

**HARSHO MILLING COMPANY LIMITED**  
**FINANCIAL STATEMENTS**  
**31<sup>ST</sup> DECEMBER 2020**

**PENO & ASSOCIATES,**  
**CERTIFIED PUBLIC ACCOUNTANTS,**  
**AUDITORS & TAX CONSULTANTS.**  
**P.O. BOX 1066,**  
**MOSHI – TANZANIA**  
**TEL: 027-2754094**



# HARSHO

## Milling & Processing Co. Ltd

*Quality & Result*

**REPORT OF THE DIRECTORS FOR THE YEAR ENDED**

**31<sup>ST</sup> DECEMBER 2020**

The Directors submit their annual report together with the audited financial statements for the year ended 31<sup>st</sup> December 2020, which discloses the state 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:

<b><u>Name</u></b>	<b><u>Nationality</u></b>
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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*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 once 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:**

	<b>2020</b>	<b>2019</b>
	<b><u>Tshs</u></b>	<b><u>Tshs</u></b>
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

#### 6.0 **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.

## 7.0 **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 31<sup>st</sup> December 2020 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.

## 8.0 **ADMINISTRATIVE MATTERS:**

The Company is capable of handling all administrative matters.

## 9.0 **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 fourteen (14).

10.0 **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: .....29/10/2021.....



# HARSHO

## Milling & Processing Co. Ltd

*Quality & Result*

**STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED**  
**31<sup>ST</sup> DECEMBER 2020**

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 31<sup>st</sup> December 2020, and the statement of profit and 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.....*29/11/2021*.....

# **PENO & ASSOCIATES**

**CERTIFIED PUBLIC ACCOUNTANTS  
AUTHORISED AUDITORS  
TAX CONSULTANTS**

**P.O.Box 1066**

**TEL: (027) 2754094**

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**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 31<sup>st</sup> December 2020, 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 31<sup>st</sup> December 2020 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

  
R.H. LYAMUYA (ACPA)  
MOSHI

Date ..... 30/10/2024 .....

**Report of Auditors on the Financial Statements of Harsho Milling Company Limited  
for the Year Ended on 31st December 2020**

**STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2020**

ASSETS	NOTES	31.12.2020	31.12.2019
		TZS	TZS
<b>Non Current Assets</b>			
Property, Plant & Equipment	2.0	1,352,383,637.00	1,429,598,739.00
Work in progress	3.0	0.00	60,474,016.00
		<u>1,352,383,637.00</u>	<u>1,490,072,755.00</u>
<b>Current Assets</b>			
Inventories in Trade	4.0	725,419,795.00	474,367,139.00
Trade & other Receivables	5.0	3,965,043.00	300,897,066.00
Cash and Cash Equivalents	6.0	1,678,392.00	7,934,498.00
Taxation Account		20,550,000.00	13,800,000.00
		<u>751,613,230.00</u>	<u>796,998,703.00</u>
<b>TOTAL ASSETS</b>		<u><b>2,103,996,867.00</b></u>	<u><b>2,287,071,458.00</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share Capital	7.0	2,000,000.00	2,000,000.00
Retained Earnings		(647,854,724.00)	(682,279,397.00)
		<u>(645,854,724.00)</u>	<u>(680,279,397.00)</u>
<b>Non-Current Liabilities</b>			
Long Term Loan		415,001,415.00	580,465,510.00
<b>Current Liabilities</b>			
Trade & Other Payables	8.0	1,805,222,700.00	1,941,541,444.00
Bank Overdraft		529,627,476.00	445,343,901.00
		<u>2,334,850,176.00</u>	<u>2,386,885,345.00</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>2,103,996,867.00</b></u>	<u><b>2,287,071,458.00</b></u>

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

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
DIRECTOR

Date: 29/10/2021

**Report of Auditors on the Financial Statements of Harsho Milling Company Limited  
for the Year Ended on 31st December 2020**

