

HARSHO MILLING COMPANY LIMITED
FINANCIAL STATEMENTS
31ST DECEMBER 2022

PENO & ASSOCIATES,

CERTIFIED PUBLIC ACCOUNTANTS,

AUDITORS & TAX CONSULTANTS.

P.O. BOX 1066,

MOSHI – TANZANIA

TEL: 027-2754094

TABLE OF CONTENTS

	Page
REPORT OF THE DIRECTORS	1 - 4
STATEMENT OF DIRECTORS RESPONSIBILITIES	5
INDEPENDENT AUDITORS REPORT	6 - 7
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2022	8
STATEMENT OF PROFIT OR LOSS	9
STATEMENT OF CHANGES IN EQUITY	10
STATEMENT OF CASHFLOWS	11
NOTES TO THE FINANCIAL STATEMENTS	12 - 18



HARSHO

Milling & Processing Co. Ltd

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REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 2022

The Directors of the Company submit their annual report together with the audited financial statements for the year ended 31st December 2022, 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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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:**

	2022	2021
	<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 9 of these financial statements. The Directors do not recommend the payment of dividends.

8.0 **FUTURE DEVELOPMENT:**

Plans for the coming year are to complete Hatchery and Breeder farm project which started this year.

9.0 **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 2022 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 nineteen (19).

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:28/07/2023.....



HARSHO

Milling & Processing Co. Ltd

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STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED
31ST DECEMBER 2022

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 2022, 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.....28/07/2023.....

PENO & ASSOCIATES

**CERTIFIED PUBLIC ACCOUNTANTS
AUTHORISED AUDITORS
TAX CONSULTANTS**

P.O.Box 1066

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MOSHI - TANZANIA

INDEPENDENT AUDITOR'S REPORT

To the Directors of Harsho Milling Company Limited.

Report on the Financial Statements

Opinion

In our opinion, the accompanying Financial Statements, give a true and fair view of the financial position of Harsho Milling Company Limited as at 31st December 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

We have audited the Financial Statements of the Company, which comprise the Statement of Financial Position as at 31st December 2022, and the Statement of Profit or Loss, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Going Concern

The Company's financial statement have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Company or cease operation, or has no realist alternative but do so. As part of our audit of the financial statements, we have concluded that the management's use of the going concern basis of accounting in the preparation of the Company's financial statement is appropriate.

Management has not identified a material uncertainty that may cast significant doubt on the entity's ability to continue as going concern, and accordingly non is disclosed in the financial statements. Based in our audit of the financial statements, we also not identified such a material uncertainty. However, neither Management nor the Auditor can guarantee the Company's ability to continue as a going concern.

Directors Responsibility for the Financial Statements

The Directors of the company are responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting Standards (IFRSs), 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. The Directors are responsible for overseeing the Company's reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

The objectives of our audit are 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 it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

Our responsibility 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 29.07.2023

**Report of Auditors on the Financial Statements of Harsho Milling Company Limited
for the Year Ended on 31st December 2022**

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2022

ASSETS	NOTES	31.12.2022	31.12.2021
		TZS	TZS
Non Current Assets			
Property, Plant & Equipment	2.0	8,796,597,228.00	2,216,242,882.00
Biological Asset	3.0	194,837,695.00	0.00
		<u>8,991,434,923.00</u>	<u>2,216,242,882.00</u>
Current Assets			
Inventories in Trade	4.0	200,145,099.00	146,597,100.00
Trade & other Receivables	5.0	351,749,415.00	426,752,169.00
Cash and Cash Equivalents	6.0	169,871,071.00	56,906,613.00
		<u>721,765,585.00</u>	<u>630,255,882.00</u>
TOTAL ASSETS		<u>9,713,200,508.00</u>	<u>2,846,498,764.00</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share Capital	7.0	2,000,000.00	2,000,000.00
Retained Earnings		<u>(53,532,659.00)</u>	<u>(37,032,527.00)</u>
		<u>(51,532,659.00)</u>	<u>(35,032,527.00)</u>
Non-Current Liabilities			
Long Term Loan	8.0	5,819,541,872.00	1,799,415,494.00
Current Liabilities			
Trade & Other Payables	9.0	3,384,174,430.00	971,813,350.00
Bank Overdraft	10.0	508,633,450.00	0.00
Taxation Account		<u>52,383,415.00</u>	<u>110,302,447.00</u>
		<u>3,945,191,295.00</u>	<u>1,082,115,797.00</u>
TOTAL EQUITY AND LIABILITIES		<u>9,713,200,508.00</u>	<u>2,846,498,764.00</u>

