fertilisers. The estates procure these inputs from various wholesalers.
  - The smallholders usually buy the inputs from retailers at very high prices. EUTEACO has designed a program to provide inputs to smallholder farmers on loan.

### **3.6 Financial Performance**

- The summary of the past financial performance of the tea estates is presented in the company's Audited and Management Accounts.

### **3.7 Project Financing**

- EATEACO has secured loans facilities including bank overdraft loan used to part-finance working capital requirements of the tea estates.
- The company has, also, secured medium-term loans that were used to part-finance capital expenditure of the tea estates.
- The tea estates company has a total loans exposure of around TZS 4.5 billion.

## Project Concept

### 4.1 Background to the Concepts

- With intent to increase productivity in the tea sub-sector, EUTEACO is intending to increase the quality and quantity of Greenleaf production.
- The project aims to capture the ever-increasing demand for quality tea, and hence generate income with a view of providing profitable returns to the shareholders, increase national outputs and increase the wellbeing of the villagers around the tea estates.

### 4.2 The Concepts

- The proposed tea estates project, with an additional estimated cost of TZS 2.2 billion in two years period, will involve creating sustainable development in the tea sub-sector to all parties involved in the tea estates.
- The project will involve commercial orientation and social orientation. The commercial orientation of the project focuses on the following:
  - Farm mechanization –
    - This involves improvement of farm mechanisation as well as crop husbandry of the tea plantation.
    - Farm mechanisation will involve investment in the tea farm weeding equipment, modern Greenleaf harvesting equipment, Greenleaf transport vehicles and the tea primary processing factories for increased quality and quantity of Greenleaf and made-tea.
  - Crop Husbandry –
    - The project will involve improvement in crop husbandry practices which include re-introduction of fertilizer application in the tea estates, improved farm weeding, tea leaves pruning and other farm practices.
    - The envisaged improvement in the crop husbandry will include increased marketing of made-tea in the local and export markets through exploration of new foreign markets.

- Farm infrastructure –
  - The project will involve rehabilitation of the tea estates infrastructure including the workers houses, administration buildings and improvement of farm roads.
  - Additionally, the project will undertake to invest in modern human resources management infrastructure for improved human resource management.
- The project will entail the following facilities:

**(i) Infrastructure Improvement**

- The project involves investment in the modern tea plucking equipment, and modern farm maintenance equipment.
- Buildings and civil works –
  - The project is planning to rehabilitate 100-staff houses in the estates within 2-year. This will provide safe residential houses to estate workers.
  - The project will, further, undertake to repair estates roads and roads leading to the out-growers to facilitate green leaf transportation from the villages.

**(ii) Maintenance of Tea Factories**

- The processing capacities of the existing tea factories are now being not fully utilized when the green leaf intake reaches the peak season.
- The project involves servicing and maintenance of the existing plant and machineries for the primary processing made tea. Two tea factories will be involved as follows:
  - Kwamkoro tea factory located in kwamkoro village with 3,000-kg/hour green leaf processing capacity.
  - Bulwa tea factory located in Bulwa village with 3,000-kg/hour green leaf processing capacity.

### **4.3 Other Support Facilities**

#### **(i) Farm equipment and tools –**

- EUTEACO will procure additional farm equipment for use in its plantation. Such equipment includes tea harvesting sacks, sprayers, tea plucking and pruning equipment and farm gears – gloves, boots, aprons and hats.
- The company will use mechanical harvesting method, and therefore, the project will procure adequate equipment for mechanical harvest.

#### **(ii) Motor vehicles –**

- EUTEACO is aware that lack of adequate transport facilities and long distance from the tea gardens to the factory are detrimental to the quality of the leaves. Presently, the estates use tractors to collect green leaf from the estates and out-growers farms to the main roads for offloading to the trucks which transport the leaves to the factory.
- The company is planning to procure additional tractors and trucks for the tea plantations.

#### **(iii) Office Furniture and Equipment**

- The project will procure office furniture and equipment to replace the existing worn-out assets.
- The project, also, is planning to procure software and ERP for accounting system, and face reader software for Human resources management.

### **4.4 Social Orientation**

- The project will engage in social projects that will benefit tea out-growers and the villages surrounding the estate. The project will undertake to establish health facilities which will provide medical treatment to the workers and the surrounding community.
- Due to the expected population increase in the area resulting from the factory operation, the company is planning, in future, to invest in health service delivery by procuring health equipment and employment of health staff.
- The project will budget to procure ambulance for the estates and the surrounding villages.

#### (iv) Pre-operating expenses

- The project pre-operating expenses include consultancy fees, interest during project implementation, funds arrangement costs, project management costs, wages and salaries during project implementation, administrative costs and other pre-operating costs.

#### 4.5 Working Capital

- The project will require working capital to meet operating costs including direct operating costs such as procurement of raw materials (green tea leaves from smallholder farmers), fertilizer and fertilizer application, tea processing plants running costs including electricity and water, maintenance costs, direct labour charges, transport costs, and other costs.
- The indirect operating costs include salaries and wages and administrative costs of the project. The working capital is, also, required to finance debtors, advance payments, stocks of finished goods and other current assets.

#### 4.6 Loans restructuring

- The existing loans –
  - Currently, EUTEACO has a total outstanding loans of TZS 4.4 billion which includes short-term and long-term loans.

| <b>Existing Loans Facilities</b> |                            |
|----------------------------------|----------------------------|
|                                  | <b>Amount in TZS '000'</b> |
| 1 Bank Overdraft                 | 535,000                    |
| 2 Term Loan Amortized            | 177,000                    |
| 3 Term Loan Moratorium           | 3,700,000                  |
| <b>Loan Exposure</b>             | <b>4,412,000</b>           |

- Restructuring Proposal –
  - EUTEACO is planning to restructure the existing loans facilities as follows:
    - Convert the existing medium-term loan facilities which are USD denominated loans into Tanzania currency loans; and
    - Consolidate the present short-term (Bank Overdraft Loan) and the long-term loans into one medium-term loan facility.
    - The loans will be consolidated into one term-loan.

## Investment in Social Concept

### 5.1 Introduction

- It is understood that, generally, working conditions for pickers and factory workers are often poor, with low wages, low job and income security. In some places there are discrimination along ethnic and gender lines.
- While tea production by smallholders is growing worldwide, their situation is often problematic because the prices they are paid for fresh tea leaves tend to be below the cost of production, among other factors.
- Aware of the challenges facing the communities in the sub-sector, EUTEACO is set to introduce social projects which will improve the wellbeing of the workers and surrounding community.

### 5.2 The Social Projects

- (i) EUTEACO is planning to encourage villagers to plant eucalyptus plants in their land which will provide firewood for domestic consumption and an additional source of income when supplying to the tea factory. Under this project, EUTEACO will invest in the nursery; provide free seedlings and extension services to villagers.
- (ii) EUTEACO will support water infrastructure projects to the villages surrounding the tea growing areas.
- (iii) Agro-information technical centre –
  - Smallholders often face problems of lack of extension services, poor farm inputs and practices. There is lack of proper training and awareness on the part of the cultivators which lead to failure to maintain their tea farms properly. Consequent to this is low quality of green leaf.
  - The project is planning to establish Agro-information technical centre for smallholders. The centre will be used to distribute farm inputs, new varieties of clones among the tea smallholders as well as tea plants of new varieties. The centre will provide seminars and workshops on crops husbandry.
  - The centre, to be located at the factory, will provide education to farmers on modern agriculture.

## **Project Status**

### **6.1 Introduction**

- The promoters have done some groundwork towards the implementation of the project. The status of the project in respect of the green tea leaf supply, factory land, machinery identification and others presented in the Valuation Report and Company Operational report.

### **6.2 Share Transfer**

- EUHL has acquired the entire shares of BMTCL invested in the EUTEACO, a transaction that affords EUHL to become owner of EUTEACO.
- The process of shares transfer has been dully completed from BMTCL, the original investor to EUHL as the new investor into the tea estates.

### **6.3 Statutory Documentation**

- EUHL is fully registered private company in Tanzania. The company has applied to the Fair Competition Commission (FCC) for the takeover of the BMTCL shares for the control of the EUTEACO.
- Other certifications, licenses and permits for management and operation of the tea estates including certifications from Tanzania Tea Boards (TTB), Tanzania Investment Centre (TIC), National Environmental Management Council (NEMC) and other relevant authorities already exist as the estates will continue to trade under the names of EUTEACO.

### **6.4 Infrastructure Development**

- The shareholders of EUTEACO have identified various suppliers of the farm equipment, motor vehicles and other support facilities for the envisaged additional investment in the project.
- For the building and civil works, EUTEACO has commissioned consultants to work on the Bills of Quantities (BOQ) and other statutory requirements for the rehabilitation of the tea estate buildings and civil works.

## **Projects Rationale**

### **7.1 Introduction**

- EUTEACO is intending to invest in the tea estate including tea plantations and primary tea processing factory infrastructure. The Greenleaf will be sourced from the estates as well as from smallholder tea farmers.
- The proposed project aims to strategically position the company in the competitive environment in the tea sub-sector in Tanzania while bringing in sustainability in the tea production among the smallholder farmers, workers and the tea estates.
- EUTEACO intends to improve on the infrastructure and the way of doing business in the tea estate that will lead to increased tea production in the locality. The project is expected to improve the livelihood of the workers, smallholder farmers and the communities around the tea estates.

### **7.2 Project Outcomes**

The expected results from implementation of project are as follows:

- (a) Increased tea processing capacity in Tanga tea growing region by investing in the improved tea plantations and tea processing factories which will produce high quality made tea. The factories are a ready-made market for the out-grower smallholder tea farmers of the neighbouring villages in Muheza District, Tanga Region.
- (b) Increased tea production due to effective land resources utilisation resulting from introduction of high-yielding tea seedlings, farmers' access to extension services, and provision of farm inputs to smallholder tea farmers.
- (c) Contribute to an increase in local development and employment as the local population are likely to be employed during project implementation and operation phases;
- (d) Contribute to workers and rural communities' well-being associated with improved services, stability, work opportunities, housing, health, empowerment, education and training. Such benefits would serve as catalyst to sustainable development in the tea sub-sector.

## Tanzania's Business Environment

### 8.1 An Overview

- Tanzania is the largest country in East Africa in terms of land with 883,749km<sup>2</sup> (881,289km<sup>2</sup> mainland 2,460km<sup>2</sup> Zanzibar), plus lakes totalling to 59,100km<sup>3</sup>. The country has about 1,400km of coastline along the Indian Ocean.
- The country is well situated geographically bordering Burundi, Kenya, Malawi, Mozambique, Rwanda, Uganda, Zambia and the Democratic Republic of Congo (DRC).
- Tanzania has a tropical type of climate. In the highlands, temperatures range between 100 and 200 Celsius during cold and hot seasons respectively. The rest of the country has temperatures never falling lower than 200 Celsius. The hottest period spreads between November and February (250 – 310 Celsius) while the coldest period occurs between May and August (150 – 200 Celsius).



### 8.2 Socio-Economic Development

#### [a] Population

- Tanzania population has increased more than four times from 12.3 million people in 1967 to 61.7 million people in 2022. The average annual intercensal growth rate according to the 2012 Population and Housing Census is 2.7 percent.
- Below table provides a summary of the country's population trend from 1967 to 2022:

| Tanzania: Population Trend (in "million") |      |      |      |      |      |      |      |      |
|-------------------------------------------|------|------|------|------|------|------|------|------|
| Year                                      | 1967 | 1978 | 1988 | 2002 | 2012 | 2020 | 2021 | 2022 |
| Population                                | 12.3 | 17.5 | 23.1 | 34.4 | 44.9 | 57.6 | 59.4 | 61.7 |

*Source: National Economic Survey, 2021*

## [b] Urbanisation

- Tanzania cities and towns are rapidly urbanizing. This urbanization is a manifest of rural-to-urban migration as well as natural population increase.

| Year                        | 1967       | 1978       | 1988       | 2002       | 2012       | 2018       | 2022       |
|-----------------------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Urban</b>                |            |            |            |            |            |            |            |
| Population                  | 685,092    | 2,257,921  | 3,991,882  | 7,554,838  | 12,701,238 | 17,785,328 | 21,965,444 |
| % of Population             | 6%         | 13%        | 18%        | 23%        | 29%        | 34%        | 37%        |
| <b>Dar-es-salaam</b>        |            |            |            |            |            |            |            |
| Population                  | 272,821    | 769,445    | 1,205,443  | 2,336,055  | 4,364,541  | 5,147,070  | 5,383,728  |
| % of Population             | 2%         | 5%         | 5%         | 7%         | 10%        | 10%        | 9%         |
| <b>Tanzania: (Mainland)</b> |            |            |            |            |            |            |            |
| Population                  | 11,975,757 | 17,036,499 | 22,507,047 | 33,461,849 | 43,625,354 | 52,619,314 | 59,851,347 |
| Growth Rate                 | -          | 3.30%      | 2.80%      | 2.90%      | 2.70%      | 2.70%      | 3.20%      |

- The four largest cities are Dar-es-salaam, Mwanza, Arusha and Mbeya.
- In 2022, Tanzania's urban population was 37% which is an increase from 6% in 1967 and 34% a decade ago. The current population growth rate is 3.2%.

## [c] Macro-economic Performance

- Tanzania maintains an economy highly dependent on agriculture, contributing an estimated 30% to the country's Gross Domestic Product (GDP) and employing nearly 70% of the working population.

| Year                    | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| GDP Growth              | 7.3%  | 7.0%  | 7.0%  | 7.0%  | 7.1%  | 7.0%  | 7.0%  | 4.8%  | 4.9%  |
| Inflation Rate          | 7.9%  | 6.1%  | 5.6%  | 5.2%  | 5.3%  | 3.5%  | 3.4%  | 3.3%  | 3.7%  |
| Exchange Rate (TZS/USD) | 1,598 | 1,653 | 1,985 | 2,177 | 2,229 | 2,242 | 2,307 | 2,306 | 2,310 |

Source: Annual Report 2017/18, Bank of Tanzania, Economic Survey 2021

- The economy continued expanding steadily in the aspect of GDP, and become more stable on inflation and exchange rates.

- For the past 6-years, both Real and Nominal GDP have been increasing annually at a rate of between 6.5% and 9.6% for the Nominal GDP; and between 4.8% and 7.0% for the Real GDP.

In 2021, the growth in the GDP was occasioned by strategic investment in infrastructure projects,

increased mineral production and increased credit to private sector which stimulated economic activities.

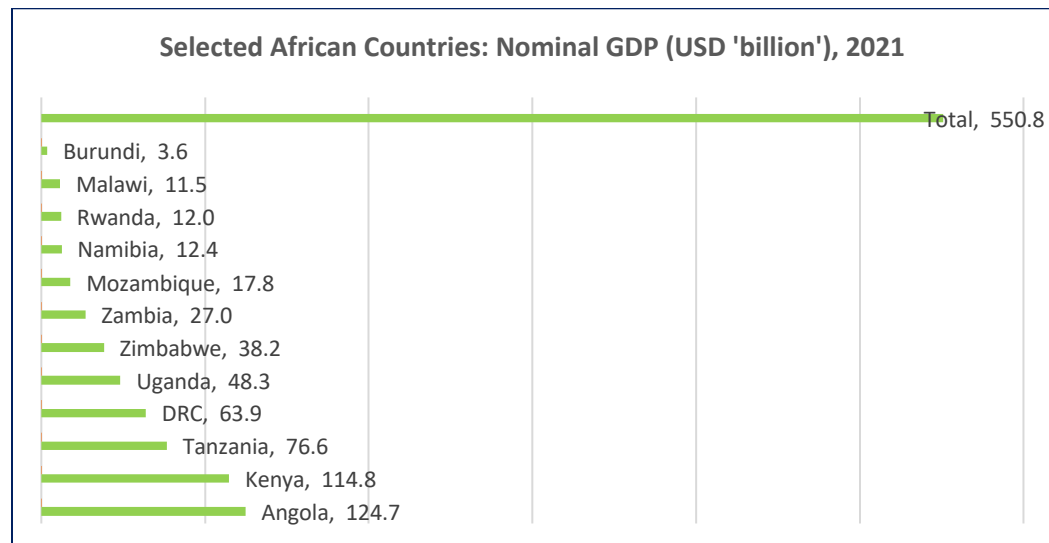
| Year                | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  |
|---------------------|-------|-------|-------|-------|-------|-------|
| <b>Norminal GDP</b> |       |       |       |       |       |       |
| TZS 'Trillion'      | 108.3 | 118.7 | 129.0 | 139.6 | 151.6 | 161.5 |
| % Change            | -     | 9.6%  | 8.7%  | 8.2%  | 8.6%  | 6.5%  |
| <b>Real GDP</b>     |       |       |       |       |       |       |
| TZS 'Trillion'      | 100.8 | 107.6 | 115.1 | 123.2 | 129.1 | 135.5 |
| % Change            | -     | 6.7%  | 7.0%  | 7.0%  | 4.8%  | 4.9%  |

### 8.3 Regional Market

- The growth in intra-trade in the East and Central Africa regional market for goods and services may be determined by the growth in the economy, the population, the cargo transit business within the region and other factors.

#### (a) Gross Domestic Products (GDP)

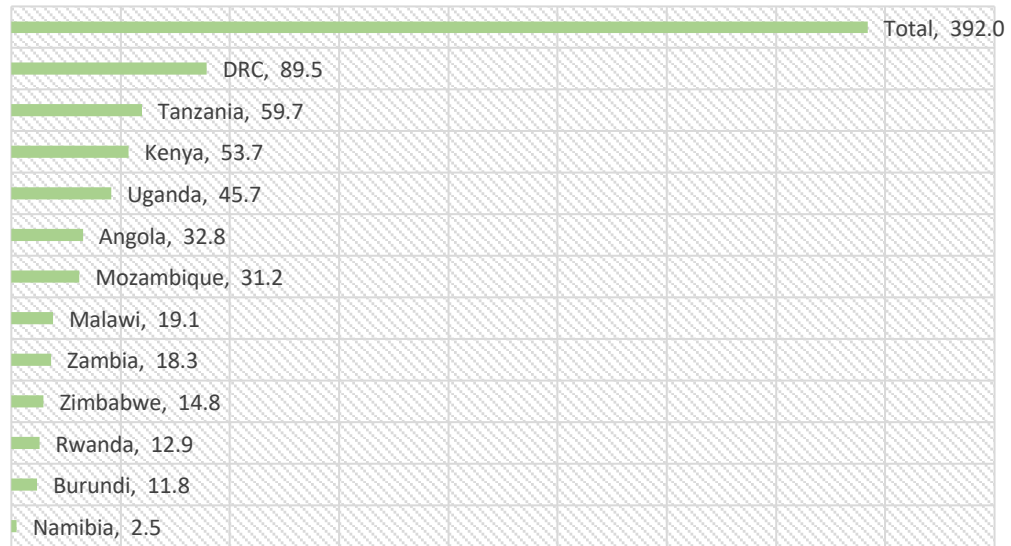
- Africa has emerged as one of the fastest growing regions of the world. Most of the Southern African countries experienced economic growth of between 3% and 7%.
- The below graph presents the Nominal GDP for some of the selected African countries in the southern and eastern African region.



#### (b) Population.

- Africa, and especially Sub-Saharan Africa, has experienced an unprecedented rate of urban growth, outpacing other regions. The six countries of Tanzania, Zambia, Malawi, DRC, Rwanda and Burundi have a combined population of about 211.3 million people (in year 2020).
- The populations in urban areas for most African countries are currently are estimated at about 40% of total population and expected to increase annually. The below graph depicts population distribution for some eastern and southern African countries.

