

HARSHO MILLING COMPANY LIMITED

FINANCIAL STATEMENTS

31ST DECEMBER 2021

PENO & ASSOCIATES,

CERTIFIED PUBLIC ACCOUNTANTS,

AUDITORS & TAX CONSULTANTS.

P.O. BOX 1066,

MOSHI – TANZANIA

TEL: 027-2754094



HARSHO

REPORT ON THE DIRECTORS FOR THE YEAR ENDED
31ST DECEMBER 2021
Quality & Result

The Directors submit their annual report together with the audited financial statements for the year ended 31st December 2021, which discloses the statement of affairs of Harsho Milling Company Limited as at that date.

1.0 INCORPORATION:

The Company was incorporated on the 22nd January 2013 with certificate of Incorporation number 96593 registered under the Tanzanian Companies Act 2002 Cap 212, Act no 12. The registered office and the principal place of business is:

Kwasadala Village- Hai
P.O.Box 810
Moshi
Tanzania

2.0 PRINCIPAL ACTIVITIES:

The principal activities of the Company are Animal Feed Production.

3.0 COMPOSITION OF THE BOARD OF DIRECTORS:

The Directors of the Company at the date of this report, who expect as otherwise stated, served throughout the year are:

<u>Name</u>	<u>Nationality</u>
Mr. Harold Shoo	Tanzanian
Mrs. Mary H. Shoo	Tanzanian

4.0 CORPORATE GOVERNANCE:

The Board consists of two directors. Apart from the Managing Director, no other directors hold executive positions in the Company. The Board takes overall responsibility for the Company, including responsibility for identifying key areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budget.

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P.O.Box 810 Moshi - Tanzania
Tel: +255 754 287409 / +255 756 407701 / +255 628 287409
Email: Info@harshotz.com / mary@harshotz.com
Web: www.harshotz.com / Instagram: harshogrouptz / fbpage: @harshogroup

In reply please address to: The Managing Director

The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative and for compliance with sound corporate governance principles.

The Board is required to meet at least twice a year. The Board delegates the day-to-day management of the business to the Managing Director assisted by Senior Management. Senior management is invited to attend Board meetings and facilitates the effective control of all the Company's operational activities, acting as medium of communication and coordination between all the various business units.

The Company is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency and accountability.

5.0 **CAPITAL STRUCTURE:**

➤ **Capital Structure:**

The Company's capital structure for the year is shown below:

➤ **Authorized:**

	2021	2020
	<u>Tzs</u>	<u>Tzs</u>
22,800 Ordinary Shares of Tzs 100,000 each	2, 280,000,000.00	2,280,000,000.00

➤ **Issued and full paid**

20 Ordinary Share of Tzs 100,000 each	2,000,000.00	2,000,000.00
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6.0 **MANAGEMENT:**

The management of the company is under the managing director and is organized in the following departments:

- Production department
- Accounts department
- Sales and Marketing department

7.0 **RESULTS AND DIVIDENDS:**

The results for the year are set out on page 8 of these financial statements. The directors do not recommend the payment of dividends.

8.0 **FUTURE DEVELOPMENT:**

The Company is planning to launch a new project of Hatchery and Breeder farm.

0 **RISK MANAGEMENT AND INTERNAL CONTROL**

The board accepts final responsibility for the risk management and internal control systems of the Company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behavior towards all stakeholders.

The efficiency of any internal control system is dependant on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial year ended 31st December 2021 and is of the opinion that they met accepted criteria.

The Board is directly responsible for risk and internal control assessment therefore a separate audit committee is not considered necessary.

10.0 **ADMINISTRATIVE MATTERS:**

The Company is capable of handling all administrative matters.

11.0 **EMPLOYEE WELFARE:**

a) **Management and Employee relation:**

Management and Employee relationship continued to be good during the year. There were no unresolved complaints by the employees at the end of the year.

b) **Training facilities:**

The Company provides on-the-job training to all her employees in order to improve their technical skills and effectiveness. Where necessary, employees are also considered for external training course that upgrade skills and enhance development.

c) **Medical Assistance:**

Medical facilities were among the social services extended to the employees without any discrimination.

d) **Employees' benefit plan:**


The Company pays contributions to National Social Security Fund (NSSF), which is a public administered mandatory pension plans and qualified to be a defined contribution plan.