**STATEMENT OF PROFIT OR LOSS**

		<b>2020</b>	<b>2019</b>
	<b><u>NOTES</u></b>	<b><u>TZS</u></b>	<b><u>TZS</u></b>
<b>SALES</b>		6,581,009,187.00	6,061,460,899.00
<b>Cost of Sales</b>	<b>9.0</b>	6,295,460,955.00	5,662,347,212.00
<b>Gross Profit</b>		285,548,232.00	399,113,687.00
<b>Other Income</b>	<b>10.0</b>	709,322.00	0.00
		<b>286,257,554.00</b>	<b>399,113,687.00</b>
<b>OPERATING EXPENSES</b>			
Establishment	<b>12.0</b>	18,324,339.00	44,129,062.00
Administrative	<b>13.0</b>	38,013,354.00	63,553,062.00
Labour	<b>14.0</b>	15,417,800.00	23,869,566.00
Financial	<b>15.0</b>	165,333,016.00	208,814,217.00
Selling Expenses	<b>16.0</b>	15,049,000.00	14,239,890.00
		<b>252,137,509.00</b>	<b>354,605,797.00</b>
Net Profit/(Loss) before tax		34,120,045.00	44,507,890.00
Corporate tax		0.00	0.00
Net Profit/(Loss) after tax		<b>34,120,045.00</b>	<b>44,507,890.00</b>

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

**Report of Auditors on the Financial Statements of Harsho Milling Company Limited  
for the Year Ended on 31st December 2020**

**STATEMENT OF CHANGES IN EQUITY**

	<b>SHARE CAPITAL</b>	<b>RETAINED EARNINGS</b>	<b>TOTAL</b>
	<b><u>TZS</u></b>	<b><u>TZS</u></b>	<b><u>TZS</u></b>
At 1st January 2019	2,000,000.00	(721,871,161.00)	(719,871,161.00)
Net Profit/(Loss) after Tax	0.00	44,507,890.00	44,507,890.00
Translation of Adjustment	0.00	(4,916,126.00)	(4,916,126.00)
At 31st December 2019	<b><u>2,000,000.00</u></b>	<b><u>(682,279,397.00)</u></b>	<b><u>(680,279,397.00)</u></b>
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	<b><u>2,000,000.00</u></b>	<b><u>(647,854,724.00)</u></b>	<b><u>(645,854,724.00)</u></b>

*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 2020**

**STATEMENT OF CASHFLOWS**

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b><u>TZS</u></b>	<b><u>TZS</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	34,120,045.00	44,507,890.00
<b>Adjustment for:</b>		
Depreciation	151,757,723.00	163,906,193.00
Loss on Disposal	511,023.00	0.00
( Increase)/Decrease in Inventories	(251,052,656.00)	39,927,617.00
( Increase)/Decrease in Trade & Other Receivables	296,932,023.00	(16,598,299.00)
Increase/(Decrease) in Trade & Other Payables	(136,318,744.00)	(53,409.00)
Prior Year Adjustments	0.00	(4,916,126.00)
	61,829,369.00	182,265,976.00
<b>Net Cash from Operating activities</b>	<b>95,949,414.00</b>	<b>226,773,866.00</b>
Corporate Tax paid	(7,875,000.00)	(4,800,000.00)
<b>INVESTING ACTIVITIES</b>		
Disposal of Fixed asset	2,350,000.00	0.00
Acquisition of Fixed Assets	(15,500,000.00)	(65,816,516.00)
Net Cash in/(out) flow from Investing Activities	(13,150,000.00)	(65,816,516.00)
<b>Net Cash in/(out) flow before Financing Activities</b>	<b>74,924,414.00</b>	<b>156,157,350.00</b>
<b>FINANCING ACTIVITIES</b>		
Issue of Share Capital	0.00	0.00
Bank Overdraft	84,283,575.00	(171,347,585.00)
Term Loan	(165,464,095.00)	(142,548,740.00)
Net Cash in/(out) flow from financing activities	(81,180,520.00)	(313,896,325.00)
Increase/(Decrease) in Cash & Cash Equivalents	<b>(6,256,106.00)</b>	<b>(157,738,975.00)</b>
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>		
Increase/(Decrease) in Cash & Cash Equivalents	<b>(6,256,106.00)</b>	<b>(157,738,975.00)</b>
Cash & Cash Equivalent at the beginning of the year	7,934,498.00	165,673,473.00
Cash & Cash Equivalent at the end of the year	1,678,392.00	7,934,498.00