### Selected African Countries: Population (in million), 2020



### (c) Transit Trade Volumes

- Tanzania is the natural gateway to one of the fastest growing regions in the world with increasing trade volumes. In 2021, transit cargo handled at Dar es Salaam port increased by 20.2 percent to 6,421,598 tons compared to 5,340,287 tons handled in 2020. This was attributed to initiatives by TPA to widen the market base especially in Zambia and DRC.
- The container transit trade flows have witnessed the highest growth, increasing at a compounded annual growth rate of 19%.
- Transit traffic growth is mainly driven by economic growth, growth in agriculture, forestry and fisheries, energy, mining and development of rail and road infrastructure.
- Transit trade is growing at a rate of 15% compared to the 10% growth in the total traffic of Dar-es-salaam port.

| Tanzania: Transit Cargo (in Tons) |                |                |                |                |                |             |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|-------------|
|                                   | 2017           | 2018           | 2019           | 2020           | 2021           | Growth      |
| Country                           |                |                |                |                |                |             |
| Zambia                            | 2,021.2        | 1,504.0        | 1,763.0        | 1,159.1        | 1,507.7        | <b>30%</b>  |
| DRC                               | 1,176.7        | 1,779.6        | 1,914.1        | 1,840.6        | 2,357.9        | <b>28%</b>  |
| Burundi                           | 415.9          | 379.7          | 453.2          | 476.8          | 507.0          | <b>6%</b>   |
| Rwanda                            | 1,061.2        | 911.8          | 1,238.6        | 1,239.2        | 1,366.3        | <b>10%</b>  |
| Malawi                            | 276.0          | 311.2          | 336.7          | 407.4          | 471.3          | <b>16%</b>  |
| Uganda                            | 271.9          | 188.6          | 140.9          | 153.9          | 138.8          | <b>-10%</b> |
| Others                            | 85.4           | 98.5           | 25.3           | 63.2           | 72.5           | <b>15%</b>  |
| <b>Total</b>                      | <b>5,308.3</b> | <b>5,173.4</b> | <b>5,871.8</b> | <b>5,340.2</b> | <b>6,421.5</b> | <b>20%</b>  |

## Global Tea Overview

### 9.1 Production

- Global tea production has surpassed USD 17 billion annually, with tea trade valued at USD 9.5 billion, representing a significant source of export earnings for low-income and emerging economies.
- It is estimated that global tea production will grow at a compound annual growth rate (CAGR) of 5.7% from 2021 to 2026 to meet demand, as consumption has risen by 2.5% per capita over the past decade, primarily in East Asia, Africa, Latin America and the Caribbean, and the Near East, offsetting declining consumption in Europe, the United States, Canada, and the Russian Federation.

### 9.2 Tea Exports

- A large portion of tea produced is exported, providing an important source of foreign exchange revenue for exporting countries.
- Since 2016, Kenya, China, and India have consistently been the largest producing countries and exporters, exporting approximately 557 Mt, 369 Mt, and 282 Mt, respectively, in 2021.
- Meanwhile, in 2021, the European Union, the United States, and Japan have consistently been the biggest importers, importing around 225 Mt, 115 Mt, and 108 Mt in 2021, respectively.

### 9.3 Export Prices

- More recently, the unprecedented economic and agricultural supply chain disruptions stemming from Russia's invasion of Ukraine have affected international tea prices.
- Auction tea prices declined by 11% between the fourth quarter of 2022 and the first quarter of 2023 due to lower demand in key consumer regions in Central Asia as a result of the war in Ukraine.

## Tanzania's Tea Sub-sector

### 10.1 Introduction

- In Tanzania tea is grown in large scale by a few tea companies and in small scales by small farmers who sell the fresh tea leaves to tea processing factories.
- There are three main tea-growing areas in Tanzania namely southern Highland Zone (Mufindi, Njombe, Kililo, Ludewa and Rungwe Districts), the North East Zone (Lushoto, Korogwe and Muheza District) and Northwest Zone (Bukoba, Muleba and Tarime district).



### 10.2 Tea Industry Structure

From functional angle, the tea industry is divided into three categories: Green leaf production; tea primary processors; and tea blenders and packers.

- Green leaf production- this is done by out-growers as well as large estates. The tea estates are owned by large companies including EUTEACO.
- Primary Processing - There are 19 primary processing factories namely: Musekera, Chivanje, Katumba and Mwakaleli- Rungwe District. Kibena, Luponde and Lupembe- Njombe district. Kilima, Kibwele, Lugoda, Kiganga and Itona – Mufindi District. Bulwa, Kwamkoro and Marvera – Muheza District, Ambangulu and Dindira – Korogwe district, Mponde and Herkulu – Lushoto district and Maruku factory – Bukoba district.
- Blending and Packing - There are 7 licensed blending and packing factories namely: Afri Tea and Coffee LTD (Dar-es-salaam), Chai Bora LTD (Mafinga – Iringa), Promasidor Tanzania (PTY) Ltd (Dar-es-salaam), International Food Packers LTD (Tanga) and Zanzibar Tea Packers LTD (Zanzibar), BK Tea Blenders Co. Ltd (Bukoba), Kyimbila Tea packing Co. Ltd (Dar-es-salaam).

### **10.3 Tea Production**

- Tea contributes more than USD 30 million to Tanzania export earnings, making it the fifth largest export crop after cashews, coffee, cotton, and tobacco. The tea industry provides employment to 50,000 families and directly or indirectly benefits more than 2 million Tanzanians.
- Currently, Tanzania is the fourth major tea producer in Africa after Kenya, Malawi and Uganda. It produces about 32,000 tonnes per annum, and constitutes about 1.0% of World Tea production.
- Tanzania has a total of 22,721.55 ha (Estates 11,272.10 ha and 11,449.45 ha Small holder farmers) of land planted with tea. Large private tea estates cover 50% while out-growers including smallholders cover 50%.

### **10.4 Tea Exports**

- About 15% of total made tea produced in Tanzania is domestically consumed and the remaining bulk of the production about 85% is exported through organised tea auction centre at Mombasa in Kenya or by direct export. Tanzania sold between 5,000 and 8,000 tonnes of made tea through the Mombasa Tea Auction.
- Of recent, the government of Tanzania has started initiatives to establish the Dar-es-salaam Tea Auction. The government has already developed two warehouses with capacity to store 13,000 tonnes of made tea.
- The new auction will be conducted by the Tanzania Merchantile Exchange (TMX) via an online system. Tanzania farmers have a capacity to produce and supply 6 million to 7 million tonnes of tea per month.

### **10.5 Domestic Tea Consumption**

- Tanzania consumes about 15% of the locally produced tea. Besides the locally grown tea, there are also imports mainly from Kenya.
- Currently, the country consumes about 5,000 to 6,000 tonnes of made tea annually.

## Tea Market Overview

### 11.1 Introduction

- Tea is a Beverage made from the processed leaf of a plant whose latin name is Camellia sinensis. Tea is a food commodity and second most popular beverage after water. Tea is a health drink because of its medicinal properties; a mild stimulant as it contains caffeine; and contains polyphenols, vitamins, minerals and aromatic oils.
- Tea is an internationally traded commodity and controlled by large multinational companies mainly from the developed countries. Tanzania produces surplus tea mainly to cater for the international market. Thus, the marketing structure of tea products has bearing on international market.

### 11.2 The Products

- EUTEACO operates tea plantations to produce green leaf and buys green tea from the smallholder farmers. The company is a tea primary processor and provides the market with high quality Made Tea.

### 11.3 Tea Market Structure

- Approximately 70% of global tea production is traded at auctions. The rest is effectuated through private sales. Presently, the main auction centres are in India (Kolkata and Kochi), Sri Lanka (Colombo) and Kenya (Mombasa). Mombasa Auction is also the auction centre for many other African tea producing countries including tea from Tanzania. Some other important tea-producing countries, such as China, Argentina and Turkey, do not have an auction system.
- The tea chain can be characterised as a vertically integrated production chain (companies controlling various production stages upstream and downstream), in which direct links between manufacturers and producers are common. The main tea packers, Unilever (brands Brooke Bond and Lipton) and Tata Tea (brand Tetley), are key players in the consumer market. They dominate the trade, have a strong influence on transport companies, and source part of their supplies from their own plantations.

- Tea is usually exported at a relatively early stage in the supply chain. Plucking and primary processing is carried out in producing countries. In Tanzania, this is done by tea estates. Tea blending, packaging and marketing, the most lucrative part of the tea trade, is mostly carried out by the tea companies.
- About 90% of Western tea trade is controlled by seven multinationals companies; 85% of world production is sold by multinationals. At the global level, four companies dominate the tea trade:
  - Unilever (Brooke Bond, Lipton/Unilever Trading Company UTC, UK – the Netherlands)
  - Van Rees (trader/blender, supplying many packers, part of Deli Universal Corporation, Netherlands)
  - James Finlay (trader, producer, packer, UK)
  - Tata Tetley/Stansand (producer, trader, packer, UK)
- The Jakarta Tea Auction, for example, is dominated by Lipton (Tea Buying Department of PT Unilever Indonesia), which buys 70% of all tea auctioned, and the Dutch exporter L. Elink Schuurman, which buys up to 20% of the tea sold. Unilever is currently buying around 12% of the world's black tea supply making it the world's largest purchaser of black tea.
- Concentration is also high in the retail market at the national level. The top three packers, for example, have a 60% share of the tea market in the United Kingdom, 67% in Germany and 66% in Italy. In the Netherlands, one company, Sara Lee, controls 65 percent of the market.
- Important tea packers worldwide include:
  - Unilever (Lipton is a very strong brand with a world market share of 10%)
  - Tetley (Tata Group)
  - R. Twinings (Associated British Foods)
  - Ajeepay Group (Typhoo tea)
  - Ostfriesche Tee Gesellschaft OTG: major German company which also has activities outside Germany.
  - Teekanne: major German company, one of the oldest German traders
  - Sara Lee International (Pickwick is the main brand on the Dutch market)

- Many tea qualities have become interchangeable and are bought where they are cheapest: a typical “English tea” blend for instance can contain teas from many different sources (producers) in more than 6 different countries.
- There is, however, also a growing market for specialty and higher-quality teas (e.g. single country blends, white and green teas, special pyramidal packaging, organic and fair trade teas) that the same market leaders sometimes also cater to and develop.
- Groups of consumers in countries such as Japan and Germany are traditionally interested in loose high-quality, single-estate or origin teas.

#### 11.4 Tea Prices

- Made tea prices are determined by the international market. Tanzania’s made tea (including EUTEACO) is largely sold at the Mombasa Tea Auction. Tea prices are never stable; they fluctuate in every season of the year and depend largely on market forces of supply and demand.
- The present market prices of made tea (which have been applied in this Business Plan) are as follows:

| Primary Made Tea   |      |      |         |      |      |
|--------------------|------|------|---------|------|------|
| Grades             | BP1  | PF1  | PD      | D1   |      |
| USD/Kg             | 1.17 | 1.13 | 1.40    | 1.39 |      |
| Secondary Made Tea |      |      |         |      |      |
| Grades             | BP   | PF   | Fanning | Dust | BMF  |
| USD/Kg             | 0.95 | 0.94 | 0.91    | 0.78 | 0.83 |

## Global Tea Market Forecast

### 12.1 Production

- By 2030, world black tea production is projected to increase annually by 2.1%, at a slightly slower pace than the previous decade when growth stood at 2.4%, reflecting major increases in China, Kenya, India and Sri Lanka.
- The expansion in China is expected to be significant (4.1%), underpinned by strong growth in domestic demand for black teas such as pu'er, cultivated in the Yunnan Province in China. This variety of tea is aged and naturally fermented, and it is well known for its health benefits and healing properties.
- Output in the top two exporters of black tea, Kenya and Sri Lanka, is expected to grow, respectively, by 2.1% and 0.6% annually, while output in India is projected to increase by 2.3% per year.
- World green tea production is projected to increase at a faster rate of 6.3% annually, reflecting an expansion in China, where output is anticipated to nearly double by 2030.

### 12.2 Consumption

- World tea consumption increased by 3.5% over the last decade, reflecting strong growth in producing countries that has more than offset a subdued import demand in traditional tea importing markets, namely the Russian Federation, the European Union, the United States of America and Canada.
- Black tea consumption is projected to grow by 2.0% over the next decade. The largest expansion within the top five producing countries is forecast in China, where consumption is expected to increase by an annual growth rate of 4.9%, as black tea, pu'er tea and dark tea are enjoying great popularity due to the increasing awareness of the health benefits linked to drinking tea.
- Strong growth is also expected in many producing countries in Africa and Asia, such as Uganda (8.1%), Rwanda (5.1%), Kenya (4.3%), Malawi (4.0%), Zimbabwe (3.8%), Bangladesh (2.8%), Nepal (2.4%), India (2.1%), Indonesia (1.5%) and Sri Lanka (1.4%)

## 12.3 Trade

- World tea exports increased annually by 0.5% over the last decade. Black tea exports registered a minor increase of 0.1%, owing to increasing shipments from Kenya and India, which more than offset reduced shipments by Sri Lanka, the second largest exporter of black tea.
- Green tea exports increased by 2.3%, mainly driven by increased sales by China and Viet Nam. In the medium term, exports of black tea are projected to increase by 1.4%, on the back of expected larger shipments by Kenya, confirming the country's rank as the largest exporter, followed by India, Sri Lanka, Argentina, Viet Nam, Uganda and Tanzania.
- World green tea exports are expected to grow at a faster rate over the medium term, by about 4.0% per year, driven by foreseen sharp increases in sales by the top three exporters.

## 12.4 Market Segmentation

- Growing health concerns, increasing pesticide and chemical poisoning cases and improving per capita spending on organic products are expected to boost the demand for organic beverages across the globe.

| Global Statistics: Market Segmentation, Organic Vs Conventional Tea |                    |       |       |       |       |       |
|---------------------------------------------------------------------|--------------------|-------|-------|-------|-------|-------|
|                                                                     |                    | 2011  | 2012  | 2013  | 2014  | 2015  |
| Market Segment                                                      |                    |       |       |       |       |       |
| Conventional Market                                                 | 000' MT            | 112.0 | 108.0 | 112.0 | 111.0 | 111.0 |
|                                                                     | % to Previous Year |       | 96%   | 104%  | 99%   | 100%  |
| Organic Market                                                      | 000' MT            | 3.8   | 3.8   | 4.4   | 3.1   | 3.1   |
|                                                                     | % to Previous Year |       | 101%  | 113%  | 71%   | 100%  |
| Total Market                                                        | 000' MT            | 115.8 | 111.8 | 116.4 | 114.1 | 114.1 |
|                                                                     | % to Previous Year |       | 96%   | 104%  | 98%   | 100%  |

| Global Statistics: Market Segmentation, Organic Vs Conventional Tea |                    |       |       |       |       |       |
|---------------------------------------------------------------------|--------------------|-------|-------|-------|-------|-------|
|                                                                     |                    | 2011  | 2012  | 2013  | 2014  | 2015  |
| Market Segment                                                      |                    |       |       |       |       |       |
| Conventional Market                                                 | million' USD       | 305.0 | 292.0 | 314.0 | 306.0 | 306.0 |
|                                                                     | % to Previous Year |       | 96%   | 108%  | 98%   | 100%  |
| Organic Market                                                      | million' USD       | 3.8   | 3.8   | 4.4   | 3.1   | 3.7   |
|                                                                     | % to Previous Year |       | 101%  | 113%  | 71%   | 120%  |
| Total Market                                                        | million' USD       | 308.8 | 295.8 | 318.4 | 309.1 | 309.7 |
|                                                                     | % to Previous Year |       | 96%   | 104%  | 98%   | 100%  |

## 12.5 Market Forecast

- Organic tea market in the U.S. was expected to reach USD 295 million by 2021, growing at CAGR of more than 5% over the next five years.

| Global Statistics: Market Forecast, Organic Vs Conventional Tea |                    |       |       |       |       |       |       |       |       |       |       |       |                     |
|-----------------------------------------------------------------|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------------------|
|                                                                 |                    | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023  | 2024  | 2025  | CAGR<br>(2015-2025) |
| Conventional Market                                             |                    |       |       |       |       |       |       |       |       |       |       |       |                     |
| Conventional Market                                             | 000' MT            | 110.5 | 111.3 | 112.3 | 113.3 | 114.3 | 115.3 | 116.3 | 117.3 | 118.3 | 119.3 | 120.5 | 0.9%                |
|                                                                 | % to Previous Year | 100%  | 101%  | 101%  | 101%  | 101%  | 101%  | 101%  | 101%  | 101%  | 101%  | 101%  |                     |
| Organic Market                                                  |                    |       |       |       |       |       |       |       |       |       |       |       |                     |
| Organic Market                                                  | 000' MT            | 3.1   | 3.5   | 3.6   | 3.8   | 3.9   | 4.1   | 4.3   | 4.4   | 4.6   | 4.8   | 5.0   | 5.0%                |
|                                                                 | % to Previous Year | 100%  | 112%  | 104%  | 104%  | 104%  | 104%  | 104%  | 104%  | 104%  | 104%  | 104%  |                     |
| Total Market                                                    |                    |       |       |       |       |       |       |       |       |       |       |       |                     |
| Total Market                                                    | 000' MT            | 113.6 | 114.8 | 115.9 | 117.1 | 118.2 | 119.4 | 120.6 | 121.7 | 122.9 | 124.1 | 125.5 | 1.0%                |
|                                                                 | % to Previous Year | 100%  | 101%  | 101%  | 101%  | 101%  | 101%  | 101%  | 101%  | 101%  | 101%  | 101%  |                     |

## Company Strategy

### 13.1 Background

- The volatility in the tea prices has, since, put producers under pressure to lower the cost of production. Because wages, that account for the largest share of production cost, have increased over this period resulting in low profitability in the industry especially to tea growers.
- Meanwhile, tea trade and distribution is dominated by a few international companies that benefit from stable retail prices and, together with retailers, capture more than three quarters of the retail price.
- EUTEACO recognises that low world market prices and high production costs have taken their toll in tea producers, by putting working conditions under pressure and affecting modes of tea production.

### 13.2 EUTEACO Strategy

- In consideration of the above developments in the tea industry, EUTEACO has re-shaped its business strategy in the tea sub-sector. The company is strategically resorting to address sustainability issues of the non-organic tea farming.
- The company is implementing the following:
  - Ensure consistent production and supply of high-quality conventional tea to the global market which is the bases for high prices and assured market.
  - Increase processing capacity of Greenleaf through additional investments in the primary tea processing plants.
  - Adopt and implement Corporate Social Responsibility policies that improve social, economic and environmental conditions on and in the vicinity of the plantation or factory.
  - Provide support to small tea growers through technical, financial and marketing assistance for market access and quality improvement
  - Enable and facilitate sustainable tea production at supplying smallholders by paying higher prices and engaging in long-term buying commitments with producers that produce tea sustainably.

## Technical Aspects

### 14.1 Location and Accessibility

- The project is situated in Muheza District. The district is one of the ten districts of Tanga Region in Tanzania. It is bordered to the north by Mkinga District, to the east by Tanga and the Indian Ocean, to the south by the Pangani District and Handeni District, and to the west by the Korogwe District. The administrative capital of the district is Muheza town.

- The tea estates are within and near to Amani Natural Reserve Forest. The farm is divided into different divisions which are:

- (i) Kwamkoro Division
- (ii) Ngua Division
- (iii) Ndola Division
- (iv) Monga Division
- (v) Maramba Division
- (vi) Mgambo Division
- (vii) Bulwa Division
- (viii) Derema Division



- The farm is accessible via Muheza-Amani Road and may be reached from Korogwe-Ngua Road. The roads are passable throughout the year.
- The farmland is a tea cultivated farm surrounded by natural forests and planted woodland and small patches of bushes, overgrowth of grasses and ferns as well as patches of cultivated annual crops.
- The farm is entrenched in valleys that contain some remnants of native tree species some of which being the riverine vegetation. The valley contains water springs that ooze to form small rill that flows downwards to join with other valleys and small streams.

- The farm is surrounded by other farms as well as few scattered residential houses. The houses are located on eastern side and northern side of the farm while other areas are covered by farms and bushes. Generally, the area is characterized with hills and valleys. The superficial soils are of brownish in color of clay loam while down the valley grey to blackish in color clay loam soils features.