The notes and the related statements on pages 12 - 18 form part of the financial statement



DIRECTOR



DIRECTOR

Date:

28/07/2023

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 2022**

STATEMENT OF PROFIT OR LOSS

		2022	2021
	<u>NOTES</u>	<u>TZS</u>	<u>TZS</u>
SALES		7,894,309,727.00	5,443,550,551.00
Cost of Sales	11.0	7,336,933,982.00	5,107,394,226.00
Gross Profit		557,375,745.00	336,156,325.00
Other Income	13.0	2,516,905.00	3,593,220.00
		559,892,650.00	339,749,545.00
OPERATING EXPENSES			
Establishment	14.0	100,269,531.00	48,659,702.00
Administrative	15.0	92,346,124.00	81,096,866.00
Labour	16.0	30,035,028.00	22,010,088.00
Financial	17.0	264,184,631.00	165,519,059.00
Selling Expenses	18.0	88,869,952.00	19,620,100.00
		575,705,266.00	336,905,815.00
Net Profit/(Loss) before tax		(15,812,616.00)	2,843,730.00
Corporate tax		0.00	9,090,655.00
Net Profit/(Loss) after tax		(15,812,616.00)	(6,246,925.00)

The notes and the related statements on pages 12 - 18 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 2022**

STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	RETAINED EARNINGS	TOTAL
	<u>TZS</u>	<u>TZS</u>	<u>TZS</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>
At 1st January 2022	2,000,000.00	(37,032,527.00)	(35,032,527.00)
Net Profit/(Loss) after Tax	0.00	(15,812,616.00)	(15,812,616.00)
Translation of Adjustment	0.00	(687,516.00)	(687,516.00)
At 31st December 2022	<u>2,000,000.00</u>	<u>(53,532,659.00)</u>	<u>(51,532,659.00)</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 2022**

STATEMENT OF CASHFLOWS

	31.12.2022	31.12.2021
	<u>TZS</u>	<u>TZS</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	(15,812,616.00)	2,843,730.00
Adjustment for:		
Depreciation	261,432,345.00	135,054,230.00
Loss on Disposal	0.00	133,768.00
Fair Value change in Biological Asset	(194,837,695.00)	0.00
(Increase)/Decrease in Inventories	(53,547,999.00)	578,822,695.00
(Increase)/Decrease in Trade & Other Receivables	75,002,754.00	(422,787,126.00)
Increase/(Decrease) in Trade & Other Payables	2,412,361,080.00	(833,409,350.00)
Prior Year Adjustments	0.00	746,030,914.00
	<u>2,500,410,485.00</u>	<u>203,845,131.00</u>
Net Cash from Operating activities	2,484,597,869.00	206,688,861.00
Corporate Tax paid	(58,606,548.00)	(7,200,000.00)
INVESTING ACTIVITIES		
Disposal of Fixed asset	0.00	1,650,000.00
Acquisition of Fixed Assets	(6,841,786,691.00)	(1,000,697,243.00)
Net Cash in/(out) flow from Investing Activities	<u>(6,841,786,691.00)</u>	<u>(999,047,243.00)</u>
Net Cash in/(out) flow before Financing Activities	(4,415,795,370.00)	(799,558,382.00)
FINANCING ACTIVITIES		
Issue of Share Capital	0.00	0.00
Bank Overdraft	508,633,450.00	(529,627,476.00)
Term Loan	4,020,126,378.00	1,384,414,079.00
Net Cash in/(out) flow from financing activities	<u>4,528,759,828.00</u>	<u>854,786,603.00</u>
Increase/(Decrease) in Cash & Cash Equivalents	<u>112,964,458.00</u>	<u>55,228,221.00</u>
CHANGES IN CASH AND CASH EQUIVALENTS		
Increase/(Decrease) in Cash & Cash Equivalents	<u>112,964,458.00</u>	<u>55,228,221.00</u>
Cash & Cash Equivalent at the beginning of the year	56,906,613.00	1,678,392.00
Cash & Cash Equivalent at the end of the year	169,871,071.00	56,906,613.00

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 preparation

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 Adoption of International Financial Reporting Standards

For the purpose of preparing financial statements for the year ended on 31st December, 2022 the Company adopted IASs (as revised in March 2004) shown below which are relevant to its operations:

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Statement of Cash Flows
IAS 8	Accounting Policies, Charge in Accounting Estimates and Errors
IAS 12	Accounting for Income Taxes
IAS 16	Property, Plant and Equipment
IAS 18	Revenue
IAS 19	Employees Benefit
IAS 23	Borrowing Costs
IAS 24	Related Part Disclosed
IAS 41	Agriculture

1.3 Depreciation.

Depreciation has been calculated to write off the cost of the Machinery & Equipments, Furniture & Fittings Motor Vehicles, Trucks, Computers & Accessories and Generators over their expected useful lives on reducing balance basis with exception of Building on straight line method at the following rate:

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

1.4 Inventories in Trade

The inventories in trade are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value.