*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 2020**

**NOTES TO THE FINANCIAL STATEMENTS**

**1.0 ACCOUNTING POLICIES**

**1.1 Basis of Accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS for 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 property, Building & Plants, Furnitures & Fittings, Machinery & Equipments, Motor Vehicles, Trucks, Computers & Accessories over their useful lives on reducing balance basis at the following rates:-

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

**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.

**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 TSHS	MACHINERY & EQUIPMENTS TSHS	MOTOR VEHICLES TSHS	TRUCKS TSHS	COMPUTERS & ACCESSORIES TSHS	FURNITURES & FITTINGS TSHS	DIESEL GENERATORS TSHS	TOTAL TSHS
At 01.01.2020	575,335,225	1,358,789,591	32,752,500	38,628,264	6,000,000	5,897,000	94,203,264	2,111,605,844
Additions	75,974,016	0.00		0.00	0.00	0.00	0.00	75,974,016
Disposal	0.00	0.00	(20,000,000)	0.00	0.00	0.00	0.00	(20,000,000)
At 31.12.2020	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
DEPRECIATION	0	0	0	0	0	0	0	0.00
At 01.01.2020	71,179,332	514,329,509	17,256,407	32,734,058	5,084,473	2,440,286	38,983,040	682,007,105
Adjustment	0.00	0.00	4,898,390	(6,328,018)	0.00	0.00	0.00	(1,429,628)
Disposal	0.00	0.00	(17,138,977)	0.00	0.00	0.00	0.00	(17,138,977)
Charges 2020	32,565,462	105,557,510	2,901,255	3,055,556	343,323	432,089	6,902,528	151,757,723
NET BOOK VALUE	103,744,794	619,887,019	7,917,075	29,461,596	5,427,796	2,872,375	45,885,568	815,196,223
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
At 31.12.2019	504,155,893	844,460,082	15,496,093	5,894,206	915,527	3,456,714	55,220,224	1,429,598,739

*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 2020**

**NOTES TO THE FINANCIAL STATEMENTS ( CONT'D )**

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b><u>TZS</u></b>	<b><u>TZS</u></b>
<b>3.0 WORK IN PROGRESS</b>		
Acquisition of Construction Materials	<u>0.00</u>	<u>60,474,016.00</u>
<b>4.0 INVENTORIES IN TRADE</b>		
Raw Materials	375,103,640.00	288,103,640.00
Finished Goods	<u>350,316,155.00</u>	<u>186,263,499.00</u>
	<u><b>725,419,795.00</b></u>	<u><b>474,367,139.00</b></u>
<b>5.0 TRADE AND OTHER RECEIVABLES</b>		
Trade Receivables	0.00	300,897,066.00
Other Receivables	<u>3,965,043.00</u>	<u>0.00</u>
	<u><b>3,965,043.00</b></u>	<u><b>300,897,066.00</b></u>
<b>6.0 CASH AND CASH EQUIVALENTS</b>		
Bank Balance	0.00	3,825,506.00
Cash Balance	<u>1,678,392.00</u>	<u>4,108,992.00</u>
	<u><b>1,678,392.00</b></u>	<u><b>7,934,498.00</b></u>
<b>7.0 SHARE CAPITAL</b>		
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>
<b>8.0 TRADE AND OTHER PAYABLES</b>		
Trade Payables	1,800,306,400.00	1,884,714,214.00
Other Payables	<u>4,916,300.00</u>	<u>56,827,230.00</u>
	<u><b>1,805,222,700.00</b></u>	<u><b>1,941,541,444.00</b></u>
<b>9.0 COST OF SALES</b>		
Opening Inventories of Finished Goods	186,263,499.00	200,285,164.00
Add: Manufacturing Cost	<u>6,459,513,611.00</u>	<u>5,648,325,547.00</u>
	6,645,777,110.00	5,848,610,711.00
Closing Inventories of Finished Goods	<u>350,316,155.00</u>	<u>186,263,499.00</u>
	<u><b>6,295,460,955.00</b></u>	<u><b>5,662,347,212.00</b></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 2020**