## 14.2 Land and Land Ownership

- Land size –
  - The tea estate measures a total of land area of 35,005 acres equivalent to 14,166 Ha as presented below:

| <b>Estates</b>         | <b>Farm No. I</b> | <b>Acres</b>  | <b>Hectares</b> |
|------------------------|-------------------|---------------|-----------------|
| 1 Kwamkoro Division    | 911A & 911B       | 1,132         | 458             |
| 2 Ngua Division        | 131               | 19,335        | 7,825           |
| 3 Ndola Division       | Kwamkoro          | 412           | 167             |
| 4 Monga Division       | Kwamkoro          | 485           | 196             |
| 5 Maramba Division     | 218/1/4           | 1,890         | 765             |
| 6 Mgambo Division      | Mwamkoro          | 1,212         | 490             |
| 7 Bulwa Division       | 219/3/3           | 1,900         | 769             |
| 8 Derema Division      | 2017/2 & 217/3    | 4,420         | 1,789           |
| 9                      | 217/2 & 217/3     | 552           | 223             |
| 10                     | 218/1/1           | 187           | 76              |
| 11                     | 218/1/3           | 3,480         | 1,408           |
| <b>Total Land Area</b> |                   | <b>35,005</b> | <b>14,166</b>   |

- Land Use –
  - The land use of the farmland is divided into area for tea gardens, area for fuelwood plantation, area for estates infrastructure and cleared farmland for tea plantation. Estate infrastructure include the buildings, roads and other amenities.
  - The hectareage for the land use is as summarised below:

| Estates             | Farm Area     | Tea Plantations | Fuelwood        | Area for Farm  | Land for    | Forest          |
|---------------------|---------------|-----------------|-----------------|----------------|-------------|-----------------|
|                     | Area          | Area            | Plantation Area | Infrastructure | Other Uses  | Area            |
|                     | Ha            | Ha              | Ha              | Ha             | Ha          | Ha              |
| 1 Kwamkoro Division | 458           | 242.9           | 13.7            | 26.3           | -           | 175.15          |
| 2 Ngua Division     | 7,825         | 207.0           | 37.0            | 9.9            | -           | 7,570.77        |
| 3 Ndola Division    | 167           | 145.0           | 39.2            | 3.4            | -           | 20.87           |
| 4 Monga Division    | 196           | 236.0           | 103.9           | 21.4           | 21          | 186.07          |
| 5 Maramba Division  | 2,249         | 239.0           | 71.4            | 9.0            | 29          | 1,900.43        |
| 6 Mgambo Division   | 490           | 304.0           | 117.6           | 11.6           | -           | 57.36           |
| 7 Bulwa Division    | 769           | 301.0           | 79.3            | 10.5           | -           | 378.05          |
| 8 Derema Division   | 2,012         | 289.0           | 38.2            | 14.1           | -           | 1,670.80        |
|                     | <b>14,166</b> | <b>1,963.9</b>  | <b>500.3</b>    | <b>106.3</b>   | <b>50.0</b> | <b>11,545.6</b> |

- Right of Occupancy –
  - The land on which the factory and the tea farm are registered with the following eleven titles:

| <b>Estates</b>      | <b>Farm No.</b> | <b>Title Number</b> | <b>Term (Years)</b> | <b>Expiry Date (Years)</b> |
|---------------------|-----------------|---------------------|---------------------|----------------------------|
| 1 Kwamkoro Division | 911A & 911B     | CT#: 12970          | 99                  | 2058                       |
| 2 Ngua Division     | 131             | CT#: 15694          | 99                  | 2064                       |
| 3 Ndola Division    | Kwamkoro        | CT#: 15053          | 99                  | 2048                       |
| 4 Monga Division    | Kwamkoro        | CT#: 15052          | 99                  | 2048                       |
| 5 Maramba Division  | 218/1/4         | CT#: 9812           | 99                  | 2091                       |
| 6 Mgambo Division   | Mwamkoro        | CT#: 9948           | 99                  | 2091                       |
| 7 Bulwa Division    | 219/3/3         | CT#: 9947           | 99                  | 2091                       |
| 8 Derema Division   | 2017/2 & 217/3  | CT#: 9946           | 99                  | 2091                       |
| 9                   | 217/2 & 217/3   | CT#: 9814           | 99                  | 2091                       |
| 10                  | 218/1/1         | CT#: 9813           | 99                  | 2091                       |
| 11                  | 218/1/3         | CT#: 9811           | 99                  | 2091                       |

- All the titles to the land are in the names of East Usambara Tea Company Limited, the company from which EUHL is buying the tea estates.

### **14.3 Buildings and Civil Works**

- The main tea factory buildings accommodate tea processing plant, administrative offices and other facilities. The buildings also include staff houses for senior management and estate workers.
- The staff houses will be renovated to allow for workers to live in more safe residential houses.
- The project will further undertake to repair villages' access roads to facilitate Greenleaf collection from tea out-growers.
- Other construction works include water channels, security buildings, pavements, drainage and other works.

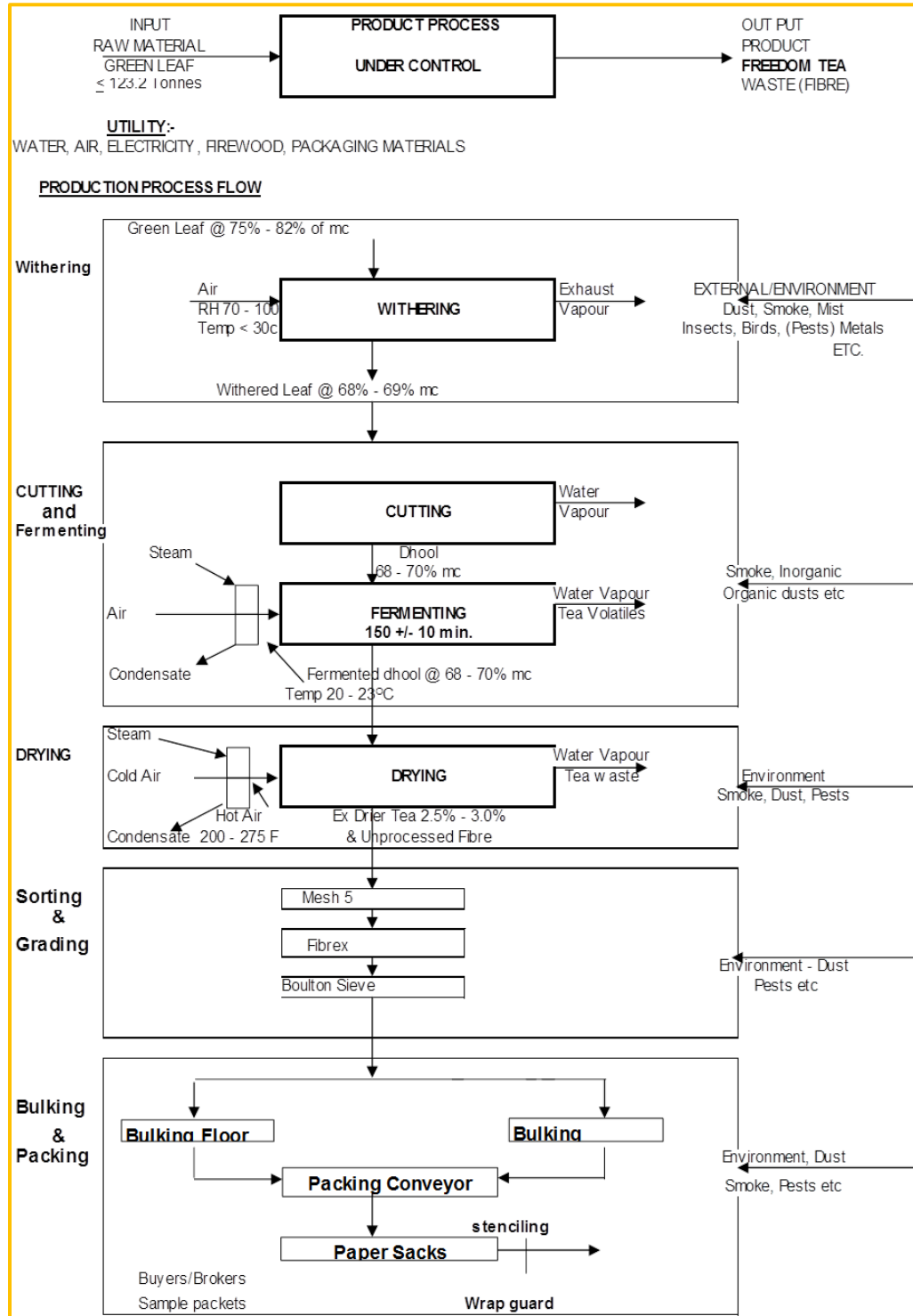
#### 14.4 Plant and Machinery

- The two tea processing factories are located at Kwamkoro Division and Bulwa Division. The factories are surrounded by cultivated tea farms.
- Kwamkoro Factory –
  - The factory at Kwamkoro Division has one production line with a total 3,000kg/hour Greenleaf processing capacity.
- Bulwa Factory –
  - The factory at Bulwa Division has one production line with a total 3,000kg/hour Greenleaf processing capacity.
- The factories will be supplied with Greenleaf from the estates as well as smallholder farmers who have been organized through their cooperative.
- The factories are consisting of the following key structures
  - (a) Factory building that comprise of:
    - ✓ Unloading area/section
    - ✓ Factory processing area,
    - ✓ Quality Assurance room and Packing materials store
  - (b) Office building attached to the factory building comprising of the Managers office, Meeting room, Rest room, Visitors room, Rest rooms, and toilets for both male and female. Also, there will be room for tea testing laboratory, stores, locker room and security room.
  - (c) Workshop Building attached to the main factory building comprising of Mechanical and Electrical sections.
  - (d) Boiler house with fuel storage room
  - (e) Also, there is canteen, car parking area, out-growers office, weighbridge and gate house.
  - (f) A compartment for Power with control room and for standby generators and Water storage tanks. There is, also, septic tanks and soak away pits that have been constructed for waste water.



## 14.5 Production Flow Chart

- The factories (Kwamkoro factory and Bulwa factory) have one line each are design with the following production flow chart



#### **14.6 Farm Equipment & Tools**

- The project will require various land development machinery and equipment including tractors such as 75 HP Massey Ferguson with 4WD; 90 HP tractors with 4WD; Tipping trailers -5t capacity; and other equipment.
- The tractors will be used for Greenleaf collection from the estate's tea garden and the villages to the factory sites. The tractors will be used for procurement of raw materials including firewood.

#### **14.7 Office Furniture and equipment**

- The project will procure office equipment and office furniture for both the team farm offices and tea Factory section.
- The office furniture and equipment include office chairs, office tables, office cabinets, carpets and other office furniture; computers and computer accessories, computer software and other office equipment.

#### **14.8 Motor Vehicles**

- The project will overtime procure motor vehicles for use in the tea factory and tea farm sections.
- The motor vehicles include Pick-Ups, trucks, staff buses, and motorcycles for use by the staff and for factory use.

#### **14.9 Utilities**

##### **(i) Water Supply**

- Amount of water of about 30 cubic meters are required per day mainly for CIP, boiler and sanitary usage. Five cubic meters are for Boilers that will be used in close loop with about 6% losses through evaporation.
- Water will be sourced from the natural spring source within the farm area on the valley where intake structures have been constructed and water pumps have been installed to pump water to the factory site. Storage tanks of about 200 cubic meters have been installed.

- Based on the flow measurement done on site the natural spring generates about 21 cubic meters per hour. The project water requirement is less than 10percent of the generation capacity of the natural spring.

(ii) Power Source and Supply

- Electricity
  - The project will obtain power from the National Grid which is already connected to factories and the residential houses.
  - The project has four electric generators to provide power back-up in situations of power cuts from TANESCO power supply. The project has two 500kVA and two 365kVA capacity diesel powered electric generators.
- Firewood
  - Apart from the grid power, fuelwood is needed for processing plant during operation phase particularly for the boiler to generate steam.
  - The requirement will be 3 to 3.5 m<sup>3</sup> of dry wood per ton of made tea.
  - The fuelwood will be supplied by the from the estate's fuelwood plantations.

## Tea Farming in Muheza

### 15.1 An Overview

- Muheza District is one of the eight administrative districts of the Tanga Region, lying in the northern zone of Tanzania, around latitude 4°54'18" south and longitude 38°55'23" east. The district occupies an area of approximately 4,922-km.
- The district borders Kenya to the north, Tanga District and the Indian Ocean to the east, Pangani District to the south as well as the Lushoto and Korogwe Districts to the west.
- The agro-ecological zone of Muheza district is suitable for tea plantation as they have average annual temperatures ranging between 18°C and 24°C, average. The zone lies at an altitude of 1,000 – 2,000 meters above sea level.
- The annual rainfall ranges from 1165 to 1960 mm per annum bimodal falling during March – May long rains and again in October – December short rains.

### 15.2 Tea Growing

- Most people in Muheza are employed in subsistence farming and livestock keeping. The main agricultural activities in the area are cultivation of food crops including maize, beans, round potatoes and cassava as well as cash crops including tea.
- Tanga region is probably most historically famous for its tea production, which has taken off in the years after privatisation of tea plantations. The large tea companies have successfully developed better relationships with out-growers, establishing methods of supplying them with inputs, and in some cases spreading best practices.
- Currently, many out-growers are involved in tea growing and have become self-sufficient in terms of obtaining inputs, but still sell to the major companies, which process tea.
- EUTEACO will annually produce on average of 4,000 to 5,000 tonnes of made tea which requires an average of 20 million to 25 million Kg of green leaves from the tea estates and the smallholder tea growers surrounding the tea estate.

## **Support to Tea Out-Growers**

### **16.1 Introduction**

- EUTEACO will undertake to grow tea for demonstration purposes and support smallholder tea farmers in areas of tea farms management. The project will establish own nursery and will contract smallholders' tea farmers in its farm.

### **16.2 Tea Nursery and Seed Production**

- A key element in the maintenance of good yields of high-quality tea is the provision of tea clones of recommended varieties free of controllable diseases. The project will raise healthy seed nurseries which will be under good technical supervision.
- To ensure genetic purity and freedom from pest and disease the nursery crop will continuously be inspected starting when it is first planted. The diseased stools and volunteers are eradicated by uprooting or spot application of organic biocides depending on the exigencies of the situation.

### **16.3 Agriculture Workshop & Research Unit**

- The project will establish Workshop and a Research Unit. The workshop is responsible for the maintenance, repair and overhauling of the agricultural machinery of the tea factory and tea farm and the smallholder tea farmers.
- The nature of work will include designing a plan for the schedules of operation and regular servicing of machinery and equipment.
- The research unit together with a laboratory will conduct adaptive trials to address issues of the tea plants in the area.

### **16.4 Disease management**

- The project will adopt three-tier seed nursery program for the production of disease-free seed material to help smallholder tea farmers in the project area.
- These initiatives include phytosanitary practices (clean cultivation) which include cultural practices, varietal resistance and seed selection; Thermal Therapy means the use of healthy, vigorous, clean, disease and pest free seed.; surveillance after harvest; quarantine which refers to use of planting materials from certified seed plots.

## Tea Processing

### 17.1 Introduction

- There are different methods of Tea processing for production of different types of teas. The tea factories use CTC technology machines.
- CTC method of tea processing is the most prevalent and common method for production of Black teas.

### 17.2 The Process

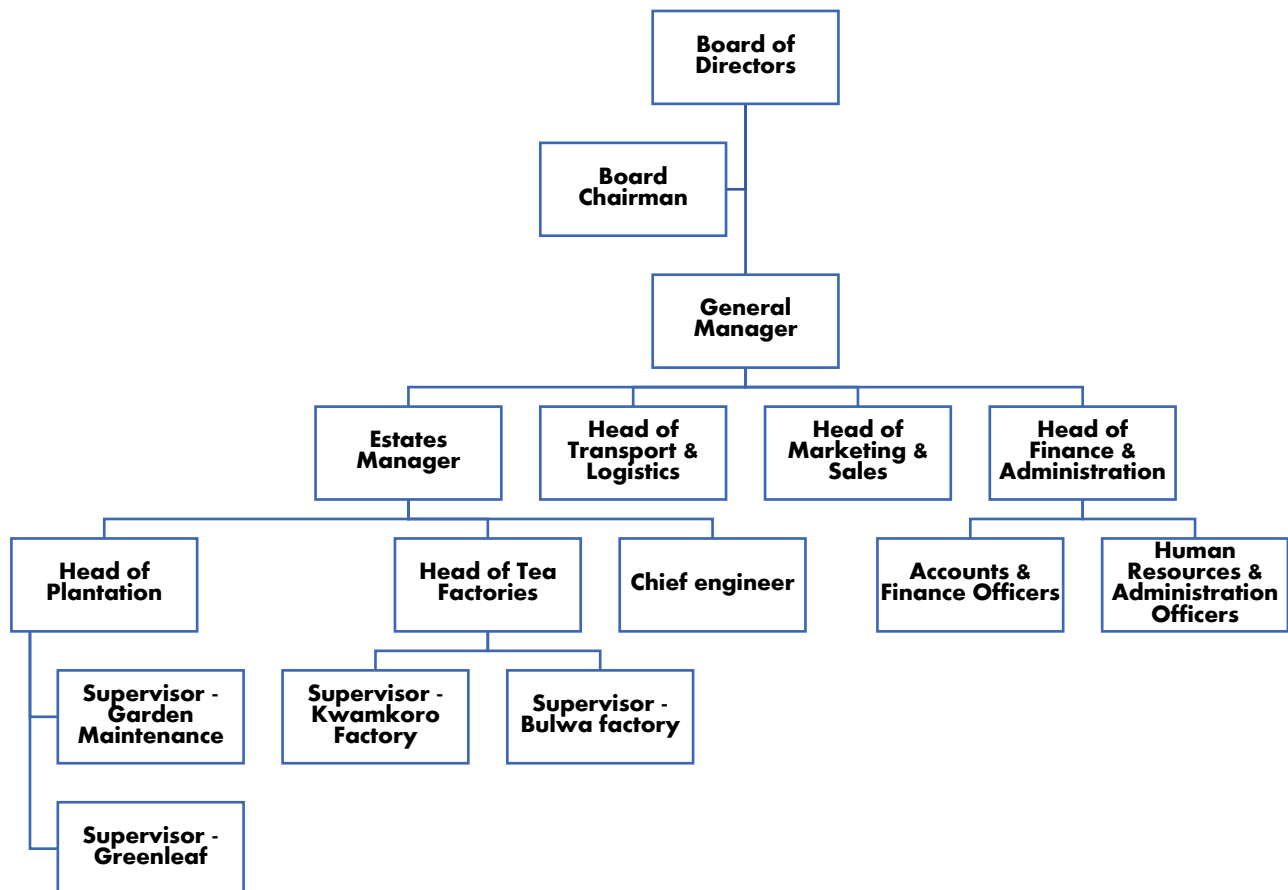
- Withering
  - Fresh green leaves will be brought to the factory and will be weighed at the factory upon delivery and spread in the troughs for the withering process. Air is blown through the leaves to reduce the moisture content to about 70%.
  - During rainy season, the leaves are wet with surface moisture and therefore hot air is used to obtain the required wither. After overnight or 10-18 hours of withering the leaves are taken for further processing.
  - The withered leaves are passed through green leaf sifter to remove sand if any and for uniform feeding in to the Rotorvane where the leaf is macerated to squeeze out the plant sap.
  - Then the leaf material with the expressed sap is passed through CTC machine wherein the leaf undergoes crush, tear & curl process and delivered into a continuous fermenting machine through conveyor.
- Fermentation:
  - The fermenting process is actually the oxidation of plant sap facilitated by blowing cold humid air. During this process the crushed tea leaf changes the colour from green to yellowish green to reddish green and develop aroma.
  - The time duration of fermentation has to be manually adjusted every day according to prevailing weather conditions. Under fermentation or over fermentation would drastically affect the quality of made tea.

- Drying:
  - The tea driers are equipped with steam boilers and radiators to generate hot air to dry the tea and arrest the fermentation.
  - The dried tea is black in colour with particles of different sizes and some plant fibres. At this stage the manufacturing process is over and is called bulk tea.
  
- Grading:
  - The bulk tea is cleaned to remove the fibre (BMF grade) in Fibromat and graded in Vibroscreen.
  - According to the size and density of the particles, tea is graded into
    - BP1, PF1, PD & D1 (primary grades); and
    - BP, PF, Fannings, Dust and BMF (secondary grades).
  
- Packing:
  - The quality of tea varies day to day to some extent according to the standard of green leaf and weather conditions.
  - Though Quality control is done during processing by periodical tea tasting, the graded teas of few days manufacturing are bulked before packing.
  - For auction sale, primary grades are packed in paper sacks and secondary grades in PP bags.
  
- Tea sales
  - Garden invoices of 20 or 40 bags of each grade are made and sent to auction centre at Mombasa, Kenya.
  - The appointed tea broker takes sample and send to registered buyers. Auction sales take place every week and the sale realization are collected by the Broker and remitted to Seller after deducting the brokerage as per East African Tea Traders Association regulations.