1.5 Currency

The Financial statements are presented in Tanzanian Shillings (TZs).

1.6 Income Tax

Income tax expense is the aggregate of the charge in profit or loss in respect of current income tax. Current income tax is the amount of income tax payable on taxable profit for the year determined in accordance with the Tanzania income tax act, 2004.

NOTES TO THE FINANCIAL STATEMENTS

1.7 Trade Receivable

Trade receivables are amount due from customers for goods sold or services performed in the ordinary course of business, they are generally due for settlement within the period of 30 days, as such all receivables are classified as current.

1.8 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and bank deposit payable on demand. Bank overdraft are shown on statement of financial position as current liabilities.

1.9 Biological Asset

Biological assets represent the value of live chicken on the field before the point of harvest present at the period end. These are measured at fair value less cost to sell with any changes therein recognised in statement of profit or loss. Cost to sell include all costs that would be necessary to sell the assets, including transportation cost.

1.10 Trade Payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within one year after the reporting period.

1.11 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.

NOTES TO THE FINANCIAL STATEMENTS

2.0 PROPERTY, PLANT AND EQUIPMENTS

COST	LAND		BUILDINGS		MACHINERY & EQUIPMENTS		MOTOR VEHICLES		TRUCKS		COMPUTERS & ACCESSORIES		FURNITURES & FITTINGS		GENERATORS		CAPITAL WORK IN PROGRESS		TOTAL TZS
	TZS		TZS		TZS		TZS		TZS		TZS		TZS		TZS		TZS		
At 01.01.2022	0.00		651,309,241		1,358,789,591		9,610,000		38,628,264		6,000,000		5,897,000		94,203,264		1,000,697,243		3,165,134,603
Additions	615,000,000		767,182,734		49,319,173		321,328,140		176,017,831		0.00		0.00		203,368,482		4,709,570,331		6,841,786,691
Disposal	0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		(1,000,697,243)		0.00
Transfer	0.00		0.00		1,000,697,243		0.00		0.00		0.00		0.00		0.00		0.00		0.00
At 31.12.2022	615,000,000		1,418,491,975		2,408,806,007		330,938,140		214,646,095		6,000,000		5,897,000		297,571,746		4,709,570,331		10,006,921,294
DEPRECIATION																			
At 01.01.2022	0.00		136,310,256		712,249,841		7,760,255		31,753,263		5,642,373		3,250,453		51,925,280		0.00		948,891,721
Disposal	0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00
Charges 2022	0.00		32,565,462		164,904,514		40,116,375		5,385,788		134,110		330,818		17,995,278		0.00		261,432,345
	0.00		168,875,718		877,154,355		47,876,630		37,139,051		5,776,483		3,581,271		69,920,558		0.00		1,210,324,066
NET BOOK VALUE																			
At 31.12.2022	615,000,000		1,249,616,257		1,531,651,652		283,061,510		177,507,044		223,517		2,315,729		227,651,188		4,709,570,331		8,796,597,228
At 31.12.2021	0.00		514,998,985		646,539,750		1,849,745		6,875,001		357,627		2,646,547		42,277,984		1,000,697,243		2,216,242,882

The capital work in progress amount mainly related to the on-going capital projects for the new Breeder and Hatchery to the Company which is being undertaken at Kwasadala, in Hai District and Ngarenairobi, in Siha District

The Land, buildings, plant and machinery with net book value of TZS 8,333,489,428 (Dec 2021: TZS 2,204,513,962) have been secured against borrowings/facilities as set out in Note 8 and 10 to the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	31.12.2022	31.12.2021
	<u>TZS</u>	<u>TZS</u>
3.0 BIOLOGICAL ASSET		
<i>Non-Current assets</i>		
Value of opening stock of livestock	0.00	0.00
Increase due to acquisition	200,015,518.00	0.00
Net Increase due to births and deaths	(5,177,823.00)	0.00
Decrease due to Sales	0.00	0.00
Change in fair value less cost of sell: due to price and physical changes	0.00	0.00
Value of closing stock of livestock	<u>194,837,695.00</u>	<u>0.00</u>

As at 31st December 2022, livestock comprise 15,014 chickens. No chickens were sold during the period and births/deaths (net) were about 399.