**NOTES TO THE FINANCIAL STATEMENTS ( CONT'D )**

	31.12.2020 <u>TZS</u>	31.12.2019 <u>TZS</u>
<b>10.0 OTHER INCOME</b>		
Transport Income	<u>709,322.00</u>	<u>0.00</u>
<b>11.0 MANUFACTURING COST</b>		
Opening Inventories of Raw Material	288,103,640.00	314,009,592.00
Add: Purchases of Raw Material	<u>5,965,319,022.00</u>	<u>4,976,410,282.00</u>
	<u>6,253,422,662.00</u>	<u>5,290,419,874.00</u>
Closing Inventories of Raw Materials	375,103,640.00	288,103,640.00
<b>Cost of Raw Material Consumed</b>	<u>5,878,319,022.00</u>	<u>5,002,316,234.00</u>
<b>Direct Expenses</b>		
Packing Material	<u>75,361,491.00</u>	<u>87,872,057.00</u>
<b>Direct Labour</b>		
Salaries	50,920,000.00	42,287,600.00
Wages	<u>6,325,800.00</u>	<u>12,363,200.00</u>
	<u>57,245,800.00</u>	<u>54,650,800.00</u>
<b>Prime Cost</b>	<u>6,010,926,313.00</u>	<u>5,144,839,091.00</u>
<b>Factory Overheads</b>		
Electricity	258,350,713.00	314,585,803.00
Machine Fuel & Lubricants	6,525,000.00	7,325,908.00
Machine - Repairs & Maintenance	13,200,000.00	14,483,321.00
Cleaning Sanitation	363,732.00	955,332.00
Skills and Development Levy	2,436,840.00	2,880,525.00
NSSF Contribution	5,092,000.00	3,349,780.00
Repair & Maintenance	4,690,412.00	9,898,240.00
Depreciation of Productive Machines	138,122,972.00	127,846,831.00
Canteen Services	7,096,140.00	7,080,636.00
Staff Uniform	549,780.00	2,800,490.00
Staff Medical	833,280.00	2,697,240.00
WCF	509,200.00	405,008.00
Inspection Fee	3,492,789.00	2,556,792.00
Safety Gears	424,440.00	620,550.00
Farmigation	5,400,000.00	6,000,000.00
NEMC	1,500,000.00	0.00
<b>Total Factory Overhead</b>	<u>448,587,298.00</u>	<u>503,486,456.00</u>
<b>Factory Cost of Goods Manufactured</b>	<u>6,459,513,611.00</u>	<u>5,648,325,547.00</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 2020**