## Management And Organisation

### 18.1 Company Organisation Structure

- The project will be under the general management of EUTEACO. The company has a Board of Directors responsible for the major policy and strategic issues. The Board is comprised members representing the shareholders and non-shareholders.
- The daily management issues will be under the Company General Manager who will be in-charge of all matters of the factory. The General Manager will report to the Board Chairman.
- The General Manager will be assisted by different functional Departmental heads in Production, Accounting & finance, Marketing, Human Resources and Logistics.
  - The company's Organisation Chart is presented below:



## 18.2 Management Team

- The top management team comprise of General Manager being assisted by Estates Manager, Head- Transport & Logistics, Head- Finance & Administration, and Head Sales & Marketing.
- The day-to-day management of the Tea estates is under the Estate Manager who reports to the General Manager. The Estates Manager is being assisted by three Unit Heads: Head of Plantation, Head of Factories and the Chief Engineer.
- The Plantation Manager is responsible for the farm production; and the Factory Managers are in-charge of the tea factories.
- The Plantation Manager and the Factory Managers are being assisted by supervisors in various units such as plucking unit, transport unit, extension service unit, Greenleaf Delivery Unit, quality control unit, accounting unit, human resources unit and sales unit.

## 18.3 Staffing

- The company has a total of 92-staff contingent excluding casual labourers. The company hires casual workers during peak seasons. Casual labourers are in the range of 300 to 400 depending on the season.
- Presently, the company has deployed the following staff in different estates:

|                                       | Top Management | Tea Gardens | Kwamkoro Factory | Bulwa Factory | Total      |
|---------------------------------------|----------------|-------------|------------------|---------------|------------|
| Administrative staff                  | 5              | 4           | 6                | 6             | <b>21</b>  |
| Factory Staff                         | -              | -           | 22               | 22            | <b>44</b>  |
| Plantation staff                      | -              | 21          | -                | -             | <b>21</b>  |
| Support Workers                       | -              | 2           | 2                | 2             | <b>6</b>   |
| <b>Permanent Staff</b>                | <b>5</b>       | <b>27</b>   | <b>30</b>        | <b>30</b>     | <b>92</b>  |
| Casual labourers – Plucking & Weeding | 0              | 350         | 0                | 0             | <b>350</b> |
| <b>Total Employees</b>                | <b>5</b>       | <b>377</b>  | <b>30</b>        | <b>30</b>     | <b>442</b> |

## 18.4 Manpower Training

- The management has recruited experienced workers so that they can easily adopt the system and good practices involved in efficient running of the estates.
- The management has identified the training needs of all the technical and has designed systematic and focused training programs and refresher courses.

## IMPLEMENTATION AND OPERATIONAL PLAN

### 19.1 Project Activities

- The project is already in operation consisting of the tea plantation and the tea factories for production of made tea. The additional investment will entail three major activities:
  - (e) Tea gardens maintenance;
  - (f) Rehabilitation of buildings and civil works and the tea factories;
  - (g) Procurement of support facilities including farm equipment, motor vehicles and office equipment.
- Other activities related to the tea plantation include:
  - Fuel wood plantation – this entails maintenance of the fuelwood plantation that provide wood for the factory boilers.
  - Out-growers Support Scheme – this shall involve supply of inputs, provision of extension services, and distribution of seedlings for planting.
  - Infilling of existing tea plantation – this will involve land clearing, preparation of seedlings and planting of tea plants.

### 19.2 Implementing Agency

- The project will be implemented by EUTEACO in collaboration with other relevant stakeholders including government and non-government bodies. In the implementation of the social projects, the company will form Technical Committee that will involve the target beneficiaries and other stakeholders.
- Some of the stakeholders shall include:
  - Tea Board of Tanzania, Tanzania Tea Research Institute and other Tea associations.
  - Local governments including village governments, Ward Executives, District Councils and Executives.
  - Relevant ministerial departments including Ministry of Agriculture, Ministry of Water and other relevant ministry department
  - Non-governmental organisations in the area of interest
  - Development partners including funding agencies.
  - Local communities

### **19.3 Project Operation**

- Upon completion of the implementation activities the project will be managed by EUTEACO, and it will involve the following operational activities:

#### **(i) Tea Transportation Operations**

- The company will purchase tractors with specialist trailers that will be involved with collection of Greenleaf from the tea gardens.
- Collection centres will be established where the schedule of tea collection will be mutually agreed with the cooperatives for effective collections.

#### **(ii) Factory Operations**

- The factory operations will involve principally withering of fresh tea leaves from the field, rolling/cutting, oxidation/fermentation, drying, sorting and grading and finally packaging as summarised below:
- Withering
  - The process of making the dried tea leaf starts with the fresh leaves being emptied into troughs/trays where they are allowed to go flaccid and dry a little. Withering is used to remove excess water from the leaves and allows a very slight amount of oxidation.
  - The withering process will be carried out in the recently developed continuous withering process or CWE which offers process advantages over traditional methods, being independent of climatic conditions thus providing a consistent feed to the downstream processes.
  - The withering process effectively reduces the moisture content to about 50% of its natural state. The process is also important in promoting the breakdown of leaf proteins into free amino acids and increases the availability of freed caffeine, both of which change the taste of the tea. The leaves become limp and flaccid, and are now suitable for rolling.

- Rolling/Cutting
  - The purpose of rolling is to rupture the cells. The teas are bruised or torn in order to promote and quicken oxidation. The leaves are lightly bruised on their edges by shaking and tossing in a tray.
  - The bruising breaks down the structures inside and outside of the leaf cells and allows for the co-mingling of oxidative enzymes with various substrates, which allows for the beginning of oxidation. This also releases some of the leaf juices, which may aid in oxidation and change the taste profile of the tea.
  - This process is done mechanically and the leaves are then passed through the Rotor vane for cutting, tearing and curling (CTC). After rolling the tea leaves are prepared to go through to the next stage of processing. This chemical reaction is known as oxidization.
  
- Oxidization/Fermenting
  - Oxidization, commonly referred to as "fermentation", is the most important stage in the manufacturing of black tea. Tea is fermented using the Continuous Fermentation Unit (CFU) system.
  - This process makes it uniquely different from green tea which is not allowed to oxidize. Oxidization is carried out in custom designed facilities. Depending on the temperature, oxidization time can range from 45 minutes to hours.
  - The characteristic colour and aroma determine the completion of this process based on tradition and knowledge. Great skill is needed during this phase because it can dramatically affect the finished product if proper timing and air circulation are not followed.
  
- Drying
  - Leaves at this stage are almost completely dehydrated, the oxidative action of enzymes freezes completely (for fermentation), the majority of essential oils are lost (volatilised by heat), tea acidity increases and a much darker colouring occurs to the leaves.

Temperatures between 190–210 degrees Fahrenheit are required for about 20-30 minutes to produce black tea with a moisture content of 2-3 %.

- Sorting/Grading/Winning
  - The dried tea is sorted into different grades by passing it over a series of vibrating screens of different mesh sizes. The passage of teas through this system produces a number of grades with evenly sized particles.
  
- Packing
  - Teas are then packaged according to particle size and sold as dust, fannings, broken leaf, or whole leaf grades.
  - To enable tea factory, operate, a number of backyard processes are involved, for instance the moisture required in withering and drying process is produced through a boiler that is to be run by the fuel wood.
  - The factory is also associated with the mechanical workshop for continues repair and maintenance of the cutting drums and other parts of the machinery involved in the process.
  - The machinery will require electricity to be run that will be sourced from the Grid. Water will be required for cleaning purposes and for general domestic/sanitary use at the factory.

## **RISKS AND UNCERTAINTIES**

### **20.1 Price Risk**

- Tea is a world traded commodity whose prices are subject to movements in the world tea demand and supply factors. The returns in tea processing projects are subject to the strength of world tea prices. While the medium-term outlook is excellent prices and returns can be affected by adverse conditions in main markets and by surges/declines in major world producers.
- In the medium-term climate change is expected to reduce the world output tea in a growing market. This is regarded as positive for prices and therefore for profitability.

### **20.2 Delays or Cost Overruns in Project Implementation**

- A number of factors may lead to delays in project commissioning including statutory documentations and the equipment delivery and installation works for the tea factories. EUTEACO has spent over 12-month to prepare for regulatory requirements.
- On the buildings and civil works, the company will contract local construction company to undertake the rehabilitation works of the workers houses. Other facilities including motor vehicles and office equipment will be procured in the local market.

### **20.3 Performance Risk**

- The performance risk of the project relates to availability of green tea leaves for processing into made tea. The project is situated in an area most historically famous for its tea production, which has taken off in the years after privatisation of tea plantations.
- The area has out-growers expressly ready to increase tea production when assured of the ready-market for green leaf.

#### **20.4 Inflation risks**

- There is a potential risk that inflation might raise at higher rates than projected. This may increase the price of the final products hence reduce the demand for the product.
- While this risk usually prevails in Developing Countries like Tanzania, the government appears committed to continue maintaining the macroeconomic stability and bring inflation further down.

#### **20.5 Political risks**

- The government may from time-to-time issue new directives (on issues such as tea imports and exports) which may impact on the project implementation and operations.
- However, this risk is strongly addressed by the government long-term commitment of involving private sector in policy decisions.

#### **20.6 Managerial risks**

- Managerial risks - Management of tea factory requires close supervision and expertise in production and marketing.
- The company will employ personnel with experience in the tea production and marketing. Additionally, the shareholders of EUTEACO will be part of the management team to drive the finance and marketing department.

## Financial Assumptions

### 21.1 Introduction

- This section presents the financial plan. The main objective of the financial analysis is to examine both commercial profitability and economic viability of the proposed project.
- The financial assumptions which lead to the financial results are detailed in the attached Annexes 7 to 18.
- The financial assumptions are as follows:
  - (h) Investment and Financing Assumptions .....Annexes 7 to 12
  - (i) Production and Revenues Assumptions ..... Annexes 13 to 14
  - (j) Operating Costs Assumptions ..... Annexes 15 to 18
- The financial results include Profit and Loss Statements, cash flow statements, balance sheets, internal rate of return analysis are presented in the attached Annexes 1 to 6.

### 21.2 Financial Goals

The immediate financial goals of the company are as follows:

- Finance the investment costs through equity financing and external financing.
- Obtain external financing of TZS 5.5 billion in the form of long-term loan to part-finance the additional investment costs and loans refinancing.
- Shareholders' contribution of TZS 1.2 billion will be towards the projects.

### 21.3 Financial Assumptions

#### (i) General Financial Assumptions

- The currency of accounting is Tanzania Shillings (TZS).
- The exchange rate of TZS to USD is assumed at TZS 2,800 to 1 USD.
- Financial projections for first 10-Years of operation have been worked out.
- Project implementation period is 2-years.

## (ii) Investment Plan

- Projected Investment plan is presented in Annex 7 and the Detailed Investment Plans are presented in Annexes 8 (i), (ii) and (iii).
- The capital investment costs include the following:
  - (a) Land and land development which includes nursery development, tea farming and infilling of the existing tea estates.
  - (b) Building and civil works
  - (c) Plant, Machinery and equipment,
  - (d) Farm equipment and tools
  - (e) Motor vehicles
  - (f) Office equipment and furniture
  - (g) Pre-operating expenses
- The investment costs include the existing and the additional investments.
- The summary of the capital expenditure including physical assets, pre-operating costs, investment in social projects and the working capital for the existing and additional investment are as presented below:

| <b>ANNEX 7</b>                       |                     |                       |                  |                   |                   |                 |
|--------------------------------------|---------------------|-----------------------|------------------|-------------------|-------------------|-----------------|
| <b>East Usambara Tea Company Ltd</b> |                     |                       |                  |                   |                   |                 |
| <b>PROJECTED INVESTMENTS PLAN</b>    |                     |                       |                  |                   |                   |                 |
| Amount in TZS '000'                  |                     |                       |                  |                   |                   |                 |
|                                      | Existing Investment | Additional Investment |                  |                   | Total Investment  | USD Equivalents |
|                                      |                     | Year 1                | Year 2           | Total             |                   |                 |
| Exchange Rate (USD/TZS)              | 2,800               | 2,800                 | 2,800            |                   |                   |                 |
| <b>Physical Assets</b>               |                     |                       |                  |                   |                   |                 |
| Land & Land Development              | 8,751,243           | -                     | -                | -                 | <b>8,751,243</b>  | 3,125,444       |
| Tea Plantations                      | 10,191,028          | -                     | -                | -                 | <b>10,191,028</b> | 3,639,653       |
| Buildings & Civil works              | 5,340,000           | 142,800               | 142,800          | <b>285,600</b>    | <b>5,625,600</b>  | 2,009,143       |
| Plant & Machinery                    | 1,246,064           | 94,248                | 94,248           | <b>188,496</b>    | <b>1,434,560</b>  | 512,343         |
| Farm Equipment & Tools               | -                   | 328,440               | -                | <b>328,440</b>    | <b>328,440</b>    | 117,300         |
| Motor Vehicles                       | 44,236              | 179,312               | 145,656          | <b>324,968</b>    | <b>369,204</b>    | 131,858         |
| Office Equipment & Furniture         | -                   | 316,680               | 126,000.00       | <b>442,680</b>    | <b>442,680</b>    | 158,100         |
| <b>Physical Assets</b>               | <b>25,572,570</b>   | <b>1,061,480</b>      | <b>508,704</b>   | <b>1,570,184</b>  | <b>27,142,754</b> | 9,693,841       |
| Pre-operating expenses               |                     |                       |                  |                   |                   |                 |
| Administrative costs                 | -                   | 16,800                | -                | <b>16,800</b>     | <b>16,800</b>     | 6,000           |
| Interest During Grace                | -                   | -                     | -                | -                 | -                 | -               |
| Other Finance Costs                  | -                   | 96,750                | -                | <b>96,750</b>     | <b>96,750</b>     | 34,554          |
| <b>Pre-operating expenses</b>        | <b>-</b>            | <b>113,550</b>        | <b>-</b>         | <b>113,550</b>    | <b>113,550</b>    | 40,554          |
| Social Projects                      | -                   | -                     | 35,000           | <b>35,000</b>     | <b>35,000</b>     | 12,500          |
| <b>Capital Expenditure</b>           | <b>25,572,570</b>   | <b>1,175,030</b>      | <b>543,704</b>   | <b>1,718,734</b>  | <b>27,291,304</b> | 9,746,894       |
| Working Capital                      |                     |                       |                  |                   |                   |                 |
| Current Assets                       | -                   | 814,983               | 984,080          | <b>1,799,063</b>  | <b>1,799,063</b>  | 642,523         |
| Current Liabilities                  | -                   | 386,542               | 479,450          | <b>865,992</b>    | <b>865,992</b>    | 309,283         |
| Net Working Capital                  | -                   | 428,441               | 504,630          | <b>933,072</b>    | <b>933,072</b>    | 333,240         |
| <b>Working Capital</b>               | <b>-</b>            | <b>428,441</b>        | <b>76,189.03</b> | <b>504,630.29</b> | <b>504,630</b>    | 180,225         |
| <b>Total Investment</b>              | <b>25,572,570</b>   | <b>1,603,471</b>      | <b>619,893</b>   | <b>2,223,364</b>  | <b>27,795,934</b> | 9,927,119       |

### (iii) Financing Plan

- The capital costs are financed by shareholders' equity and external financing. The existing investments have been financed through long-term loans and short-term loans. The financing plan is presented in Annex 9 (i); and the Sources and Uses of Funds Schedule is presented in Annex 9 (ii).
- The long-term loans are earmarked for:
  - Refinancing the existing loans facilities including the existing long-term and short-term loans; and
  - Financing the additional capital expenditure as summarised below:

| ANNEX 9 (i)                     |                    |                      |                |                  |                   |                  |
|---------------------------------|--------------------|----------------------|----------------|------------------|-------------------|------------------|
| East Usambara Tea Company Ltd   |                    |                      |                |                  |                   |                  |
| PROJECT FINANCING PLAN          |                    |                      |                |                  |                   |                  |
| Amount in TZS '000'             |                    |                      |                |                  |                   |                  |
|                                 | Existing Financing | Additional Financing |                |                  | Total Financing   | USD Equivalents  |
|                                 |                    | Year 1               | Year 2         | Total            |                   |                  |
| Exchange Rate (USD/TZS)         | 2,800              | 2,800                | 2,800          |                  |                   |                  |
| <b>Equity Financing</b>         |                    |                      |                |                  |                   |                  |
| Share Capital                   | 200                | -                    | -              | -                | 200               | 71               |
| Shareholders' funds             |                    |                      |                |                  |                   |                  |
| Capital Expenditure             | 21,072,370         | 175,030              | 543,704        | <b>718,734</b>   | 21,791,104        | 7,782,537        |
| Working Capital                 | -                  | 428,441              | 76,189         | <b>504,630</b>   | 504,630           | 180,225          |
| <b>Shareholders' funds</b>      | <b>21,072,370</b>  | <b>603,471</b>       | <b>619,893</b> | <b>1,223,364</b> | 22,295,734        | <b>7,962,762</b> |
| Retained Earnings               | -                  | -                    | -              | -                | -                 | -                |
| Valuation Reserve               | -                  | -                    | -              | -                | -                 | -                |
| <b>Equity Financing</b>         | <b>21,072,570</b>  | <b>603,471</b>       | <b>619,893</b> | <b>1,223,364</b> | <b>22,295,934</b> | <b>7,962,834</b> |
| <b>External Financing</b>       |                    |                      |                |                  |                   |                  |
| Long-term loans                 |                    |                      |                |                  |                   |                  |
| Farm Acquisition Loan           | -                  | -                    | -              | -                | -                 | -                |
| Additional CAPEC Loan           | -                  | 1,000,000            | -              | <b>1,000,000</b> | 1,000,000         | 357,143          |
| Existing CAPEX Loan             | 4,500,000          | -                    | -              | -                | 4,500,000         | 1,607,143        |
| <b>Long-term loans</b>          | <b>4,500,000</b>   | <b>1,000,000</b>     | <b>-</b>       | <b>1,000,000</b> | <b>5,500,000</b>  | <b>1,964,286</b> |
| Short-term loans                |                    |                      |                |                  |                   |                  |
| Bank Short-term loans           | -                  | -                    | -              | -                | -                 | -                |
| Trade Creditors                 | -                  | -                    | -              | -                | -                 | -                |
| <b>Short-term loans</b>         | <b>-</b>           | <b>-</b>             | <b>-</b>       | <b>-</b>         | <b>-</b>          | <b>-</b>         |
| <b>Total external financing</b> | <b>4,500,000</b>   | <b>1,000,000</b>     | <b>-</b>       | <b>1,000,000</b> | <b>5,500,000</b>  | <b>1,964,286</b> |
| <b>Total Financing</b>          | <b>25,572,570</b>  | <b>1,603,471</b>     | <b>619,893</b> | <b>2,223,364</b> | <b>27,795,934</b> | <b>9,927,119</b> |
| <b>Exposure</b>                 |                    |                      |                |                  |                   |                  |
| Equity Financing                | 82%                | 38%                  | 100%           | 55%              | 80%               |                  |
| External Financing              | 18%                | 62%                  | 0%             | 45%              | 20%               |                  |
| <b>Total</b>                    | <b>100%</b>        | <b>100%</b>          | <b>100%</b>    | <b>100%</b>      | <b>100%</b>       |                  |

### (iv) Depreciation Assumptions

- The Depreciation Schedules are presented in Annex 10.
- The depreciation and amortization rates are as indicated in the schedule.