The average number of employees during the year was twenty (20).

12.0 **AUDITORS:**

The Company has appointed **PENO & ASSOCIATES** of P.O. Box 1066, Moshi to be the external Auditors and Tax Consultants of the Company.

Signed on behalf of the board


.....
Director


.....
Director

Date:8/9/2022.....



HARSHO

Milling & Processing Co. Ltd

Quality & Result

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED
31ST DECEMBER 2021

The Company's Directors are responsible for the preparation and fair presentation of the financial statements of Harsho Milling Company Limited, comprising the statement of financial position at 31st December 2021, and the statement of profit or loss and other comprehensive income, changes in equity, cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002.

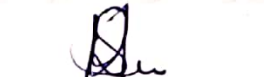
The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The Auditors are responsible for reporting on whether the annual Financial Statements are fairly presented in accordance with the applicable financial reporting framework.

THE DIRECTORS


.....
Director


.....
Director

Date...8/9/2022.....

P.O.Box 810 Moshi - Tanzania
Tel: +255 754 287409 / +255 756 407701 / +255 628 287409
Email: Info@harshotz.com / mary@harshotz.com
Web:www.harshotz.com / Instagram: harshogrouptz / fbpage: @harshogroup

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In reply please address to: The Managing Director

PENO & ASSOCIATES

**CERTIFIED PUBLIC ACCOUNTANTS
AUTHORISED AUDITORS
TAX CONSULTANTS**

P.O.Box 1066

TEL: (027) 2754094

FAX: (027) 2754094

Email: rpeno88@yahoo.com

MOSHI - TANZANIA

INDEPENDENT AUDITOR'S REPORT

To the Directors of Harsho Milling Company Limited.

Report on the Financial Statements

Opinion

We have audited the Financial Statements of Harsho Milling Company Limited, which comprise the Statement of Financial Position as at 31st December 2021, and the Statement of Profit or Loss, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Company as at 31st December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Directors Responsibility for the Financial Statements

Directors are responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards, and for such internal control, as directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Directors are responsible for assessing the Company ability to continue as a going concern, disclosing, as applicable, matters related to going concern basis of accounting, unless the directors either intends to liquidate the Company or to cease operations, has no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Statements

Our responsibility is to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to frauds or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when exists.


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

Report on other legal and regulatory requirements

This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with Companies Act, No. 12 of 2002 and for no other purposes.

As required by the Companies Act, No. 12 of 2002, we are also required to report to you if, in our opinion, the Directors Report is not consistent with the Financial Statements, if the Company has not kept proper accounting records, if the Financial Statements are not in agreement with accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the bank is not disclosed. In respect of the foregoing requirements, we have no matter to report.

PENO & ASSOCIATES


ACPA R.H. LYAMUYA
MOSHI

Date 09/09/2022

**Report of Auditors on the Financial Statements of Harsho Milling Company Limited
for the Year Ended on 31st December 2021**

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2021

ASSETS	NOTES	31.12.2021	31.12.2020
		TZS	TZS
Non Current Assets			
Property, Plant & Equipment	2.0	1,215,545,639.00	1,352,383,637.00
Work in progress	3.0	1,000,697,243.00	0.00
		2,216,242,882.00	1,352,383,637.00
Current Assets			
Inventories in Trade	4.0	146,597,100.00	725,419,795.00
Trade & other Receivables	5.0	426,752,169.00	3,965,043.00
Cash and Cash Equivalents	6.0	56,906,613.00	1,678,392.00
Taxation Account		0.00	20,550,000.00
		630,255,882.00	751,613,230.00
TOTAL ASSETS		2,846,498,764.00	2,103,996,867.00
EQUITY AND LIABILITIES			
Capital and Reserves			
Share Capital	7.0	2,000,000.00	2,000,000.00
Retained Earnings		(37,032,527.00)	(647,854,724.00)
		(35,032,527.00)	(645,854,724.00)
Non-Current Liabilities			
Long Term Loan	8.0	1,799,415,494.00	415,001,415.00
Current Liabilities			
Trade & Other Payables	9.0	971,813,350.00	1,805,222,700.00
Bank Overdraft	10.0	0.00	529,627,476.00
Taxation Account		110,302,447.00	0.00
		1,082,115,797.00	2,334,850,176.00
TOTAL EQUITY AND LIABILITIES		2,846,498,764.00	2,103,996,867.00