4.0 INVENTORIES IN TRADE	158,247,588.00	76,269,000.00
Raw Materials	41,897,511.00	70,328,100.00
Finished Goods	<u>200,145,099.00</u>	<u>146,597,100.00</u>

5.0 TRADE AND OTHER RECEIVABLES	336,117,140.00	34,502,169.00
Trade Receivables	15,632,275.00	392,250,000.00
Other Receivables	<u>351,749,415.00</u>	<u>426,752,169.00</u>

6.0 CASH AND CASH EQUIVALENTS	139,684,740.00	49,028,732.00
Bank Balance	30,186,331.00	7,877,881.00
Cash Balance	<u>169,871,071.00</u>	<u>56,906,613.00</u>

7.0 SHARE CAPITAL		
Initial Share Capital	<u>2,280,000,000.00</u>	<u>2,280,000,000.00</u>
22,800 Ordinary Shares @ Tshs. 100,000/=		
Issued and fully paid	<u>2,000,000.00</u>	<u>2,000,000.00</u>
20 Ordinary Shares @ Tshs. 100,000/=		

8.0 LONG TERM LOAN	5,819,541,872.00	1,799,415,494.00
Loan from KCB Bank	<u>5,819,541,872.00</u>	<u>1,799,415,494.00</u>

9.0 TRADE AND OTHER PAYABLES	3,160,426,258.00	839,448,768.00
Trade Payables	223,748,172.00	132,364,582.00
Other Payables	<u>3,384,174,430.00</u>	<u>971,813,350.00</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	31.12.2022	31.12.2021
	<u>TZS</u>	<u>TZS</u>
10.0 BANK OVERDRAFT		
Bank Overdraft from CRDB Bank	508,633,450.00	0.00
	<u>508,633,450.00</u>	<u>0.00</u>
11.0 COST OF SALES		
Opening Inventories of Finished Goods	70,328,100.00	350,316,155.00
Add: Manufacturing Cost	7,308,503,393.00	4,827,406,171.00
	<u>7,378,831,493.00</u>	<u>5,177,722,326.00</u>
Closing Inventories of Finished Goods	41,897,511.00	70,328,100.00
	<u>7,336,933,982.00</u>	<u>5,107,394,226.00</u>
12.0 MANUFACTURING COST		
Opening Inventories of Raw Material	76,269,000.00	375,103,640.00
Add: Purchases of Raw Material	6,536,645,433.00	4,000,133,331.00
	<u>6,612,914,433.00</u>	<u>4,375,236,971.00</u>
Closing Inventories of Raw Materials	158,247,588.00	76,269,000.00
Cost of Raw Material Consumed	<u>6,454,666,845.00</u>	<u>4,298,967,971.00</u>
Direct Cost		
Salaries	56,680,000.00	58,398,800.00
Wages	15,279,263.00	8,386,200.00
Packing Material	89,766,088.00	97,430,830.00
Fire Woods	13,386,400.00	6,304,000.00
	<u>175,111,751.00</u>	<u>170,519,830.00</u>
Prime Cost	<u>6,629,778,596.00</u>	<u>4,469,487,801.00</u>
Factory Overheads		
Electricity	476,072,357.00	224,490,246.00
Machine Fuel & Lubricants	4,327,570.00	4,355,000.00
Machine - Repairs & Maintenance	7,399,293.00	10,979,412.00
Cleaning Sanitation	339,500.00	370,124.00
Skills and Development Levy	2,878,371.00	2,677,371.00
NSSF Contribution	5,668,000.00	5,803,360.00
Depreciation of Productive Machines	164,904,514.00	92,362,822.00
Canteen & Catering	12,326,664.00	10,287,788.00
Staff Uniform	800,000.00	294,000.00
Staff Medical	446,100.00	415,296.00
Workers Compensation Fund	375,888.00	446,025.00
Inspection Fee	200,000.00	1,180,000.00
Safety Gears	646,040.00	546,840.00
Fumigation	340,500.00	210,086.00
NEMC	2,000,000.00	3,500,000.00
Total Factory Overhead	<u>678,724,797.00</u>	<u>357,918,370.00</u>
Factory Cost of Goods Manufactured	<u>7,308,503,393.00</u>	<u>4,827,406,171.00</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	31.12.2022	31.12.2021
	<u>TZS</u>	<u>TZS</u>
13.0 OTHER INCOME		
a) Transport Income	2,516,905.00	3,593,220.00
Total Other Income	<u>2,516,905.00</u>	<u>3,593,220.00</u>
14.0 ESTABLISHMENT EXPENSES		
Rents & Rates	1,080,000.00	1,080,000.00
Stamp Duty	10,800.00	10,800.00
Depreciation	96,527,831.00	42,691,408.00
Repairs & Maintenance	2,050,900.00	4,277,494.00
Business Licence	600,000.00	600,000.00
	<u>100,269,531.00</u>	<u>48,659,702.00</u>
15.0 ADMINISTRATIVE EXPENSES		
Printing & Stationery	4,100,000.00	4,963,700.00
Telecommunication	2,503,600.00	1,955,000.00
Cleaning and Sanitation	145,500.00	174,176.00
Electricity & Water	4,808,812.00	2,267,578.00
Motor Vehicle Service	34,702,000.00	28,070,122.00
Audit Fee	3,540,000.00	3,540,000.00
Generator Expenses	26,661,000.00	33,838,000.00
Safety Gears	0.00	60,760.00
Loss on Disposal	0.00	133,768.00
Donation	0.00	1,206,600.00
Entertainment	1,650,000.00	1,050,000.00
Insurance	2,655,000.00	2,242,000.00
Subscriptions	10,430,212.00	432,000.00
Withholding Taxes	700,000.00	938,162.00
TRA Fine & Penalties	450,000.00	225,000.00
	<u>92,346,124.00</u>	<u>81,096,866.00</u>
16.0 LABOUR EXPENSES		
Salaries & Wages	21,630,000.00	11,961,200.00
Skills & Development Levy	865,200.00	472,477.00
NSSF Contribution	2,163,000.00	1,188,640.00
Canteen & Catering	5,282,856.00	4,841,312.00
Staff Training	0.00	3,250,000.00
Staff Medical	0.00	79,104.00
Staff Uniform	0.00	126,000.00
Workers Compensation Fund	93,972.00	91,355.00
	<u>30,035,028.00</u>	<u>22,010,088.00</u>