## (v) Production Assumptions

- The project production assumptions for green leaf and made tea for the non-organic tea are detailed in Annexes 13 (i) and (ii).
- Green leaf production assumptions are presented in Annex 13 (i) which shows green leaf production from the eight estates division as well as from smallholder tea growers.
- Tea Gardens –

- The tea gardens occupy a total farm area of 1,923.9 Hectares which is 14% of the total estates area.
- The tea gardens are divided in eight location or plantations as summarised.

| Tea Gardens        |           |                |
|--------------------|-----------|----------------|
| Tea Estates        |           |                |
| Annual Increase    |           | 0%             |
| Kwamkoro Division  | ha        | 242.9          |
| Ngua Division      | ha        | 207.0          |
| Ndola Division     | ha        | 145.0          |
| Monga Division     | ha        | 236.0          |
| Maramba Division   | ha        | 239.0          |
| Mgambo Division    | ha        | 304.0          |
| Bulwa Division     | ha        | 301.0          |
| Derema Division    | ha        | 289.0          |
| <b>Tea Estates</b> | <b>ha</b> | <b>1,963.9</b> |

- Greenleaf Production –
- The project has assumed an average Greenleaf yield of 6,250-Kg/Ha increasing gradually to 11,020-Kg/Ha following good crop husbandry practices and application of fertilizer.
- The projected Greenleaf production from the estates is as presented below:

|                             |                | Year 1        | Year 2        | Year 3        | Year 4        | Year 5        | Year 6        |
|-----------------------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Greenleaf Harvested</b>  |                |               |               |               |               |               |               |
| Tea Estates                 |                |               |               |               |               |               |               |
| Change in Greenleaf Yield   | %              | 0.0%          | 24.0%         | 18.0%         | 20.5%         | 0.0%          | 0%            |
| <b>Average Greenleaf/Ha</b> | <b>Kg/Ha</b>   | <b>6,250</b>  | <b>7,750</b>  | <b>9,145</b>  | <b>11,020</b> | <b>11,020</b> | <b>11,020</b> |
| Greenleaf Harvest           |                |               |               |               |               |               |               |
| Kwamkoro Division           | MT/Year        | 1,518         | 1,882         | 2,221         | 2,677         | 2,677         | 2,677         |
| Ngua Division               | MT/Year        | 1,294         | 1,604         | 1,893         | 2,281         | 2,281         | 2,281         |
| Ndola Division              | MT/Year        | 906           | 1,124         | 1,326         | 1,598         | 1,598         | 1,598         |
| Monga Division              | MT/Year        | 1,475         | 1,829         | 2,158         | 2,601         | 2,601         | 2,601         |
| Maramba Division            | MT/Year        | 1,494         | 1,852         | 2,186         | 2,634         | 2,634         | 2,634         |
| Mgambo Division             | MT/Year        | 1,900         | 2,356         | 2,780         | 3,350         | 3,350         | 3,350         |
| Bulwa Division              | MT/Year        | 1,881         | 2,333         | 2,753         | 3,317         | 3,317         | 3,317         |
| Derema Division             | MT/Year        | 1,806         | 2,240         | 2,643         | 3,185         | 3,185         | 3,185         |
| <b>Tea Estates</b>          | <b>MT/Year</b> | <b>12,274</b> | <b>15,220</b> | <b>17,960</b> | <b>21,642</b> | <b>21,642</b> | <b>21,642</b> |
| % of Greenleaf              | %              | 97%           | 98%           | 98%           | 98%           | 98%           | 98%           |

- Tea Out-growers –
- Besides the estates Greenleaf, the project will source Greenleaf from the out-growers.
- The out-growers are projected to contribute about 2 to 3% of the project Greenleaf requirements.

- Total Greenleaf Production –
  - EUTEACO is projecting to increase production of Greenleaf to an average of 22,000-MT annually, up from 12,500-MT annually. The increase is largely from the estates as summarised below.

|                                 |                | Year 1        | Year 2        | Year 3        | Year 4        | Year 5        | Year 6        | Year 7        | Year 8        | Year 9        | Year 10       |
|---------------------------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Greenleaf Harvested</b>      |                |               |               |               |               |               |               |               |               |               |               |
| Tea Estates                     |                |               |               |               |               |               |               |               |               |               |               |
| Change in Greenleaf Yield       | %              | 0.0%          | 24.0%         | 18.0%         | 20.5%         | 0.0%          | 0%            | 0%            | 0%            | 0%            | 0%            |
| <b>Average Greenleaf/Ha</b>     | <b>Kg/Ha</b>   | <b>6,250</b>  | <b>7,750</b>  | <b>9,145</b>  | <b>11,020</b> | <b>11,020</b> | <b>11,020</b> | <b>11,020</b> | <b>11,020</b> | <b>11,020</b> | <b>11,020</b> |
| Greenleaf Harvest               |                |               |               |               |               |               |               |               |               |               |               |
| Kwamkoro Division               | MT/Year        | 1,518         | 1,882         | 2,221         | 2,677         | 2,677         | 2,677         | 2,677         | 2,677         | 2,677         | 2,677         |
| Ngua Division                   | MT/Year        | 1,294         | 1,604         | 1,893         | 2,281         | 2,281         | 2,281         | 2,281         | 2,281         | 2,281         | 2,281         |
| Ndola Division                  | MT/Year        | 906           | 1,124         | 1,326         | 1,598         | 1,598         | 1,598         | 1,598         | 1,598         | 1,598         | 1,598         |
| Monga Division                  | MT/Year        | 1,475         | 1,829         | 2,158         | 2,601         | 2,601         | 2,601         | 2,601         | 2,601         | 2,601         | 2,601         |
| Maramba Division                | MT/Year        | 1,494         | 1,852         | 2,186         | 2,634         | 2,634         | 2,634         | 2,634         | 2,634         | 2,634         | 2,634         |
| Mgambo Division                 | MT/Year        | 1,900         | 2,356         | 2,780         | 3,350         | 3,350         | 3,350         | 3,350         | 3,350         | 3,350         | 3,350         |
| Bulwa Division                  | MT/Year        | 1,881         | 2,333         | 2,753         | 3,317         | 3,317         | 3,317         | 3,317         | 3,317         | 3,317         | 3,317         |
| Derema Division                 | MT/Year        | 1,806         | 2,240         | 2,643         | 3,185         | 3,185         | 3,185         | 3,185         | 3,185         | 3,185         | 3,185         |
| <b>Tea Estates</b>              | <b>MT/Year</b> | <b>12,274</b> | <b>15,220</b> | <b>17,960</b> | <b>21,642</b> | <b>21,642</b> | <b>21,642</b> | <b>21,642</b> | <b>21,642</b> | <b>21,642</b> | <b>21,642</b> |
| % of Greenleaf                  | %              | 97%           | 98%           | 98%           | 98%           | 98%           | 98%           | 98%           | 98%           | 98%           | 98%           |
| <b>Average Greenleaf Yield</b>  | <b>Kg/Ha</b>   | <b>6,250</b>  | <b>7,750</b>  | <b>9,145</b>  | <b>11,020</b> | <b>11,020</b> | <b>11,020</b> | <b>11,020</b> | <b>11,020</b> | <b>11,020</b> | <b>11,020</b> |
| Smallholder Growers             |                |               |               |               |               |               |               |               |               |               |               |
| Change in Greenleaf Yield       | %              | 0%            | 2%            | 2%            | 2%            | 2%            | 2%            | 2%            | 2%            | 2%            | 2%            |
| <b>Average Greenleaf/Ha</b>     | <b>Kg/Ha</b>   | <b>5,500</b>  | <b>5,610</b>  | <b>5,722</b>  | <b>5,837</b>  | <b>5,953</b>  | <b>6,072</b>  | <b>6,194</b>  | <b>6,318</b>  | <b>6,444</b>  | <b>6,573</b>  |
| <b>Smallholder Growers</b>      | <b>MT/Year</b> | <b>324.0</b>  | <b>337.1</b>  | <b>350.8</b>  | <b>364.9</b>  | <b>379.7</b>  | <b>395.0</b>  | <b>411.0</b>  | <b>427.6</b>  | <b>444.8</b>  | <b>462.8</b>  |
| % of Greenleaf                  | %              | 3%            | 2%            | 2%            | 2%            | 2%            | 2%            | 2%            | 2%            | 2%            | 2%            |
| <b>Average Greenleaf Yield</b>  | <b>Kg/Ha</b>   | <b>5,500</b>  | <b>5,610</b>  | <b>5,722</b>  | <b>5,837</b>  | <b>5,953</b>  | <b>6,072</b>  | <b>6,194</b>  | <b>6,318</b>  | <b>6,444</b>  | <b>6,573</b>  |
| <b>Total Greenleaf Produced</b> | <b>MT/Year</b> | <b>12,598</b> | <b>15,557</b> | <b>18,311</b> | <b>22,006</b> | <b>22,021</b> | <b>22,037</b> | <b>22,052</b> | <b>22,069</b> | <b>22,086</b> | <b>22,104</b> |
| <b>Average Greenleaf Yield</b>  | <b>Kg/Ha</b>   | <b>6,228</b>  | <b>7,686</b>  | <b>9,041</b>  | <b>10,860</b> | <b>10,860</b> | <b>10,861</b> | <b>10,862</b> | <b>10,863</b> | <b>10,864</b> | <b>10,866</b> |

- Made Tea Production –
  - The project has assumed a conversion ratio of 20% of green leaf to made tea.
  - The project will use two tea processing factories:
    - ✓ Kwamkoro Tea factory .....3,000Kg/Hour intake capacity
    - ✓ Bulwa Tea Factory .....3,000Kg/Hour intake capacity
  - At full capacity, the plants' production assumptions are as below

|                                               |                | Year 1        | Year 2        | Year 3        | Year 4        | Year 5        |
|-----------------------------------------------|----------------|---------------|---------------|---------------|---------------|---------------|
| <b>Made Tea Processing</b>                    |                |               |               |               |               |               |
| <b>Conversion Ratio</b>                       |                |               |               |               |               |               |
| Green Leaf to Made Tea                        | %              | 20.0%         | 20.0%         | 20.0%         | 20.0%         | 20.0%         |
| <b>Plants Operating Capacities Greenleaf)</b> |                |               |               |               |               |               |
| Plants Operating Time                         |                |               |               |               |               |               |
| Working Hours                                 | Hours/Shift    | 8             | 8             | 8             | 8             | 8             |
| Number of Shifts                              | Shifts/Day     | 3             | 3             | 3             | 3             | 3             |
| Number of Days                                | Days/Year      | 300           | 300           | 300           | 300           | 300           |
| Withering Capacity Per Hour                   |                |               |               |               |               |               |
| Kwamkoro Factory                              | Kg/Hour        | 3,000         | 3,000         | 3,000         | 3,000         | 3,000         |
| Bulwa Factory                                 | Kg/Hour        | 3,000         | 3,000         | 3,000         | 3,000         | 3,000         |
| <b>Total Withering Capacity</b>               | <b>Kg/Hour</b> | <b>6,000</b>  | <b>6,000</b>  | <b>6,000</b>  | <b>6,000</b>  | <b>6,000</b>  |
| Withering Capacity Per Year                   |                |               |               |               |               |               |
| Kwamkoro Factory                              | MT/Year        | 21,600        | 21,600        | 21,600        | 21,600        | 21,600        |
| Bulwa Factory                                 | MT/Year        | 21,600        | 21,600        | 21,600        | 21,600        | 21,600        |
| <b>Total Withering Capacity</b>               | <b>MT/Year</b> | <b>43,200</b> | <b>43,200</b> | <b>43,200</b> | <b>43,200</b> | <b>43,200</b> |

- The project has assumed loss provision from harvesting and processing of 0.6% and provision for packing and transportation loss of 0.4% of the Made Tea. The provision for loss is assumed to be on the range of 4-MT of Made tea per annum.
- The optimal, the project will produce on average of 4,400-MT/year of Made tea of different grades.
- The projected Made Tea production is as presented below:

|                                       |                | Year 1        | Year 2        | Year 3        | Year 4        | Year 5        |
|---------------------------------------|----------------|---------------|---------------|---------------|---------------|---------------|
| <b>Made Tea Processing</b>            |                |               |               |               |               |               |
| <b>Greenleaf Available</b>            |                |               |               |               |               |               |
| Source of Greenleaf                   |                |               |               |               |               |               |
| Tea Estates                           | MT/Year        | 12,274        | 15,220        | 17,960        | 21,642        | 21,642        |
| Smallholder Growers                   | MT/Year        | 324           | 337           | 351           | 365           | 380           |
| <b>Total Greenleaf</b>                | <b>MT/Year</b> | <b>12,598</b> | <b>15,557</b> | <b>18,311</b> | <b>22,006</b> | <b>22,021</b> |
| Greenleaf Per Factory                 |                |               |               |               |               |               |
| Kwamkoro Factory                      | %              | 55%           | 55%           | 55%           | 55%           | 55%           |
|                                       | MT/Year        | 6,929         | 8,557         | 10,071        | 12,104        | 12,112        |
| Bulwa Factory                         | %              | 45%           | 45%           | 45%           | 45%           | 45%           |
|                                       | MT/Year        | 5,669         | 7,001         | 8,240         | 9,903         | 9,910         |
| <b>Made Tea Production</b>            |                |               |               |               |               |               |
| Greenleaf Processed                   |                |               |               |               |               |               |
| Kwamkoro Factory                      | MT/Year        | 6,929         | 8,557         | 10,071        | 12,104        | 12,112        |
| Bulwa Factory                         | MT/Year        | 5,669         | 7,001         | 8,240         | 9,903         | 9,910         |
| <b>Greenleaf Processed</b>            | <b>MT/Year</b> | <b>12,598</b> | <b>15,557</b> | <b>18,311</b> | <b>22,006</b> | <b>22,021</b> |
| Processing Plant Capacity Utilisation |                |               |               |               |               |               |
| Kwamkoro Factory                      | %              | 32%           | 40%           | 47%           | 56%           | 56%           |
| Bulwa Factory                         | %              | 26%           | 32%           | 38%           | 46%           | 46%           |
| Made Tea Produced                     |                |               |               |               |               |               |
| Kwamkoro Factory                      | MT/Year        | 1,386         | 1,711         | 2,014         | 2,421         | 2,422         |
| Bulwa Factory                         | MT/Year        | 1,134         | 1,400         | 1,648         | 1,981         | 1,982         |
| <b>Made Tea Produced</b>              | <b>MT/Year</b> | <b>2,520</b>  | <b>3,111</b>  | <b>3,662</b>  | <b>4,401</b>  | <b>4,404</b>  |
| % Increase                            | %              | -             | 23%           | 18%           | 20%           | 0%            |
| <b>Made Tea for Grading</b>           |                |               |               |               |               |               |
| <b>Made Tea Produced</b>              | <b>MT/Year</b> | <b>2,520</b>  | <b>3,111</b>  | <b>3,662</b>  | <b>4,401</b>  | <b>4,404</b>  |
| Provision for Loss                    |                |               |               |               |               |               |
| Loss in Harvesting & Processing       | %              | 0.06%         | 0.06%         | 0.06%         | 0.06%         | 0.06%         |
| Loss in Packing                       | %              | 0.04%         | 0.04%         | 0.04%         | 0.04%         | 0.04%         |
| <b>Provision for Loss</b>             | <b>%</b>       | <b>0.10%</b>  | <b>0.10%</b>  | <b>0.10%</b>  | <b>0.10%</b>  | <b>0.10%</b>  |
|                                       | MT/Year        | 2.5           | 3.1           | 3.7           | 4.4           | 4.4           |
| <b>Made Tea for Grading</b>           | <b>MT/Year</b> | <b>2,517</b>  | <b>3,108</b>  | <b>3,658</b>  | <b>4,397</b>  | <b>4,400</b>  |
| % of Greenleaf                        | %              | 20.0%         | 20.0%         | 20.0%         | 20.0%         | 20.0%         |

## (v) Revenues Assumptions

- The project revenues assumptions are presented in Annex 14.
- The following are main revenues assumptions
  - a) Estates Greenleaf –
    - produced by the estates will not be sold to the factories but internally consumed by the company's tea factories.
  - b) Grading –
    - The company will grade the made tea into primary and secondary tea grades of the non-organic tea.
    - Primary Grade will account for about 70% and the Secondary Grade will average 30% of the total made tea produced.
    - The Primary Grade will be again be graded into four grades – BP1, PF1, PD and D1 as directed by Tea Board of Tanzania.
    - The Secondary Grade will be regraded into five grades – BP, PF, fanning, Dust and BMF.
    - The made tea into different grades is as presented below.

|                             |                     | Year 1         | Year 2         | Year 3          | Year 4          | Year 5          |
|-----------------------------|---------------------|----------------|----------------|-----------------|-----------------|-----------------|
| <b>Grading of Made Tea</b>  |                     |                |                |                 |                 |                 |
| <b>Made Tea for Grading</b> | <b>MT/Year</b>      | <b>2,517</b>   | <b>3,108</b>   | <b>3,658</b>    | <b>4,397</b>    | <b>4,400</b>    |
| Made Tea - CTC Grades       |                     |                |                |                 |                 |                 |
| Primary Made Tea            | %                   | 70%            | 70%            | 70%             | 70%             | 70%             |
|                             | MT/Year             | 1,762.0        | 2,175.8        | 2,560.9         | 3,077.8         | 3,079.9         |
| Secondary Made Tea          | %                   | 30%            | 30%            | 30%             | 30%             | 30%             |
|                             | MT/Year             | 755.1          | 932.5          | 1,097.5         | 1,319.1         | 1,320.0         |
| Primary Made Tea            |                     |                |                |                 |                 |                 |
| BP1                         | 15% MT/Year         | 264.3          | 326.4          | 384.1           | 461.7           | 462.0           |
| PF1                         | 50% MT/Year         | 881.0          | 1,087.9        | 1,280.5         | 1,538.9         | 1,539.9         |
| PD                          | 20% MT/Year         | 352.4          | 435.2          | 512.2           | 615.6           | 616.0           |
| D1                          | 15% MT/Year         | 264.3          | 326.4          | 384.1           | 461.7           | 462.0           |
|                             | <b>100% MT/Year</b> | <b>1,762.0</b> | <b>2,175.8</b> | <b>2,560.9</b>  | <b>3,077.8</b>  | <b>3,079.9</b>  |
| Secondary Made Tea          |                     |                |                |                 |                 |                 |
| BP                          | 7% MT/Year          | 52.86          | 65.28          | 76.83           | 92.33           | 92.40           |
| PF                          | 33% MT/Year         | 249.20         | 307.73         | 362.19          | 435.29          | 435.58          |
| Fanning                     | 27% MT/Year         | 203.89         | 251.78         | 296.33          | 356.15          | 356.39          |
| Dust                        | 13% MT/Year         | 98.17          | 121.23         | 142.68          | 171.48          | 171.59          |
| BMF                         | 20% MT/Year         | 151.03         | 186.50         | 219.51          | 263.81          | 263.99          |
|                             | <b>100% MT/Year</b> | <b>755.15</b>  | <b>932.50</b>  | <b>1,097.53</b> | <b>1,319.07</b> | <b>1,319.95</b> |

c) Made Tea Prices & Pricing –

- Commensurate with the tea grades which denote the tea quality, Made Tea attracts different prices in the market.
- The prices are assumed to increase at an average of 2% per annum and the prices are inclusive of the Value Added Tax (VAT) cost.

|                                      |      |       |        | Year 1 | Year 2   | Year 3   | Year 4   | Year 5   |    |    |
|--------------------------------------|------|-------|--------|--------|----------|----------|----------|----------|----|----|
| <b>Products Prices &amp; Pricing</b> |      |       |        |        |          |          |          |          |    |    |
| Change in Tea Prices                 |      |       |        |        | %        | -        | 2%       | 2%       | 2% | 2% |
| Primary Made Tea                     |      |       |        | USD/Kg | TZS/Kg   |          |          |          |    |    |
| BP1                                  | 1.17 | 3,275 | TZS/Kg | 3,275  | 3,340.66 | 3,407.48 | 3,475.63 | 3,545.14 |    |    |
| PF1                                  | 1.13 | 3,177 | TZS/Kg | 3,177  | 3,240.13 | 3,304.93 | 3,371.03 | 3,438.45 |    |    |
| PD                                   | 1.40 | 3,916 | TZS/Kg | 3,916  | 3,994.69 | 4,074.58 | 4,156.07 | 4,239.19 |    |    |
| D1                                   | 1.39 | 3,905 | TZS/Kg | 3,905  | 3,983.16 | 4,062.82 | 4,144.08 | 4,226.96 |    |    |
| Secondary Made Tea                   |      |       |        |        |          |          |          |          |    |    |
| BP                                   | 0.95 | 2,660 | TZS/Kg | 2,660  | 2,713.20 | 2,767.46 | 2,822.81 | 2,879.27 |    |    |
| PF                                   | 0.94 | 2,639 | TZS/Kg | 2,639  | 2,691.78 | 2,745.62 | 2,800.53 | 2,856.54 |    |    |
| Fanning                              | 0.91 | 2,548 | TZS/Kg | 2,548  | 2,598.96 | 2,650.94 | 2,703.96 | 2,758.04 |    |    |
| Dust                                 | 0.78 | 2,184 | TZS/Kg | 2,184  | 2,227.68 | 2,272.23 | 2,317.68 | 2,364.03 |    |    |
| BMF                                  | 0.83 | 2,310 | TZS/Kg | 2,310  | 2,356.20 | 2,403.32 | 2,451.39 | 2,500.42 |    |    |

- In the first year, the project assumes an average price of USD 1.1 of made tea from EUTEACO.

d) Revenues –

- The projected revenues are as presented below.