The notes and the related statements on pages 12 - 16 form part of the financial statement



DIRECTOR



DIRECTOR

Date:

8/9/2022

Peno and Associates: Certified Public Accountants, Authorised Auditors and Tax Consultants.

**Report of Auditors on the Financial Statements of Harsho Milling Company Limited
for the Year Ended on 31st December 2021**

STATEMENT OF PROFIT OR LOSS

		2021	2020
	<u>NOTES</u>	<u>TZS</u>	<u>TZS</u>
SALES		5,443,550,551.00	6,581,009,187.00
Cost of Sales	11.0	5,107,394,226.00	6,295,460,955.00
Gross Profit		336,156,325.00	285,548,232.00
Other Income	12.0	3,593,220.00	709,322.00
		339,749,545.00	286,257,554.00
OPERATING EXPENSES			
Establishment	14.0	48,659,702.00	18,324,339.00
Administrative	15.0	81,096,866.00	38,013,354.00
Labour	16.0	22,010,088.00	15,417,800.00
Financial	17.0	165,519,059.00	165,333,016.00
Selling Expenses	18.0	19,620,100.00	15,049,000.00
		336,905,815.00	252,137,509.00
Net Profit/(Loss) before tax		2,843,730.00	34,120,045.00
Corporate tax		9,090,655.00	0.00
Net Profit/(Loss) after tax		(6,246,925.00)	34,120,045.00

The notes and the related statements on pages 12 - 16 form part of the financial statements

Peno and Associates: Certified Public Accountants, Authorised Auditors and Tax Consultants.

**Report of Auditors on the Financial Statements of Harsho Milling Company Limited
for the Year Ended on 31st December 2021**

STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	RETAINED EARNINGS	TOTAL
	<u>TZS</u>	<u>TZS</u>	<u>TZS</u>
At 1st January 2020	2,000,000.00	(682,279,397.00)	(680,279,397.00)
Net Profit/(Loss) after Tax	0.00	34,120,045.00	34,120,045.00
Translation of Adjustment	0.00	304,628.00	304,628.00
At 31st December 2020	<u>2,000,000.00</u>	<u>(647,854,724.00)</u>	<u>(645,854,724.00)</u>
At 1st January 2021	2,000,000.00	(647,854,724.00)	(645,854,724.00)
Net Profit/(Loss) after Tax	0.00	(6,246,925.00)	(6,246,925.00)
Translation of Adjustment	0.00	617,069,122.00	617,069,122.00
At 31st December 2021	<u>2,000,000.00</u>	<u>(37,032,527.00)</u>	<u>(35,032,527.00)</u>

Peno and Associates: Certified Public Accountants, Authorised Auditors and Tax Consultants.

**Report of Auditors on the Financial Statements of Harsho Milling Company Limited
for the Year Ended on 31st December 2021**