**Report of Auditors on the Financial Statements of Harsho Milling Company Limited
for the Year Ended on 31st December 2022**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	31.12.2022	31.12.2021
	TZS	TZS
17.0 FINANCIAL EXPENSES		
Bank Charges	7,727,657.00	25,950,232.00
Overdraft Interest	224,803,773.00	63,023,389.00
Bank Loan Interest	31,653,201.00	76,545,438.00
	<u>264,184,631.00</u>	<u>165,519,059.00</u>
18.0 SELLING EXPENSES		
Transport & Distribution Charges	81,815,440.00	12,420,100.00
Advertising & Promotion	7,054,512.00	7,200,000.00
	<u>88,869,952.00</u>	<u>19,620,100.00</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>174,766,088.00</u>	<u>109,800,830.00</u>
Sales of goods	<u>2,424,024,100.00</u>	<u>1,946,010,500.00</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>

ii) The directors of the company own directly and indirectly 36,000 (2021: 36,000) ordinary shares of the company as at 31.12.2022

HARSHO MILLING CO. LTD
KWASADALA UNSURVEY MOSHI
TIN NO. 120-795-538
TAX COMPUTATION 2022

Profit/(Loss) as per accounts

Add back:

Depreciation
 Withholding Taxes

Less:

Wear and Tear Allowance
 Adjusted Taxable Profit/(Loss)

TZS

TZS

(15,812,616.00)

261,432,345.00

574,594,892.00
 (328,975,163.00)

245,619,729.00

245,619,729.00

Nil

Corporate Tax thereon 30%

WEAR AND TEAR SCHEDULE

	CLASS I 37.5%	CLASS II 25%	CLASS III 12.5%	W.D.A.
W.D.V at 01.01.2022	5,298,446.00	198,483,209.00	46,398,358.00	
Disposal	0.00	0.00	0.00	
Additions	321,328,140.00	1,176,715,074.00	252,687,655.00	
Wear and Tear Allowance	326,626,586.00	1,375,198,283.00	299,086,013.00	
W.D.V at 31.12.2022	122,484,970.00	343,799,571.00	37,385,752.00	<u>503,670,293.00</u>
	204,141,616.00	1,031,398,712.00	261,700,261.00	
	CLASS VI 5%			
W.D.V at 01.01.2022	651,309,241.00			
Additions	767,182,734.00			
	1,418,491,975.00			
Accumulated Wear & Tear	136,310,256.00			
Wear and Tear Allowance	70,924,599.00	<u>70,924,599.00</u>		
W.D.V at 31.12.2022	1,347,567,376.00			

peno & associates
PEÑO & ASSOCIATES

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