| <b>Annex 14</b>                      |                  |                  |                   |                   |                   |                   |                   |
|--------------------------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>East Usambara Tea Company Ltd</b> |                  |                  |                   |                   |                   |                   |                   |
| <b>Projected Revenues</b>            |                  |                  |                   |                   |                   |                   |                   |
| Amount in TZS '000'                  |                  |                  |                   |                   |                   |                   |                   |
|                                      |                  | Year 1           | Year 2            | Year 3            | Year 4            | Year 5            | Year 10           |
| <b>Projected Revenues</b>            |                  |                  |                   |                   |                   |                   |                   |
| Primary Made Tea                     |                  |                  |                   |                   |                   |                   |                   |
| BP1                                  | TZS '000'        | 865,628          | 1,090,313         | 1,308,936         | 1,604,604         | 1,637,792         | 1,815,083         |
| PF1                                  | TZS '000'        | 2,798,594        | 3,525,006         | 4,231,821         | 5,187,721         | 5,295,020         | 5,868,203         |
| PD                                   | TZS '000'        | 1,380,130        | 1,738,361         | 2,086,927         | 2,558,331         | 2,611,245         | 2,893,911         |
| D1                                   | TZS '000'        | 1,032,109        | 1,300,007         | 1,560,677         | 1,913,209         | 1,952,781         | 2,164,168         |
| <b>Primary Made Tea</b>              | <b>TZS '000'</b> | <b>6,076,461</b> | <b>7,653,688</b>  | <b>9,188,362</b>  | <b>11,263,864</b> | <b>11,496,839</b> | <b>12,741,365</b> |
| % of Revenues                        | %                | 76.4%            | 76.4%             | 76.4%             | 76.4%             | 76.4%             | 76.4%             |
| Secondary Made Tea                   |                  |                  |                   |                   |                   |                   |                   |
| BP                                   | TZS '000'        | 140,608          | 177,105           | 212,617           | 260,644           | 266,035           | 294,833           |
| PF                                   | TZS '000'        | 657,633          | 828,331           | 994,423           | 1,219,047         | 1,244,261         | 1,378,952         |
| Fanning                              | TZS '000'        | 519,510          | 654,356           | 785,563           | 963,009           | 982,927           | 1,089,329         |
| Dust                                 | TZS '000'        | 214,401          | 270,051           | 324,201           | 397,432           | 405,653           | 449,564           |
| BMF                                  | TZS '000'        | 348,877          | 439,433           | 527,545           | 646,710           | 660,086           | 731,540           |
| <b>Secondary Made Tea</b>            | <b>TZS '000'</b> | <b>1,881,029</b> | <b>2,369,276</b>  | <b>2,844,349</b>  | <b>3,486,842</b>  | <b>3,558,962</b>  | <b>3,944,217</b>  |
| % of Revenues                        | %                | 23.6%            | 23.6%             | 23.6%             | 23.6%             | 23.6%             | 23.6%             |
| <b>Revenues from Made Tea</b>        | <b>TZS '000'</b> | <b>7,957,490</b> | <b>10,022,963</b> | <b>12,032,711</b> | <b>14,750,707</b> | <b>15,055,800</b> | <b>16,685,583</b> |
|                                      | USD              | 2,841,961        | 3,579,630         | 4,297,397         | 5,268,110         | 5,377,072         | 5,959,137         |
| Average Price of Made Tea            | TZS/Kg           | 3,161            | 3,225             | 3,289             | 3,355             | 3,422             | 3,778             |
|                                      | USD/Kg           | 1.1              | 1.2               | 1.2               | 1.2               | 1.2               | 1.3               |
| Revenue Growth                       | %                | -                | 26%               | 20%               | 23%               | 2%                | 2%                |

## (vi) Operating cost Schedule

- The project operating costs assumptions are presented in Annex 15 (i) and 15 (ii) for the Direct Operating Costs; and in Annex 16 for the Indirect Operating Costs.

### (a) Direct Operating costs –

- The Direct Operating costs include three main costs:
  - ✓ Greenleaf costs –
    - These include Greenleaf from the estates and the purchased Greenleaf from the out-growers.
    - The project has assumed an average Greenleaf cost of TZS 315/kg in the first year; and decrease to an average of TZS 200/Kg in the subsequent years.
    - Greenleaf from out-growers is assumed to be purchased at TZS 366/Kg which is the current government directed prices of Greenleaf from out-growers.
    - Greenleaf costs are assumed to account for an average of 29% to the total project revenues.
  - ✓ Made tea Processing Costs –
    - These include utilities costs (electricity, diesel generator fuel, fuelwood and water); and
    - Other processing costs associated with transport, maintenance and repair, withering and packing, direct labour and other direct operating costs.
    - Made tea processing costs are assumed to account for an average of 14% to the total project revenues.

| Made Tea Processing Costs            |        |
|--------------------------------------|--------|
| Per Unit Costs                       |        |
|                                      | TZS/Kg |
| Utilities Unit Cost (Per Greenleaf)  |        |
| Electricity                          | 137.2  |
| Water                                | 10.1   |
| Firewood                             | 44.8   |
| Wood transport costs                 | 18.2   |
| <hr/>                                |        |
| Other Operating Costs (Per Made Tea) |        |
| Transport costs                      | 12.6   |
| Maintenance & Repairs                | 173.6  |
| Withering & Packing Costs            | 17.1   |
| Direct Labour                        | 22.4   |
| Sales & Marketing Costs              |        |
| Sales & Promotion expenses           | 21.0   |
| Auction fees (% of Revenues)         | 2%     |

✓ Marketing costs –

- These include Made Tea Auction expenses and sales and promotional expenses of the company.
  - Tea auction costs of 2% on the revenues have been assumed
  - The marketing costs are projected to account for about 1% of the project annual revenues.
- The Direct Costs account for about 43% of the total revenues.
- The summary of the projected Direct Operating Costs is as follows:

| Direct Operating Costs            |               | Year 1           | Year 2           | Year 3           | Year 4           | Year 5           | Year 10          |
|-----------------------------------|---------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Greenleaf costs                   | TZS '000'     | 3,980,098        | 4,064,587        | 4,151,065        | 4,239,590        | 4,330,223        | 4,817,284        |
| Made Tea Processing Costs         | TZS '000'     | 1,094,494        | 1,376,688        | 1,635,536        | 1,984,361        | 2,006,479        | 2,124,828        |
| Marketing Costs                   | TZS '000'     | 52,913           | 66,647           | 80,011           | 98,084           | 100,113          | 110,950          |
| <b>Direct Operating Costs</b>     | <b>TZS/Kg</b> | <b>5,127,506</b> | <b>5,507,923</b> | <b>5,866,612</b> | <b>6,322,036</b> | <b>6,436,815</b> | <b>7,053,062</b> |
| Average Direct Cost/Kg (Made Tea) | TZS/Kg        | 2,035            | 1,770            | 1,602            | 1,436            | 1,462            | 1,595            |
|                                   | USD/Kg        | 0.7              | 0.6              | 0.6              | 0.5              | 0.5              | 0.6              |
| % of revenues                     | %             | 64%              | 55%              | 49%              | 43%              | 43%              | 42%              |

**(b) Indirect Operating Costs –**

- The projected Indirect Operating Costs include salaries and staff benefits, and administrative expenses.
- The Indirect Operating Costs are projected to account for between 20% and 24% of the total revenues.

• **Total Operating Cost –**

- The total Operating Costs comprise of the Direct Operating Costs and the Indirect Operating Costs.
- The Operating costs are about 63% of the projected sales revenues.

| Projected Operating Costs          |                  | Year 1           | Year 2           | Year 3           | Year 4           | Year 5           | Year 10           |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Direct Operating Costs             |                  |                  |                  |                  |                  |                  |                   |
| Greenleaf costs                    | TZS '000'        | 3,980,098        | 4,064,587        | 4,151,065        | 4,239,590        | 4,330,223        | 4,817,284         |
| Made Tea Processing Costs          | TZS '000'        | 1,094,494        | 1,376,688        | 1,635,536        | 1,984,361        | 2,006,479        | 2,124,828         |
| Marketing Costs                    | TZS '000'        | 52,913           | 66,647           | 80,011           | 98,084           | 100,113          | 110,950           |
| Indirect Operating costs           |                  |                  |                  |                  |                  |                  |                   |
| Salaries & Staff Benefits          | TZS '000'        | 1,806,816        | 2,790,015        | 2,842,902        | 2,895,789        | 2,948,676        | 3,213,110         |
| Administratiion costs              | TZS '000'        | 75,684           | 77,198           | 78,711           | 80,225           | 81,739           | 89,307            |
| <b>Projected Operating Costs</b>   | <b>TZS '000'</b> | <b>7,010,006</b> | <b>8,375,135</b> | <b>8,788,225</b> | <b>9,298,049</b> | <b>9,467,229</b> | <b>10,355,479</b> |
| Operating Costs per Kg of Made Tea | USD/Kg           | 2,782            | 2,692            | 2,400            | 2,113            | 2,150            | 2,342             |
| % of Revenues                      | %                | 88%              | 84%              | 73%              | 63%              | 63%              | 62%               |

### (viii) Working Capital Schedule

- The project working capital requirements are presented in Annex 18.
- The working capital schedule depicts the projects current assets and current liabilities.
- The assumptions around the working capital are as presented below:

| Annex 18                           |      |      |                    |                |                |                  |                  |                  |                  |
|------------------------------------|------|------|--------------------|----------------|----------------|------------------|------------------|------------------|------------------|
| East Usambara Tea Company Ltd      |      |      |                    |                |                |                  |                  |                  |                  |
| Projected Working Capital Schedule |      |      |                    |                |                |                  |                  |                  |                  |
| Amount in TZS '000'                |      |      |                    |                |                |                  |                  |                  |                  |
|                                    | Year |      |                    | Year 1         | Year 2         | Year 3           | Year 4           | Year 5           | Year 10          |
| <b>Current Assets</b>              |      |      |                    |                |                |                  |                  |                  |                  |
| Trade Debtors                      | 5    | Days | on revenues        | 109,007        | 137,301        | 164,832          | 202,064          | 206,244          | 228,570          |
| Advance Payments                   | 15   | Days | on direct costs    | 210,719        | 226,353        | 241,094          | 259,810          | 264,527          | 289,852          |
| <b>Stocks</b>                      |      |      |                    |                |                |                  |                  |                  |                  |
| Greenleaf                          | 2    | Days | on greenleaf       | 21,809         | 22,272         | 22,746           | 23,231           | 23,727           | 26,396           |
| Utilities                          | 5    | Days | On Utilities       | 7,258          | 9,142          | 10,760           | 12,932           | 12,940           | 12,989           |
| Packaging materials                | 15   | Days | On Processing Cost | 1,769          | 2,228          | 2,674            | 3,278            | 3,346            | 3,708            |
| Spare Parts                        | 30   | Days | On Maintenance     | 34,792         | 43,823         | 52,610           | 64,494           | 65,828           | 72,954           |
| Work-in-Progress                   | 4    | Days | On Operating Costs | 76,822         | 91,782         | 96,309           | 101,896          | 103,750          | 113,485          |
| Finished products                  | 15   | Days | on revenues        | 327,020        | 411,903        | 494,495          | 606,193          | 618,732          | 685,709          |
| <b>Stocks</b>                      |      |      |                    | <b>469,470</b> | <b>581,149</b> | <b>679,594</b>   | <b>812,024</b>   | <b>828,324</b>   | <b>915,241</b>   |
| Other Current Assets               | 5    | Days | on indirect cost   | 25,788         | 39,277         | 40,022           | 40,767           | 41,513           | 45,239           |
| <b>Total Current Assets</b>        |      |      |                    | <b>814,983</b> | <b>984,080</b> | <b>1,125,542</b> | <b>1,314,666</b> | <b>1,340,607</b> | <b>1,478,901</b> |
| <b>Current Liabilities</b>         |      |      |                    |                |                |                  |                  |                  |                  |
| Trade Creditors                    | 15   | Days | on direct cost     | 210,719        | 226,353        | 241,094          | 259,810          | 264,527          | 289,852          |
| Accrued Incomes                    | 0    | Days | on revenues        | -              | -              | -                | -                | -                | -                |
| <b>Payables</b>                    |      |      |                    |                |                |                  |                  |                  |                  |
| Salaries and Wages                 | 30   | Days | on salaries        | 125,852        | 190,652        | 190,652          | 190,652          | 190,652          | 190,652          |
| Utilities                          | 30   | Days | On Utilities       | 43,548         | 54,852         | 64,559           | 77,590           | 77,642           | 77,935           |
| Administrative expenses            | 10   | Days | on admini. Cost    | 2,074          | 2,115          | 2,156            | 2,198            | 2,239            | 2,447            |
| <b>Payables</b>                    |      |      |                    | <b>171,474</b> | <b>247,619</b> | <b>257,368</b>   | <b>270,440</b>   | <b>270,534</b>   | <b>271,034</b>   |
| Other Current Liabilities          | 30   | Days | on marketing cost  | 4,349          | 5,478          | 6,576            | 8,062            | 8,228            | 9,119            |
| <b>Total Current Liabilities</b>   |      |      |                    | <b>386,542</b> | <b>479,450</b> | <b>505,038</b>   | <b>538,312</b>   | <b>543,289</b>   | <b>570,005</b>   |
| <b>Net Working Capital</b>         |      |      |                    | <b>428,441</b> | <b>504,630</b> | <b>620,504</b>   | <b>776,354</b>   | <b>797,318</b>   | <b>908,896</b>   |
| <b>Working Capital Needs</b>       |      |      |                    | <b>428,441</b> | <b>76,189</b>  | <b>115,874</b>   | <b>155,850</b>   | <b>20,964</b>    | <b>23,257</b>    |

## Financial and Economic Evaluation

### 22.1 Introduction

- The financial and economic evaluation of the project entails analysis of the following financial results from the financial assumptions:
  - Projected Profit and Loss Statements,
  - Projected Cash-flow Statements and
  - Projected Balance Sheets Statements
  - Projected Economic parameters including Internal Rate of Return (IRR), Payback Period (PP) and the Net Present Value (NPV) analysis.

### 22.2 Profit & Loss Statements

- The Projected Profit & Loss Statements of the project has been carried out and presented in Annex 1.
- The analysis of the profitability of the overall project indicates that the project is a profitable undertaking with long-term-term returns to the investors.
- The overall gross margins are projected to improve from an average of 35% to an average 57% resulting from the increased use of fertilizer, good crop husbandry practices and major repair of the tea processing machines.
- The Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) are projected to substantially improve. The margins are projected to increase from as low as 11% to an average of 37% in the subsequent years.
- The project Net Margins are projected to increase from negative 1.7% to positive margins of up to 25% in a 10-year period.
- The project has assumed corporate tax of 30% on the profit after finance costs.
- The project has not allocated dividends because dividend allocation is a company policy adopted from time to time.

| Projected Profit & Loss Statements |                         |              |              |              |              |
|------------------------------------|-------------------------|--------------|--------------|--------------|--------------|
|                                    | Amount in TZS 'million' |              |              |              |              |
|                                    | Year-1                  | Year-2       | Year-3       | Year-4       | Year-5       |
| Net Sales from Made Tea            | 7,957                   | 10,023       | 12,033       | 14,751       | 15,056       |
| Direct Costs                       | 5,128                   | 5,508        | 5,867        | 6,322        | 6,437        |
| <b>Gross Profit/(Loss)</b>         | <b>2,830</b>            | <b>4,515</b> | <b>6,166</b> | <b>8,429</b> | <b>8,619</b> |
| Indirect Costs                     | 1,883                   | 2,867        | 2,922        | 2,976        | 3,030        |
| <b>EBITDA</b>                      | <b>947</b>              | <b>1,648</b> | <b>3,244</b> | <b>5,453</b> | <b>5,589</b> |
| Profit/(Loss) Before Tax           | 435                     | 1,099        | 2,748        | 5,002        | 5,148        |
| <b>Profit/(Loss) After Tax</b>     | <b>-132</b>             | <b>476</b>   | <b>1,474</b> | <b>3,250</b> | <b>3,421</b> |
| <b>Margins</b>                     |                         |              |              |              |              |
| Gross Margins                      | 36%                     | 45%          | 51%          | 57%          | 57%          |
| EBITDA Margins                     | 12%                     | 16%          | 27%          | 37%          | 37%          |
| <b>Net Margins</b>                 | <b>-1.7%</b>            | <b>4.7%</b>  | <b>12.2%</b> | <b>22.0%</b> | <b>22.7%</b> |

## (ii) Projected cash flow Statements

- The Sources and Applications of funds are summarized in the attached Annex 2.
- Sources of Funds –
  - The sources of finance to the project include:
    - ✓ Shareholders' equity,
    - ✓ Proposed long-term loan, and
    - ✓ Sales revenues.
- Funds Applications –
  - The application of funds includes the following:
    - ✓ Capital expenditure on the tea factories and estates
    - ✓ The project operating expenses,
    - ✓ Finance costs including loans repayments, and
    - ✓ Corporate tax.
- Capital expenditure includes physical assets (i.e. farm and farm development, buildings and civil works, plant, machinery and equipment, farm equipment and tools, office furniture and equipment and motor vehicles) and pre-operating costs.
- The projected cash flow statements indicate that the company will have negative cashflows in the first 2-years before turning into positive cash balances in the subsequent years.

| <b>Projected Cash flows Statements</b> |                                |               |               |               |               |
|----------------------------------------|--------------------------------|---------------|---------------|---------------|---------------|
|                                        | <b>Amount in TZS 'million'</b> |               |               |               |               |
|                                        | Year 1                         | Year 2        | Year 3        | Year 4        | Year 5        |
| <b>Cash Inflows</b>                    |                                |               |               |               |               |
| Equity Financing                       | 603                            | 544           | -             | -             | -             |
| External Financing                     | 1,000                          | -             | -             | -             | -             |
| Net Revenues                           | 7,957                          | 10,023        | 12,033        | 14,751        | 15,056        |
| <b>Cash Inflows</b>                    | <b>9,561</b>                   | <b>10,567</b> | <b>12,033</b> | <b>14,751</b> | <b>15,056</b> |
| <b>Cash Outflows</b>                   |                                |               |               |               |               |
| Capital expenditure                    | 1,175                          | 544           | -             | -             | 146           |
| Additional working capital             | 428                            | 76            | 116           | 156           | 21            |
| Operating Costs                        | 7,010                          | 8,375         | 8,788         | 9,298         | 9,467         |
| Finance Costs                          | 567                            | 476           | 432           | 358           | 262           |
| Loans Principal Repayment              | 706                            | 779           | 860           | 950           | 1,048         |
| Corporate Tax                          | -                              | 147           | 842           | 1,393         | 1,466         |
| <b>Cash Outflows</b>                   | <b>9,886</b>                   | <b>10,398</b> | <b>11,039</b> | <b>12,155</b> | <b>12,410</b> |
| <b>Surplus (Deficit)</b>               | <b>-325</b>                    | <b>169</b>    | <b>994</b>    | <b>2,596</b>  | <b>2,646</b>  |
| Opening Balance                        | 0                              | -325          | -157          | 838           | 3,434         |
| <b>Closing Balance</b>                 | <b>-325</b>                    | <b>-157</b>   | <b>838</b>    | <b>3,434</b>  | <b>6,080</b>  |

## (iii) Projected Balance Sheets

- The projected balance sheet is presented in Annex 3.
- The projected balance sheet shows that the net physical assets are decreasing overtime due to depreciation. The total net assets increase overtime due to increased net current assets over time.
- The project will attain positive net current assets throughout the project period

#### (iv) Viability Assessment

- The project IRR, NPV and PP are as shown in Annex 11. The key indicators are as follows:

| <b>Economic Parameters</b>    |                  |            |
|-------------------------------|------------------|------------|
| Cost of Loan Funds            | <b>10.0%</b>     | Percentage |
| Net Present Value (NPV)       | <b>9,315,925</b> | TZS '000'  |
| Internal Rate of Return (IRR) | <b>16.2%</b>     | Percentage |
| Normal Payback Period         | <b>9</b>         | Years      |

- The IRR of 16.2% is greater than the assumed cost of fund of 10% and the NPV is positive suggesting a viable business venture.
- The Payback Period is 9-years period which is shorter than the financial projections period of 10-years, and thus it is considered to be a viable proposition.