STATEMENT OF CASHFLOWS

	31.12.2021	31.12.2020
	<u>TZS</u>	<u>TZS</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	2,843,730.00	34,120,045.00
Adjustment for:		
Depreciation	135,054,230.00	151,757,723.00
Loss on Disposal	133,768.00	511,023.00
(Increase)/Decrease in Inventories	578,822,695.00	(251,052,656.00)
(Increase)/Decrease in Trade & Other Receivables	(422,787,126.00)	296,932,023.00
Increase/(Decrease) in Trade & Other Payables	(833,409,350.00)	(136,318,744.00)
Prior Year Adjustments	746,030,914.00	0.00
	<u>203,845,131.00</u>	<u>61,829,369.00</u>
Net Cash from Operating activities	206,688,861.00	95,949,414.00
Corporate Tax paid	(7,200,000.00)	(7,875,000.00)
INVESTING ACTIVITIES		
Disposal of Fixed asset	1,650,000.00	2,350,000.00
Acquisition of Fixed Assets	(1,000,697,243.00)	(15,500,000.00)
Net Cash in/(out) flow from Investing Activities	<u>(999,047,243.00)</u>	<u>(13,150,000.00)</u>
Net Cash in/(out) flow before Financing Activities	(799,558,382.00)	74,924,414.00
FINANCING ACTIVITIES		
Issue of Share Capital	0.00	0.00
Bank Overdraft	(529,627,476.00)	84,283,575.00
Term Loan	1,384,414,079.00	(165,464,095.00)
Net Cash in/(out) flow from financing activities	<u>854,786,603.00</u>	<u>(81,180,520.00)</u>
Increase/(Decrease) in Cash & Cash Equivalents	<u>55,228,221.00</u>	<u>(6,256,106.00)</u>
CHANGES IN CASH AND CASH EQUIVALENTS		
Increase/(Decrease) in Cash & Cash Equivalents	<u>55,228,221.00</u>	<u>(6,256,106.00)</u>
Cash & Cash Equivalent at the beginning of the year	1,678,392.00	7,934,498.00
Cash & Cash Equivalent at the end of the year	56,906,613.00	1,678,392.00

Peno and Associates: Certified Public Accountants, Authorised Auditors and Tax Consultants.

NOTES TO THE FINANCIAL STATEMENTS

1.0 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these Financial Statements are set out below, These policies have been consistently applied to all years presented, unless otherwise stated.

1.1 Basis of Accounting

The Financial Statements have been prepared in accordance with International Financial Reporting Standards IFRS for Small and Medium Enterprises(SME's). The measurement basis applied is the historical cost basis except otherwise stated in the accounting policies.

1.2 Depreciation.

Depreciation has been calculated to write off the cost of the Building & Machinery & Equipments Motor Vehicles, Trucks, Computers & Accessories, Furnitures & Fittings and Generators over their useful lives on Straight line and reducing balance basis at the following rates:-

Building	5%
Machinery & Equipments	12.5%
Furnitures and Fittings	12.5%
Motor Vehicles	37.5%
Trucks	25%
Computers & Accessories	37.5%
Generators	12.5%

1.3 Inventories in Trade

The Inventories in trade have been valued at lower of cost and net market realisable value.

1.4 Currency

The accounting figures are expressed in Tanzanian Shillings (Tzs).

1.5 Employees' Benefits

(i) Salaries & Wages -

The salaries and wages of the current employees are recognised in the Income Statements for the service rendered.

(ii) Retirement Benefits -

The company makes statutory contribution to National Social Security Fund (NSSF), contributing 10% of the employees' gross emoluments.

The contribution of the company is charged to Income Statement with the year to which they relate.

1.6 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand and bank balances.