**NOTES TO THE FINANCIAL STATEMENTS ( CONT'D )**

	31.12.2020	31.12.2019
	<u>TZS</u>	<u>TZS</u>
<b>12.0 ESTABLISHMENT EXPENSES</b>		
Rents & Rates	1,080,000.00	1,080,000.00
Stamp Duty	10,800.00	54,000.00
Depreciation	13,634,751.00	36,059,362.00
Repairs & Maintenance	2,998,788.00	6,335,700.00
Business Licence	600,000.00	600,000.00
	<u>18,324,339.00</u>	<u>42,995,062.00</u>
<b>13.0 ADMINISTRATIVE EXPENSES</b>		
Telecommunication	1,085,000.00	1,230,000.00
Cleaning and Sanitation	171,168.00	449,568.00
Electricity & Water	2,609,603.00	3,177,634.00
Motor Vehicle Service	21,952,900.00	29,521,900.00
Audit Fee	3,540,000.00	3,540,000.00
Safety Gears & Fire	47,160.00	68,950.00
Travelling & Accommodation	0.00	7,000,310.00
Loss on Disposal	511,023.00	0.00
Donation	0.00	2,300,000.00
Entertainment	246,500.00	4,839,000.00
Insurance	2,360,000.00	2,655,000.00
Subscription-Brella	800,000.00	1,588,000.00
TRA Fine & Penalties	225,000.00	4,500,000.00
Printing & Stationery	4,465,000.00	2,682,700.00
	<u>38,013,354.00</u>	<u>63,553,062.00</u>
<b>14.0 LABOUR EXPENSES</b>		
Salaries & Wages	10,200,000.00	17,272,400.00
Skills & Development Levy	433,500.00	356,020.00
NSSF Contribution	1,020,000.00	1,368,220.00
Canteen Services	3,339,360.00	3,332,064.00
Staff Medical	158,720.00	513,760.00
Staff Uniform	164,220.00	836,510.00
Workers Compensation Fund	102,000.00	190,592.00
	<u>15,417,800.00</u>	<u>23,869,566.00</u>
<b>15.0 FINANCIAL EXPENSES</b>		
Bank Charges	5,676,152.00	18,343,734.00
Bank Interest	159,656,864.00	190,470,483.00
	<u>165,333,016.00</u>	<u>208,814,217.00</u>
<b>16.0 SELLING EXPENSES</b>		
Transport & Distribution Charges	8,655,000.00	7,663,890.00
Advertising & Promotion	6,394,000.00	6,576,000.00
	<u>15,049,000.00</u>	<u>14,239,890.00</u>

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**Report of Auditors on the Financial Statements of Harsho Milling Company Limited  
for the Year Ended on 31st December 2020**

**NOTES TO THE FINANCIAL STATEMENTS ( CONT'D )**

	31.12.2020	31.12.2019
	<u>TZS</u>	<u>TZS</u>
<b>17.0 RELATED PARTY TRANSACTION</b>		
<b>A)Inter-Company transaction</b>		
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>75,361,489.00</u>	<u>759,877,056.00</u>
Sales of goods	<u>1,983,012,800.00</u>	<u>1,490,652,628.00</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>
iv)The company has pledged Harsho Packaging Co Ltd plot as collateral to secure bank loan and bank overdraft		
<b>B)Key Management Personnel</b>		
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		
<b>i) Key Management</b>		
Salaries	26,760,000.00	22,580,000.00
Define Contribution	<u>2,676,000.00</u>	<u>1,020,000.00</u>
	<u>29,436,000.00</u>	<u>23,600,000.00</u>

**HARSHO MILLING CO. LTD**  
**KWASADALA UNSURVEY MOSHI**  
**TIN NO. 120-795-538**  
**TAX COMPUTATION 2020**

	<u>TZS</u>	<u>TZS</u>
Profit/(Loss) as per accounts		34,120,045.00
<b>Add back:</b>		151,757,723.00
Depreciation		
<b>Less:</b>	134,431,971.05	
Wear and Tear Allowance	51,445,796.95	
Adjusted Taxable Loss	<u>185,877,768.00</u>	<u>185,877,768.00</u>
Corporate Tax thereon 30%	NIL	
Balance b/d	(1,191,990,992.00)	
Taxable Profit for the year	51,445,796.95	
Carried forward Adjusted Taxable Loss	<u>(1,140,545,195.05)</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 01.01.2020	19,065,045.00	352,859,037.00	60,601,937.00	
Disposal	(2,861,023.00)			
Additions	0.00	0.00	0.00	
Wear and Tear Allowance	<u>16,204,022.00</u>	<u>352,859,037.00</u>	<u>60,601,937.00</u>	
W.D.V at 31.12.2020	6,076,508.00	88,214,759.00	7,575,242.00	<u>101,866,509.00</u>
	<u>10,127,514.00</u>	<u>264,644,278.00</u>	<u>53,026,695.00</u>	

	CLASS VI 5%	
W.D.V at 01.01.2020	575,335,225.00	
Additions	<u>75,974,016.00</u>	
	651,309,241.00	
Accumulated Wear & Tear	78,584,592.00	
Wear and Tear Allowance	<u>32,565,462.00</u>	<u>32,565,462.05</u>
W.D.V at 31.12.2020	<u>618,743,779.00</u>	

**PENO & ASSOCIATES**

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