#### (v) Other Economic Benefits

- Tax Income – the project will pay income taxes, property taxes, corporate taxes and other taxes to the government.
- Dividends – the shareholders will receive dividends from the project.
- Jobs Creation – the project supports more than 400 direct jobs and Over 2,000 indirect employments.
- Source of foreign currency- the project will produce non-organic Made Tea, an export crop which will earn the country the much-needed foreign currency.
- Agricultural development - The project will add to value of small-scale as well as large-scale agriculture in the country, an important factor for the country's economic growth and development.

#### (vi) General Comments

- The project financial and economic analysis suggests that the project is socially desirable, financially viable and economically feasible.
- The project will be able to service its loan obligations from the incomes generated from sale of made tea.

## Financial Requirements

### 23.1 Introduction

- EUTEACO is investing in tea gardens and primary tea processing through acquisition and development of an existing tea estates.
- The project requires finances for the additional investment of the tea estates infrastructure. Further, at the acquisition, the project is indebted to external loans which have to be refinanced.

### 23.2 Loans Refinancing

- Through the operation, the tea estates had been granted with long-term loans and short-term loans.
- The long-term loans amounted to TZS 3.877 billion which had been utilised to part-finance capital expenditure of the tea estates.
- A Bank Overdraft of TZS 535 billion was secured to part-finance working capital requirements of the project.
- EUTEACO is undertaking to re-finance the existing loans facilities amounting to TZS 4.412 billion.

| East Usambara Tea Company Ltd |                  |
|-------------------------------|------------------|
| Existing Loans Facilities     |                  |
| Amount in TZS '000'           |                  |
| 1 Bank Overdraft              | 535,000          |
| 2 Term Loan Amortized         | 177,000          |
| 3 Term Loan Moratorium        | 3,700,000        |
| <b>Loan Exposure</b>          | <b>4,412,000</b> |

### 23.3 Additional Financing

- The additional investment will require a total of TZS 3.2 billion in the next 2-years of the project.
- EUTEACO requires TZS 1.0 billion term-loan, and the balance of TZS 2.2 billion will be equity financed.
- The sources and uses of funds for the additional financing are as presented.

### 23.4 Proposed Loan Schedule

- The proposed long-term loan facility of TZS 5.5 billion will be disbursed within the first year. The loan will be repaid within 6-years with no grace period as summarised below:

| ANNEX 9 (ii)                      |                  |                |                  |
|-----------------------------------|------------------|----------------|------------------|
| East Usambara Tea Company Ltd     |                  |                |                  |
| PROJECTED SOURCES & USES OF FUNDS |                  |                |                  |
| Amount in TZS '000'               |                  |                |                  |
|                                   | Year 1           | Year 2         | Total            |
| <b>Equity Financing</b>           |                  |                |                  |
| Land & Land Development           | -                | -              | -                |
| Buildings & Civil works           | 7,800            | 142,800        | 150,600          |
| Plant & Machinery                 | 4,248            | 94,248         | 98,496           |
| Farm Equipment & Tools            | 3,440            | -              | 3,440            |
| Motor Vehicles                    | 29,312           | 145,656        | 174,968          |
| Office Equipment & Furniture      | 16,680           | 126,000        | 142,680          |
| Pre-operating expenses            | 113,550          | -              | 113,550          |
| Social Projects                   | -                | 35,000         | 35,000           |
| Working Capital                   | 428,441          | 76,189         | 504,630          |
| <b>Equity Financing</b>           | <b>603,471</b>   | <b>619,893</b> | <b>1,223,364</b> |
| <b>External Financing</b>         |                  |                |                  |
| Buildings & Civil works           | 135,000          | -              | 135,000          |
| Plant & Machinery                 | 90,000           | -              | 90,000           |
| Farm Equipment & Tools            | 325,000          | -              | 325,000          |
| Motor Vehicles                    | 150,000          | -              | 150,000          |
| Office Equipment & Furniture      | 300,000          | -              | 300,000          |
| <b>External Financing</b>         | <b>1,000,000</b> | <b>-</b>       | <b>1,000,000</b> |
| <b>Total Financing</b>            | <b>1,603,471</b> | <b>619,893</b> | <b>2,223,364</b> |

| <b>Loans Repayment Plan</b> |                  |                  |                  |                  |                  |               |
|-----------------------------|------------------|------------------|------------------|------------------|------------------|---------------|
| <b>Amount in TZS '000'</b>  |                  |                  |                  |                  |                  |               |
|                             | <b>Year 1</b>    | <b>Year 2</b>    | <b>Year 3</b>    | <b>Year 4</b>    | <b>Year 5</b>    | <b>Year 6</b> |
| Opening Balance             | -                | 4,793,987        | 4,014,681        | 3,154,473        | 2,204,964        | 1,156,884     |
| Drawdowns                   | 5,500,000        | -                | -                | -                | -                | -             |
| Interest                    | 524,069          | 450,776          | 369,874          | 280,573          | 182,002          | 73,198        |
| Principal Repayment         | 706,013          | 779,306          | 860,208          | 949,509          | 1,048,080        | 1,156,884     |
| <b>Closing Loan Balance</b> | <b>4,793,987</b> | <b>4,014,681</b> | <b>3,154,473</b> | <b>2,204,964</b> | <b>1,156,884</b> | <b>-</b>      |

### 23.5 Proposed Terms and Conditions

- The Loan Repayment Schedule is presented in Annex 11.
- The following are the proposed Terms and Conditions of the proposed Term Loans:

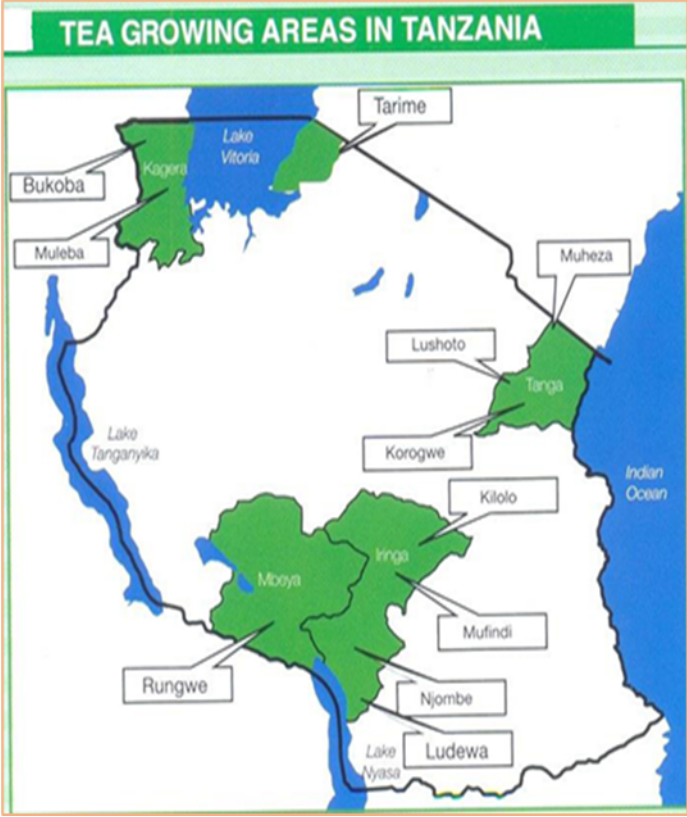
| <b>Type of facility</b> | <b>Medium-term Loan</b>                                       |
|-------------------------|---------------------------------------------------------------|
| Loan Currency           | • Tanzania Shillings (TZS)                                    |
| Amount                  | • TZS 5,500,000,000                                           |
| Moratorium period       | ➤ 0- months on Principal and Interest                         |
| Mode of disbursement    | ➤ Direct disbursement to the account of the company (EUTEACO) |
| Loan tenure             | ➤ 6-years                                                     |
| Mode of repayment       | ➤ Quarterly Payments from sale proceeds of made tea           |
| <b>Interest rate</b>    | ➤ Floating rate of 10% p.a.                                   |

### 23.6 Security of the loan

- The collateral offered against the requested loan is all assets of the proposed project.

## Conclusion And Recommendation

- In developing countries like Tanzania, the tea business has a substantial impact on rural development, poverty alleviation, and food security. A significant source of export earnings, annual tea production surpasses USD 17 billion, with a USD 9.5 billion market value.
- East Asia, Africa, Latin America, the Caribbean, and the Near East are among the developing countries that have made noteworthy strides in their tea production over the past ten years, helping to drive up global per capita consumption of tea by 2.5%. About 60% of the tea drunk worldwide is grown by smallholder farmers, which boosts rural employment, enhances nutrition, and increases food security.
- About 45 million USD in foreign exchange are generated by Tanzania's tea industry annually, which also directly employs about 50,000 people and indirectly supports 2 million more people.
- EUTEACO is envisaging to develop a 35,005 acres tea farm in Tanga Region. The assessment of the viability of the proposed project demonstrates the project is a long-term investment and a profitable venture.
- Subject to availability of low-cost capital, the project analysis shows that the project is socially desirable, financially viable and economically feasible with long-term returns on investments.
- The project is projected to register positive Net Present Value and an Internal Rate of Return which is above the projected cost of funds of 10%.



**East Usambara Tea Co. Limited**

**Tea Estates Project**

**Development & Rehabilitation of  
Tea Plantations AND Tea Factories**

**Amani, MUHEZA District**

**October. 2024**

**FINANCIAL PROJECTIONS**

**East Usambara Tea Company Ltd**  
**Tea Estates Development Project**

**Basic Project Assumptions**

**1 Project Concept**

Acquisition and development of tea estates

| <b>Land Area</b>             | <b>Hactares</b> | <b>Acres</b>  | <b>Percentage</b> |
|------------------------------|-----------------|---------------|-------------------|
| Total Farm area              | 14,166          | 35,005        |                   |
| Land Use                     |                 |               |                   |
| Tea Plantations Area         | 1,964           | 4,853         | 14%               |
| Fuelwood Plantation Area     | 500             | 1,236         | 4%                |
| Area for Farm Infrastructure | 106             | 263           | 1%                |
| Land for Other Uses          | 50              | 124           | 0%                |
| Uncleared Land               | 11,546          | 28,530        | 82%               |
| <b>Total Land Area</b>       | <b>14,166</b>   | <b>35,005</b> | <b>100%</b>       |

**2 Project Location**

| District      | Estates                     | Tea Gardens    |           |
|---------------|-----------------------------|----------------|-----------|
| Muheza, Tanga | Kwamkoro Division           | 242.89         | Ha        |
| Muheza, Tanga | Ngua Division               | 207            | Ha        |
| Muheza, Tanga | Ndola Division              | 145            | Ha        |
| Muheza, Tanga | Monga Division              | 236            | Ha        |
| Muheza, Tanga | Maramba Division            | 239            | Ha        |
| Muheza, Tanga | Mgambo Division             | 304            | Ha        |
| Muheza, Tanga | Bulwa Division              | 301            | Ha        |
| Muheza, Tanga | Derema Division             | 289            | Ha        |
|               | <b>Tea Plantations Area</b> | <b>1963.89</b> | <b>Ha</b> |

**3 Project Investments**

|                                       |                     |                  |
|---------------------------------------|---------------------|------------------|
| <b>Existing Investment</b>            | <b>25,572,570</b>   | <b>TZS '000'</b> |
| Additional Investment                 |                     |                  |
| Land & Land Development               | -                   | TZS '000'        |
| Buildings & Civil works               | 285,600.0           | TZS '000'        |
| Plant & Machinery                     | 188,496.0           | TZS '000'        |
| Farm Equipment & Tools                | 328,440.0           | TZS '000'        |
| Motor Vehicles                        | 324,968.0           | TZS '000'        |
| Office Equipment & Furniture          | 442,680.0           | TZS '000'        |
| Pre-operating expenses                | 113,550.0           | TZS '000'        |
| Social Projects                       | 35,000.0            | TZS '000'        |
| <b>Additional Capital Expenditure</b> | <b>1,718,734.0</b>  | <b>TZS '000'</b> |
| Working Capital                       | 504,630.3           | TZS '000'        |
| <b>Additional Investment</b>          | <b>2,223,364.3</b>  | <b>TZS '000'</b> |
| <b>Total Investment</b>               | <b>27,795,933.9</b> | <b>TZS '000'</b> |

**4 Project Financing**

|                                       |                   |                     |
|---------------------------------------|-------------------|---------------------|
| Equity Financing                      | <b>TZS '000'</b>  | <b>% of Finance</b> |
| Capital Expenditure                   | 21,791,104        | 78%                 |
| Working Capital                       | 504,630           | 2%                  |
| <b>Equity Financing</b>               | <b>22,295,734</b> | <b>80%</b>          |
| External Financing                    |                   |                     |
| Capital Expenditure (Long-Term Loans) | 5,500,000         | 20%                 |
| Working Capital (Short-term Loans)    | -                 | 0%                  |
| <b>External Financing</b>             | <b>5,500,000</b>  | <b>20%</b>          |
| <b>Total Financing</b>                | <b>27,795,734</b> | <b>100%</b>         |

**6 Loans Conditions**

|                          |       |        |
|--------------------------|-------|--------|
| Long-Term Loans          |       |        |
| Interest rate            | 10.0% | p.a    |
| Loan Repayment period    | 6.0   | Years  |
| Grace Period (Principal) | -     | months |
| Grace Period (Interest)  | -     | months |

## Annex 1

## East Usambara Tea Company Ltd

## Projected Profit &amp; Loss Statements

Amount in TZS '000'

| Year                            |                  | Year 1           | Year 2            | Year 3            | Year 4            | Year 5            | Year 6            | Year 7            | Year 8            | Year 9            | Year 10           |
|---------------------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Net Revenues</b>             |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|                                 | TZS '000'        | 6,076,461        | 7,653,688         | 9,188,362         | 11,263,864        | 11,496,839        | 11,734,944        | 11,978,311        | 12,227,075        | 12,481,379        | 12,741,365        |
|                                 | TZS '000'        | 1,881,029        | 2,369,276         | 2,844,349         | 3,486,842         | 3,558,962         | 3,632,669         | 3,708,006         | 3,785,014         | 3,863,736         | 3,944,217         |
| 0%                              | TZS '000'        | 0                | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
|                                 | <b>TZS '000'</b> | <b>7,957,490</b> | <b>10,022,963</b> | <b>12,032,711</b> | <b>14,750,707</b> | <b>15,055,800</b> | <b>15,367,613</b> | <b>15,686,317</b> | <b>16,012,089</b> | <b>16,345,114</b> | <b>16,685,583</b> |
|                                 | TZS '000'        | -                | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
|                                 | <b>TZS '000'</b> | <b>7,957,490</b> | <b>10,022,963</b> | <b>12,032,711</b> | <b>14,750,707</b> | <b>15,055,800</b> | <b>15,367,613</b> | <b>15,686,317</b> | <b>16,012,089</b> | <b>16,345,114</b> | <b>16,685,583</b> |
| <b>Direct Operating Costs</b>   |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|                                 | TZS '000'        | 3,980,098        | 4,064,587         | 4,151,065         | 4,239,590         | 4,330,223         | 4,423,026         | 4,518,064         | 4,615,405         | 4,715,121         | 4,817,284         |
|                                 | TZS '000'        | 1,094,494        | 1,376,688         | 1,635,536         | 1,984,361         | 2,006,479         | 2,029,097         | 2,052,226         | 2,075,882         | 2,100,078         | 2,124,828         |
|                                 | TZS '000'        | 52,913           | 66,647            | 80,011            | 98,084            | 100,113           | 102,186           | 104,306           | 106,472           | 108,686           | 110,950           |
|                                 | <b>TZS '000'</b> | <b>5,127,506</b> | <b>5,507,923</b>  | <b>5,866,612</b>  | <b>6,322,036</b>  | <b>6,436,815</b>  | <b>6,554,309</b>  | <b>6,674,596</b>  | <b>6,797,759</b>  | <b>6,923,885</b>  | <b>7,053,062</b>  |
|                                 | <b>TZS '000'</b> | <b>2,829,985</b> | <b>4,515,041</b>  | <b>6,166,099</b>  | <b>8,428,671</b>  | <b>8,618,985</b>  | <b>8,813,304</b>  | <b>9,011,721</b>  | <b>9,214,330</b>  | <b>9,421,230</b>  | <b>9,632,520</b>  |
|                                 | %                | 36%              | 45%               | 51%               | 57%               | 57%               | 57%               | 57%               | 58%               | 58%               | 58%               |
| <b>Indirect Operating Costs</b> |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|                                 | TZS '000'        | 1,806,816        | 2,790,015         | 2,842,902         | 2,895,789         | 2,948,676         | 3,001,562         | 3,054,449         | 3,107,336         | 3,160,223         | 3,213,110         |
|                                 | TZS '000'        | 75,684           | 77,198            | 78,711            | 80,225            | 81,739            | 83,252            | 84,766            | 86,280            | 87,793            | 89,307            |
|                                 | <b>TZS '000'</b> | <b>1,882,500</b> | <b>2,867,213</b>  | <b>2,921,613</b>  | <b>2,976,014</b>  | <b>3,030,414</b>  | <b>3,084,815</b>  | <b>3,139,215</b>  | <b>3,193,616</b>  | <b>3,248,017</b>  | <b>3,302,417</b>  |
|                                 | TZS '000'        | 947,485          | 1,647,828         | 3,244,486         | 5,452,657         | 5,588,571         | 5,728,490         | 5,872,506         | 6,020,714         | 6,173,213         | 6,330,103         |
|                                 | %                | 12%              | 16%               | 27%               | 37%               | 37%               | 37%               | 37%               | 38%               | 38%               | 38%               |
|                                 | TZS '000'        | 512,200          | 548,548           | 496,332           | 450,882           | 440,316           | 415,451           | 355,519           | 352,205           | 317,988           | 304,139           |
|                                 | <b>TZS '000'</b> | <b>435,284</b>   | <b>1,099,280</b>  | <b>2,748,153</b>  | <b>5,001,776</b>  | <b>5,148,254</b>  | <b>5,313,038</b>  | <b>5,516,986</b>  | <b>5,668,509</b>  | <b>5,855,225</b>  | <b>6,025,965</b>  |
| <b>Finance Costs</b>            |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|                                 | TZS '000'        | 524,069          | 450,776           | 369,874           | 280,573           | 182,002           | 73,198            | 0                 | 0                 | 0                 | 0                 |
| 10%                             | TZS '000'        | 42,844           | 25,232            | 62,050            | 77,635            | 79,732            | 81,872            | 84,056            | 86,287            | 88,564            | 90,890            |
|                                 | <b>TZS '000'</b> | <b>566,913</b>   | <b>476,007</b>    | <b>431,924</b>    | <b>358,209</b>    | <b>261,734</b>    | <b>155,069</b>    | <b>84,056</b>     | <b>86,287</b>     | <b>88,564</b>     | <b>90,890</b>     |
|                                 | TZS '000'        | -131,629         | 623,273           | 2,316,229         | 4,643,567         | 4,886,521         | 5,157,969         | 5,432,930         | 5,582,223         | 5,766,661         | 5,935,075         |
|                                 | TZS '000'        | -131,629         | 491,644           | 2,807,873         | 4,643,567         | 4,886,521         | 5,157,969         | 5,432,930         | 5,582,223         | 5,766,661         | 5,935,075         |
| 30%                             | TZS '000'        | -                | 147,493           | 842,362           | 1,393,070         | 1,465,956         | 1,547,391         | 1,629,879         | 1,674,667         | 1,729,998         | 1,780,523         |
|                                 | <b>TZS '000'</b> | <b>-131,629</b>  | <b>475,780</b>    | <b>1,473,867</b>  | <b>3,250,497</b>  | <b>3,420,564</b>  | <b>3,610,578</b>  | <b>3,803,051</b>  | <b>3,907,556</b>  | <b>4,036,663</b>  | <b>4,154,553</b>  |
|                                 | TZS '000'        | -2%              | 5%                | 12%               | 22%               | 23%               | 23%               | 24%               | 24%               | 25%               | 25%               |
| 0%                              | TZS '000'        | 0                | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
|                                 | TZS '000'        | -131,629         | 475,780           | 1,473,867         | 3,250,497         | 3,420,564         | 3,610,578         | 3,803,051         | 3,907,556         | 4,036,663         | 4,154,553         |
|                                 | TZS '000'        | -131,629         | 344,150           | 1,818,018         | 5,068,515         | 8,489,079         | 12,099,657        | 15,902,708        | 19,810,264        | 23,846,927        | 28,001,479        |