2.0 PROPERTY, PLANT AND EQUIPMENTS

COST	BUILDINGS	MACHINERY & EQUIPMENTS	MOTOR VEHICLES	TRUCKS	COMPUTERS & ACCESSORIES	FURNITURES & FITTINGS	DISEL GENERATORS	TOTAL
	TZS	TZS	TZS	TZS	TZS	TZS	TZS	TZS
At 01.01.2021	651,309,241	1,358,789,591	12,752,500	38,628,264	6,000,000	5,897,000	94,203,264	2,167,579,860
Additions	0.00	0.00		0.00	0.00	0.00	0.00	0.00
Disposal	0.00	0.00	(3,142,500)	0.00	0.00	0.00	0.00	(3,142,500)
At 31.12.2021	651,309,241	1,358,789,591	9,610,000	38,628,264	6,000,000	5,897,000	94,203,264	2,164,437,360
DEPRECIATIONS								
At 01.01.2021	103,744,794	619,887,019	7,917,075	29,461,596	5,427,796	2,872,375	45,885,568	815,196,223
Disposal	0.00	0.00	(1,358,732)	0.00	0.00	0.00	0.00	(1,358,732)
Charges 2021	32,565,462	92,362,822	1,201,912	2,291,667	214,577	378,078	6,039,712	135,054,230
	136,310,256	712,249,841	7,760,255	31,753,263	5,642,373	3,250,453	51,925,280	948,891,721
NET BOOK VALUE								
At 31.12.2021	514,998,985	646,539,750	1,849,745	6,875,001	357,627	2,646,547	42,277,984	1,215,545,639
At 31.12.2020	547,564,447	738,902,572	4,835,425	9,166,668	572,204	3,024,625	48,317,696	1,352,383,637

Report of Auditors on the Financial Statements of Harsho Milling Company Limited
for the Year Ended on 31st December 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	31.12.2021	31.12.2020
	<u>TZS</u>	<u>TZS</u>
3.0 WORK IN PROGRESS		
Ongoing Construction of SILO Project	<u>1,000,697,243.00</u>	<u>0.00</u>
4.0 INVENTORIES IN TRADE		
Raw Materials	76,269,000.00	375,103,640.00
Finished Goods	70,328,100.00	350,316,155.00
	<u>146,597,100.00</u>	<u>725,419,795.00</u>
5.0 TRADE AND OTHER RECEIVABLES		
Trade Receivables	34,502,169.00	0.00
Other Receivables	392,250,000.00	3,965,043.00
	<u>426,752,169.00</u>	<u>3,965,043.00</u>
6.0 CASH AND CASH EQUIVALENTS		
Bank Balance	49,028,732.00	0.00
Cash Balance	7,877,881.00	1,678,392.00
	<u>56,906,613.00</u>	<u>1,678,392.00</u>
7.0 SHARE CAPITAL		
Initial Share Capital		
22,800 Ordinary Shares @ Tshs. 100,000/=	<u>2,280,000,000.00</u>	<u>2,280,000,000.00</u>
Issued and fully paid		
20 Ordinary Shares @ Tshs. 100,000/=	<u>2,000,000.00</u>	<u>2,000,000.00</u>
8.0 LONG TERM LOAN		
Loan from CRDB Bank	0.00	415,001,415.00
Loan from KCB Bank	1,799,415,494.00	0.00
	<u>1,799,415,494.00</u>	<u>415,001,415.00</u>
9.0 TRADE AND OTHER PAYABLES		
Trade Payables	839,448,768.00	1,800,306,400.00
Other Payables	132,364,582.00	4,916,300.00
	<u>971,813,350.00</u>	<u>1,805,222,700.00</u>
10.0 BANK OVERDRAFT		
Bank Overdraft from CRDB Bank	<u>0.00</u>	<u>529,627,476.00</u>
11.0 COST OF SALES		
Opening Inventories of Finished Goods	350,316,155.00	186,263,499.00
Add: Manufacturing Cost	4,827,406,171.00	6,459,513,611.00
	<u>5,177,722,326.00</u>	<u>6,645,777,110.00</u>
Closing Inventories of Finished Goods	70,328,100.00	350,316,155.00
	<u>5,107,394,226.00</u>	<u>6,295,460,955.00</u>

Peno and Associates: Certified Public Accountants, Authorised Auditors and Tax Consultants.

Report of Auditors on the Financial Statements of Harsho Milling Company Limited
for the Year Ended on 31st December 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	31.12.2021	31.12.2020
	<u>TZS</u>	<u>TZS</u>
12.0 OTHER INCOME		
Transport Income	3,593,220.00	709,322.00
13.0 MANUFACTURING COST		
Opening Inventories of Raw Material	375,103,640.00	288,103,640.00
Add: Purchases of Raw Material	4,000,133,331.00	5,965,319,022.00
	<u>4,375,236,971.00</u>	<u>6,253,422,662.00</u>
Closing Inventories of Raw Materials	76,269,000.00	375,103,640.00
Cost of Raw Material Consumed	<u>4,298,967,971.00</u>	<u>5,878,319,022.00</u>
Direct Expenses		
Packing Material	97,430,830.00	75,361,491.00
Direct Labour		
Salaries	58,398,800.00	50,920,000.00
Wages	8,386,200.00	6,325,800.00
	<u>66,785,000.00</u>	<u>57,245,800.00</u>
Prime Cost	<u>4,463,183,801.00</u>	<u>6,010,926,313.00</u>
Factory Overheads		
Electricity	224,490,246.00	258,350,713.00
Machine Fuel & Lubricants	4,355,000.00	6,525,000.00
Machine - Repairs & Maintenance	10,979,412.00	13,200,000.00
Cleaning Sanitation	370,124.00	363,732.00
Skills and Development Levy	2,677,371.00	2,436,840.00
NSSF Contribution	5,803,360.00	5,092,000.00
Repair & Maintenance	0.00	4,690,412.00
Depreciation of Productive Machines	92,362,822.00	138,122,972.00
Canteen & Catering	10,287,788.00	7,096,140.00
Staff Uniform	294,000.00	549,780.00
Staff Medical	415,296.00	833,280.00
Workers Compensation Fund	446,025.00	509,200.00
Inspection Fee	1,180,000.00	3,492,789.00
Fire Woods	6,304,000.00	0.00
Safety Gears	546,840.00	424,440.00
Fumigation	210,086.00	5,400,000.00
NEMC	3,500,000.00	1,500,000.00
Total Factory Overhead	<u>364,222,370.00</u>	<u>448,587,298.00</u>
Factory Cost of Goods Manufactured	<u>4,827,406,171.00</u>	<u>6,459,513,611.00</u>

Peno and Associates: Certified Public Accountants, Authorised Auditors and Tax Consultants.

**Report of Auditors on the Financial Statements of Harsho Milling Company Limited
for the Year Ended on 31st December 2021**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	31.12.2021	31.12.2020
	<u>TZS</u>	<u>TZS</u>
14.0 ESTABLISHMENT EXPENSES		
Rents & Rates	1,080,000.00	1,080,000.00
Stamp Duty	10,800.00	10,800.00
Depreciation	42,691,408.00	13,634,751.00
Repairs & Maintenance	4,277,494.00	2,998,788.00
Business Licence	600,000.00	600,000.00
	<u>48,659,702.00</u>	<u>18,324,339.00</u>
15.0 ADMINISTRATIVE EXPENSES		
Printing & Stationery	4,963,700.00	4,465,000.00
Telecommunication	1,955,000.00	1,085,000.00
Cleaning and Sanitation	174,176.00	171,168.00
Electricity & Water	2,267,578.00	2,609,603.00
Motor Vehicle Service	28,070,122.00	21,952,900.00
Audit Fee	3,540,000.00	3,540,000.00
Generator Expenses	33,838,000.00	0.00
Safety Gears	60,760.00	47,160.00
Loss on Disposal	133,768.00	511,023.00
Donation	1,206,600.00	0.00
Entertainment	1,050,000.00	246,500.00
Insurance	2,242,000.00	2,360,000.00
Subscriptions	432,000.00	800,000.00
Withholding Taxes	938,162.00	0.00
TRA Fine & Penalties	225,000.00	225,000.00
	<u>81,096,866.00</u>	<u>38,013,354.00</u>
16.0 LABOUR EXPENSES		
Salaries & Wages	11,961,200.00	10,200,000.00
Skills & Development Levy	472,477.00	433,500.00
NSSF Contribution	1,188,640.00	1,020,000.00
Canteen & Catering	4,841,312.00	3,339,360.00
Staff Training	3,250,000.00	0.00
Staff Medical	79,104.00	158,720.00
Staff Uniform	126,000.00	164,220.00
Workers Compensation Fund	91,355.00	102,000.00
	<u>22,010,088.00</u>	<u>15,417,800.00</u>
17.0 FINANCIAL EXPENSES		
Bank Charges	25,950,232.00	5,676,152.00
Overdraft Interest	63,023,389.00	83,639,274.00
Bank Loan Interest	76,545,438.00	76,017,590.00
	<u>165,519,059.00</u>	<u>165,333,016.00</u>

Peno and Associates: Certified Public Accountants, Authorised Auditors and Tax Consultants.