| Annex 2                          |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |
|----------------------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| East Usambara Tea Company Ltd    |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| Projected Cash Flows Statements  |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| Amount in TZS '000'              |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| Year                             | Year 1           | Year 2           | Year 3            | Year 4            | Year 5            | Year 6            | Year 7            | Year 8            | Year 9            | Year 10           |
| <b>Cash Inflows</b>              |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| Equity Financing                 |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| Share Capital                    | TZS '000'        | -                | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Shareholders' funds              | TZS '000'        |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| Capital Expenditure              | TZS '000'        | 175,030          | 543,704           | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Working Capital                  | TZS '000'        | 428,441          | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Retained Earnings                | TZS '000'        | -                | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>Equity Financing</b>          | <b>TZS '000'</b> | <b>603,471</b>   | <b>543,704</b>    | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| External Financing               |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| Long-term loans                  |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| Farm Acquisition Loan            | TZS '000'        | -                | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Additional CAPEC Loan            | TZS '000'        | 1,000,000        | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Existing CAPEX Loan              | TZS '000'        | -                | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Short-term loans                 | TZS '000'        | -                | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Trade Creditors                  | TZS '000'        | -                | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>External Financing</b>        | <b>TZS '000'</b> | <b>1,000,000</b> | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Sales Revenues                   |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| Net Revenues                     | TZS '000'        | 7,957,490        | 10,022,963        | 12,032,711        | 14,750,707        | 15,055,800        | 15,367,613        | 15,686,317        | 16,012,089        | 16,345,114        |
| <b>Cash Inflows</b>              | <b>TZS '000'</b> | <b>9,560,961</b> | <b>10,566,667</b> | <b>12,032,711</b> | <b>14,750,707</b> | <b>15,055,800</b> | <b>15,367,613</b> | <b>15,686,317</b> | <b>16,012,089</b> | <b>16,345,114</b> |
| <b>Cash Outflows</b>             |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| Capital expenditure              |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| Land & Land Development          | TZS '000'        | -                | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Tea Plantations                  | TZS '000'        | -                | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Buildings & Civil works          | TZS '000'        | 142,800          | 142,800           | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Plant & Machinery                | TZS '000'        | 94,248           | 94,248            | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Farm Equipment & Tools           | TZS '000'        | 328,440          | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Motor Vehicles                   | TZS '000'        | 179,312          | 145,656           | -                 | -                 | 145,656           | -                 | -                 | 145,656           | -                 |
| Office Equipment & Furniture     | TZS '000'        | 316,680          | 126,000           | -                 | -                 | -                 | 126,000           | -                 | -                 | 126,000           |
| Pre-operating expenses           |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| Administrative costs             | TZS '000'        | 16,800           | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Interest During Grace            | TZS '000'        | -                | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Other Finance Costs              | TZS '000'        | 96,750           | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Social Projects                  | TZS '000'        | -                | 35,000            | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>Capital expenditure</b>       | <b>TZS '000'</b> | <b>1,175,030</b> | <b>543,704</b>    | -                 | -                 | <b>145,656</b>    | <b>126,000</b>    | -                 | <b>145,656</b>    | <b>126,000</b>    |
| Additional working capital       | TZS '000'        | 428,441          | 76,189            | 115,874           | 155,850           | 20,964            | 21,399            | 21,845            | 22,304            | 22,774            |
| Operating Costs                  |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| Direct Operating expenses        | TZS '000'        | 5,127,506        | 5,507,923         | 5,866,612         | 6,322,036         | 6,436,815         | 6,554,309         | 6,674,596         | 6,797,759         | 6,923,885         |
| Indirect operating Expenses      | TZS '000'        | 1,882,500        | 2,867,213         | 2,921,613         | 2,976,014         | 3,030,414         | 3,084,815         | 3,139,215         | 3,193,616         | 3,248,017         |
| Finance Costs                    |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| Interest on Short-term loans     | TZS '000'        | 42,844           | 25,232            | 62,050            | 77,635            | 79,732            | 81,872            | 84,056            | 86,287            | 88,564            |
| Interest on Long-term loans      | TZS '000'        | 524,069          | 450,776           | 369,874           | 280,573           | 182,002           | 73,198            | 0                 | 0                 | 0                 |
| <b>Finance Costs</b>             | <b>TZS '000'</b> | <b>566,913</b>   | <b>476,007</b>    | <b>431,924</b>    | <b>358,209</b>    | <b>261,734</b>    | <b>155,069</b>    | <b>84,056</b>     | <b>86,287</b>     | <b>88,564</b>     |
| Loans Principal Repayment        |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |
| Farm Acquisition Loan            | TZS '000'        | -                | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Additional CAPEC Loan            | TZS '000'        | 128,366          | 141,692           | 156,401           | 172,638           | 190,560           | 210,343           | 0                 | 0                 | 0                 |
| Existing CAPEX Loan              | TZS '000'        | 577,647          | 637,614           | 703,807           | 776,871           | 857,520           | 946,542           | 0                 | 0                 | 0                 |
| <b>Loans Principal Repayment</b> | <b>TZS '000'</b> | <b>706,013</b>   | <b>779,306</b>    | <b>860,208</b>    | <b>949,509</b>    | <b>1,048,080</b>  | <b>1,156,884</b>  | <b>0</b>          | <b>0</b>          | <b>0</b>          |
| Corporate Tax                    | TZS '000'        | -                | 147,493           | 842,362           | 1,393,070         | 1,465,956         | 1,547,391         | 1,629,879         | 1,674,667         | 1,729,998         |
| Dividends                        | TZS '000'        | -                | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>Cash Outflows</b>             | <b>TZS '000'</b> | <b>9,886,403</b> | <b>10,397,835</b> | <b>11,038,593</b> | <b>12,154,687</b> | <b>12,409,619</b> | <b>12,645,867</b> | <b>11,549,592</b> | <b>11,920,288</b> | <b>12,013,237</b> |
| <b>Surplus (Deficit)</b>         | <b>TZS '000'</b> | <b>-325,442</b>  | <b>168,833</b>    | <b>994,118</b>    | <b>2,596,019</b>  | <b>2,646,181</b>  | <b>2,721,746</b>  | <b>4,136,725</b>  | <b>4,091,801</b>  | <b>4,331,877</b>  |
| Opening Balance                  | TZS '000'        | 0                | -325,442          | -156,609          | 837,509           | 3,433,528         | 6,079,709         | 8,801,456         | 12,938,181        | 17,029,982        |
| <b>Closing Balance</b>           | <b>TZS '000'</b> | <b>-325,442</b>  | <b>-156,609</b>   | <b>837,509</b>    | <b>3,433,528</b>  | <b>6,079,709</b>  | <b>8,801,456</b>  | <b>12,938,181</b> | <b>17,029,982</b> | <b>21,361,859</b> |

**Annex 3**

**East Usambara Tea Company Ltd**

**Projected Balance Sheets Statements**

|                              |                  | Amount in TZS '000' |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|------------------------------|------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                              |                  | Year 1              | Year 2            | Year 3            | Year 4            | Year 5            | Year 6            | Year 7            | Year 8            | Year 9            | Year 10           |
| <b>Fixed Assets</b>          |                  |                     |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Land & Land Development      | TZS '000'        | 8,751,243           | 8,751,243         | 8,751,243         | 8,751,243         | 8,751,243         | 8,751,243         | 8,751,243         | 8,751,243         | 8,751,243         | 8,751,243         |
| Tea Plantations              | TZS '000'        | 10,191,028          | 10,191,028        | 10,191,028        | 10,191,028        | 10,191,028        | 10,191,028        | 10,191,028        | 10,191,028        | 10,191,028        | 10,191,028        |
| Buildings & Civil works      | TZS '000'        | 5,482,800           | 5,406,288         | 5,190,036         | 4,982,435         | 4,783,138         | 4,591,812         | 4,408,140         | 4,231,814         | 4,062,541         | 3,900,040         |
| Plant & Machinery            | TZS '000'        | 1,340,312           | 1,267,021         | 1,108,643         | 970,063           | 848,805           | 742,704           | 649,866           | 568,633           | 497,554           | 435,360           |
| Farm Equipment & Tools       | TZS '000'        | 328,440             | 287,385           | 251,462           | 220,029           | 192,525           | 168,460           | 147,402           | 128,977           | 112,855           | 98,748            |
| Motor Vehicles               | TZS '000'        | 223,548             | 324,494           | 259,595           | 207,676           | 311,797           | 249,438           | 199,550           | 305,296           | 244,237           | 195,389           |
| Office Equipment & Furniture | TZS '000'        | 316,680             | 403,095           | 352,708           | 308,620           | 270,042           | 362,287           | 317,001           | 277,376           | 242,704           | 338,366           |
| Pre-operating expenses       | TZS '000'        | 113,550             | 113,550           | 90,840            | 68,130            | 45,420            | 22,710            | -                 | -                 | -                 | -                 |
| <b>Fixed Assets</b>          | <b>TZS '000'</b> | <b>26,747,600</b>   | <b>26,744,103</b> | <b>26,195,555</b> | <b>25,699,223</b> | <b>25,393,997</b> | <b>25,079,681</b> | <b>24,664,230</b> | <b>24,454,366</b> | <b>24,102,161</b> | <b>23,910,173</b> |
| Less: Depreciation           | TZS '000'        | 512,200             | 548,548           | 496,332           | 450,882           | 440,316           | 415,451           | 355,519           | 352,205           | 317,988           | 304,139           |
| Add: Social Projects         | TZS '000'        | -                   | 35,000            | 35,000            | 35,000            | 35,000            | 35,000            | 35,000            | 35,000            | 35,000            | 35,000            |
| <b>Net Fixed assets</b>      | <b>TZS '000'</b> | <b>26,235,399</b>   | <b>26,230,555</b> | <b>25,734,223</b> | <b>25,283,341</b> | <b>24,988,681</b> | <b>24,699,230</b> | <b>24,343,710</b> | <b>24,137,161</b> | <b>23,819,173</b> | <b>23,641,035</b> |
| <b>Current Assets:</b>       |                  |                     |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Cash Balances                | TZS '000'        | -                   | -                 | 837,509           | 3,433,528         | 6,079,709         | 8,801,456         | 12,938,181        | 17,029,982        | 21,361,859        | 25,671,294        |
| Trade Debtors                | TZS '000'        | 109,007             | 137,301           | 164,832           | 202,064           | 206,244           | 210,515           | 214,881           | 219,344           | 223,906           | 228,570           |
| Advance Payments             | TZS '000'        | 210,719             | 226,353           | 241,094           | 259,810           | 264,527           | 269,355           | 274,298           | 279,360           | 284,543           | 289,852           |
| Stocks                       | TZS '000'        | 469,470             | 581,149           | 679,594           | 812,024           | 828,324           | 844,972           | 861,978           | 879,352           | 897,103           | 915,241           |
| Other Current Assets         | TZS '000'        | 25,788              | 39,277            | 40,022            | 40,767            | 41,513            | 42,258            | 43,003            | 43,748            | 44,493            | 45,239            |
| <b>Current Assets:</b>       | <b>TZS '000'</b> | <b>814,983</b>      | <b>984,080</b>    | <b>1,963,050</b>  | <b>4,748,194</b>  | <b>7,420,316</b>  | <b>10,168,556</b> | <b>14,332,341</b> | <b>18,451,786</b> | <b>22,811,904</b> | <b>27,150,195</b> |
| <b>Current Liabilities:</b>  |                  |                     |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Trade Creditors              | TZS '000'        | 210,719             | 226,353           | 241,094           | 259,810           | 264,527           | 269,355           | 274,298           | 279,360           | 284,543           | 289,852           |
| Accrued Incomes              | TZS '000'        | 0                   | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
| Payables                     | TZS '000'        | 171,474             | 247,619           | 257,368           | 270,440           | 270,534           | 270,629           | 270,727           | 270,827           | 270,929           | 271,034           |
| Other Current Liabilities    | TZS '000'        | 4,349               | 5,478             | 6,576             | 8,062             | 8,228             | 8,399             | 8,573             | 8,751             | 8,933             | 9,119             |
| <b>Current Liabilities:</b>  | <b>TZS '000'</b> | <b>386,542</b>      | <b>479,450</b>    | <b>505,038</b>    | <b>538,312</b>    | <b>543,289</b>    | <b>548,383</b>    | <b>553,598</b>    | <b>558,938</b>    | <b>564,406</b>    | <b>570,005</b>    |
| <b>Net Current Assets</b>    | <b>TZS '000'</b> | <b>428,441</b>      | <b>504,630</b>    | <b>1,458,013</b>  | <b>4,209,882</b>  | <b>6,877,027</b>  | <b>9,620,172</b>  | <b>13,778,743</b> | <b>17,892,848</b> | <b>22,247,498</b> | <b>26,580,190</b> |
| <b>Total Net Assets</b>      | <b>TZS '000'</b> | <b>26,663,840</b>   | <b>26,735,185</b> | <b>27,192,236</b> | <b>29,493,224</b> | <b>31,865,708</b> | <b>34,319,402</b> | <b>38,122,453</b> | <b>42,030,009</b> | <b>46,066,672</b> | <b>50,221,224</b> |
| <b>Financed By:</b>          |                  |                     |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Equity Financing</b>      |                  |                     |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Share Capital                | TZS '000'        | 200                 | 200               | 200               | 200               | 200               | 200               | 200               | 200               | 200               | 200               |
| Shareholders' funds          |                  |                     |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Capital Expenditure          | TZS '000'        | 21,247,400          | 21,791,104        | 21,791,104        | 21,791,104        | 21,791,104        | 21,791,104        | 21,791,104        | 21,791,104        | 21,791,104        | 21,791,104        |
| Working Capital              | TZS '000'        | 428,441             | 428,441           | 428,441           | 428,441           | 428,441           | 428,441           | 428,441           | 428,441           | 428,441           | 428,441           |
| Retained Earnings            | TZS '000'        | 0                   | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
| Valuation Reserve            | TZS '000'        | 0                   | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
| Profit & Loss Account        | TZS '000'        | -131,629            | 344,150           | 1,818,018         | 5,068,515         | 8,489,079         | 12,099,657        | 15,902,708        | 19,810,264        | 23,846,927        | 28,001,479        |
| <b>Equity Financing</b>      | <b>TZS '000'</b> | <b>21,544,412</b>   | <b>22,563,895</b> | <b>24,037,763</b> | <b>27,288,260</b> | <b>30,708,824</b> | <b>34,319,402</b> | <b>38,122,453</b> | <b>42,030,009</b> | <b>46,066,672</b> | <b>50,221,224</b> |
| <b>External Financing</b>    |                  |                     |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Long-term loans              |                  |                     |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Farm Acquisition Loan        | TZS '000'        | 0                   | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
| Additional CAPEC Loan        | TZS '000'        | 871,634             | 729,942           | 573,541           | 400,903           | 210,343           | 0                 | 0                 | 0                 | 0                 | 0                 |
| Existing CAPEC Loan          | TZS '000'        | 3,922,353           | 3,284,739         | 2,580,932         | 1,804,062         | 946,542           | 0                 | 0                 | 0                 | 0                 | -0                |
| <b>Long-term loans</b>       | <b>TZS '000'</b> | <b>4,793,987</b>    | <b>4,014,681</b>  | <b>3,154,473</b>  | <b>2,204,964</b>  | <b>1,156,884</b>  | <b>0</b>          | <b>0</b>          | <b>0</b>          | <b>0</b>          | <b>-0</b>         |
| Short-term loans             | TZS '000'        | 325,442             | 156,609           | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
| <b>External Financing</b>    | <b>TZS '000'</b> | <b>5,119,429</b>    | <b>4,171,290</b>  | <b>3,154,473</b>  | <b>2,204,964</b>  | <b>1,156,884</b>  | <b>0</b>          | <b>0</b>          | <b>0</b>          | <b>0</b>          | <b>-0</b>         |
| <b>Total Financing</b>       | <b>TZS '000'</b> | <b>26,663,840</b>   | <b>26,735,185</b> | <b>27,192,236</b> | <b>29,493,224</b> | <b>31,865,708</b> | <b>34,319,402</b> | <b>38,122,453</b> | <b>42,030,009</b> | <b>46,066,672</b> | <b>50,221,224</b> |

**Annex 5**

**East Usambara Tea Company Ltd**

**Projected Internal Rate of Returns (IRR)**

|                                  |           | Amount in TZS '000' |                  |                  |                  |                  |                  |                  |                  |                  |                   |
|----------------------------------|-----------|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
|                                  |           | <u>Year 1</u>       | <u>Year 2</u>    | <u>Year 3</u>    | <u>Year 4</u>    | <u>Year 5</u>    | <u>Year 6</u>    | <u>Year 7</u>    | <u>Year 8</u>    | <u>Year 9</u>    | <u>Year 10</u>    |
| <b>Cash InFlows</b>              |           |                     |                  |                  |                  |                  |                  |                  |                  |                  |                   |
| Profit B.I.T                     | TZS '000' | 435,284             | 1,099,280        | 2,748,153        | 5,001,776        | 5,148,254        | 5,313,038        | 5,516,986        | 5,668,509        | 5,855,225        | 6,025,965         |
| Depreciation                     | TZS '000' | 512,200             | 548,548          | 496,332          | 450,882          | 440,316          | 415,451          | 355,519          | 352,205          | 317,988          | 304,139           |
| Salvage Value                    | TZS '000' | -                   | -                | -                | -                | -                | -                | -                | -                | -                | 23,606,035        |
| <b>Cash InFlows</b>              | TZS '000' | <b>947,485</b>      | <b>1,647,828</b> | <b>3,244,486</b> | <b>5,452,657</b> | <b>5,588,571</b> | <b>5,728,490</b> | <b>5,872,506</b> | <b>6,020,714</b> | <b>6,173,213</b> | <b>29,936,138</b> |
| <b>Cash OutFlows</b>             |           |                     |                  |                  |                  |                  |                  |                  |                  |                  |                   |
| Capital Costs                    | TZS '000' | 26,747,600          | 543,704          | -                | -                | 145,656          | 126,000          | -                | 145,656          | -                | 126,000           |
| Net change in Operating expenses | TZS '000' | 428,441             | 76,189           | 115,874          | 155,850          | 20,964           | 21,399           | 21,845           | 22,304           | 22,774           | 23,257            |
| <b>Cash OutFlows</b>             | TZS '000' | <b>27,176,041</b>   | <b>619,893</b>   | <b>115,874</b>   | <b>155,850</b>   | <b>166,620</b>   | <b>147,399</b>   | <b>21,845</b>    | <b>167,960</b>   | <b>22,774</b>    | <b>149,257</b>    |
| <b>Net InFlow/(OutFlow)</b>      | TZS '000' | <b>(26,228,556)</b> | <b>1,027,935</b> | <b>3,128,612</b> | <b>5,296,807</b> | <b>5,421,951</b> | <b>5,581,091</b> | <b>5,850,660</b> | <b>5,852,755</b> | <b>6,150,439</b> | <b>29,786,881</b> |

**Economic Parameters**

|                               |                  |            |
|-------------------------------|------------------|------------|
| Cost of Loan Funds            | <b>10.0%</b>     | Percentage |
| Net Present Value (NPV)       | <b>9,315,925</b> | TZS '000'  |
| Internal Rate of Return (IRR) | <b>16.2%</b>     | Percentage |
| Normal Payback Period         | <b>9</b>         | Years      |

**Payback Period**

|                                         |           | Year 1             | Year 2             | Year 3             | Year 4             | Year 5             | Year 6             | Year 7            | Year 8            | Year 9           | Year 10          |
|-----------------------------------------|-----------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|-------------------|------------------|------------------|
| Capital Investments                     | TZS '000' | -26,747,600        | -543,704           | 0                  | 0                  | -145,656           | -126,000           | 0                 | -145,656          | 0                | -126,000         |
| Undiscounted Net Flow                   | TZS '000' | -26,747,600        | -108,420           | 1,099,280          | 2,748,153          | 4,856,120          | 5,022,254          | 5,313,038         | 5,371,330         | 5,668,509        | 5,729,225        |
| <b>Cumulative Undiscounted Net Flow</b> | TZS '000' | <b>-26,747,600</b> | <b>-26,856,020</b> | <b>-25,756,739</b> | <b>-23,008,586</b> | <b>-18,152,466</b> | <b>-13,130,212</b> | <b>-7,817,173</b> | <b>-2,445,843</b> | <b>3,222,666</b> | <b>8,951,891</b> |
| <b>Normal Payback Period</b>            |           | <b>9</b>           | Years              |                    |                    |                    |                    |                   |                   |                  |                  |