**Report of Auditors on the Financial Statements of Harsho Milling Company Limited
for the Year Ended on 31st December 2021**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	31.12.2021	31.12.2020
	<u>TZS</u>	<u>TZS</u>
18.0 SELLING EXPENSES		
Transport & Distribution Charges	12,420,100.00	8,655,000.00
Advertising & Promotion	7,200,000.00	6,394,000.00
	<u>19,620,100.00</u>	<u>15,049,000.00</u>

19.0 RELATED PARTY TRANSACTION

A) Inter-Company transaction

i) The Company trade with both Harsho Trading Co.Ltd and Harsho Packaging Co Ltd, all Companies are being owned and managed by the same owner/directors.

Purchases of goods	<u>109,800,830.00</u>	<u>75,361,489.00</u>
Sales of goods	<u>1,946,010,500.00</u>	<u>1,983,012,800.00</u>

ii) The Company has undertaken cross company guarantee against bank loans and bank overdraft for Harsho Trading Co Ltd and Harsho Packaging Co Ltd and vice versa.

iii) the company is a tenant on Harsho Packaging Co Ltd premises

Rent	<u>1,080,000.00</u>	<u>1,080,000.00</u>
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iv) The company has pledged Harsho Packaging Co Ltd plot as collateral to secure bank loan and bank overdraft

B) Key Management Personnel

Key management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly including any director of the entity

i) Key Management

Salaries	26,760,000.00	26,760,000.00
Define Contribution	2,676,000.00	2,676,000.00
	<u>29,436,000.00</u>	<u>29,436,000.00</u>

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HARSHO MILLING CO. LTD
 KWASADALA UNSURVEY MOSHI
 TIN NO. 120-795-538
TAX COMPUTATION 2021

	<u>TZS</u>	<u>TZS</u>
Profit/(Loss) as per accounts		2,843,730.00
Add back:		
Depreciation		135,054,230.00
Withholding Taxes		938,162.00
Less:		
Wear and Tear Allowance	108,533,936.00	
Adjusted Taxable Profit	30,302,186.00	
	<u>138,836,122.00</u>	<u>138,836,122.00</u>
Corporate Tax thereon 30%	9,090,655.00	
Balance b/d	(1,140,545,195.00)	
Adjustments from 2016-2020	1,498,629,744.00	
Carried forward Adjusted Taxable Profit	358,084,549.00	
Taxable Profit(Loss) for the year	<u>30,302,186.00</u>	

WEAR AND TEAR SCHEDULE

	CLASS I 37.5%	CLASS II 25%	CLASS III 12.5%	<u>W.D.A.</u>
W.D.V at 01.01.2021	10,127,514.00	264,644,278.00	53,026,695.00	
Disposal	(1,650,000.00)	0.00	0.00	
Additions	0.00	0.00	0.00	
	<u>8,477,514.00</u>	<u>264,644,278.00</u>	<u>53,026,695.00</u>	
Wear and Tear Allowance	3,179,068.00	66,161,069.00	6,628,337.00	<u>75,968,474.00</u>
W.D.V at 31.12.2021	<u>5,298,446.00</u>	<u>198,483,209.00</u>	<u>46,398,358.00</u>	

	CLASS VI 5%	
W.D.V at 01.01.2021	651,309,241.00	
Additions	0.00	
	<u>651,309,241.00</u>	
Accumulated Wear & Tear	103,744,794.00	
Wear and Tear Allowance	32,565,462.00	<u>32,565,462.00</u>
W.D.V at 31.12.2021	<u>618,743,779.00</u>	

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