

HARSHO PACKAGING COMPANY LIMITED

FINANCIAL STATEMENTS

31ST DECEMBER 2023

PENO & ASSOCIATES,

CERTIFIED PUBLIC ACCOUNTANTS,

AUDITORS & TAX CONSULTANTS.

P.O. BOX 1066,

MOSHI – TANZANIA

TEL: 027-2754094

REPORT OF THE DIRECTORS FOR THE YEAR ENDED
31ST DECEMBER 2023

The Directors submit their annual report together with the audited financial statements for the year ended 31st December 2023, which discloses the state of affairs of Harsho Packaging Company Limited as at that date.

1.0 INCORPORATION:

The Company was incorporated on the 02nd June 2009 with certificate of Incorporation number 71255 registered under the Tanzanian Companies Act. The address of her 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 producing woven sacks, non-woven and plastic packing materials.

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 Alfayo Shoo	Tanzanian
Mrs. Marygrace 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.

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 in 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:**

	2020	2019
	<u>Tshs</u>	<u>Tshs</u>
100,000 Ordinary Shares of Tzs 10,000 each	1,000,000,000.00	1,000,000,000.00

➤ **Issued and full paid**

3 Ordinary Share of Tzs 10,000 each	30,000.00	30,000.00
--	-----------	-----------

6.0 **MANAGEMENT:**

The management of the Company is under the Managing Director and is organized in the following departments:

- Administration department
- 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**

The future development for the company is construction of new go-down for installation of PPE (Personal Protective Equipment) machinery.

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 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.

10.0 **SOLVENCY:**

The Board of directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of directors has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

11.0 **ADMINISTRATIVE MATTERS:**

The Company is capable of handling all administrative matters.

12.0 **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 one hundred twenty-six (126).

13.0 **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: 13/02/2025

STATEMENT OF DIRECTOR'S RESPONSIBILITIES FOR THE YEAR ENDED
31ST DECEMBER 2023

The Company's Directors are responsible for the preparation and fair presentation of the Financial Statements of Harsho Packaging Company Limited, comprising the Statement of Financial Position at 31st December 2023, and the Statements of Profit and Loss and other Comprehensive Income, Changes in Equity and 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:12/02/2025.....

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 Packaging Company Limited.

Report on the Financial Statements

Opinion

We have audited the Financial Statements of Harsho Packaging Company Limited, which comprise the Statement of Financial Position as at 31st December 2023, 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 2023 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 14-02-2025

**Report of Auditors on the Financial Statements of Harsho Packaging Company Limited
for the Year Ended on 31st December 2023**

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2023

ASSETS	NOTES	31.12.2023	31.12.2022
		TZS	TZS
Non-Current Assets			
Property, Plant and Equipments	2.0	8,041,543,434.00	8,299,122,125.00
Current Assets			
Inventories in Trade	3.0	12,999,985,577.00	11,815,820,926.00
Trade and other Receivables	4.0	432,479,662.00	610,344,737.00
Taxation		12,824,294.00	0.00
Cash & Cash Equivalents	5.0	174,349,546.00	244,217,209.00
		<u>13,619,639,079.00</u>	<u>12,670,382,872.00</u>
TOTAL ASSETS		<u>21,661,182,513.00</u>	<u>20,969,504,997.00</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share Capital	6.0	30,000.00	30,000.00
Share Premium	7.0	76,763,000.00	76,763,000.00
Retained Earnings		867,055,500.00	1,583,544,690.00
		<u>943,848,500.00</u>	<u>1,660,337,690.00</u>
Non Current Liabilities			
Long Term Loan	10.0	4,149,229,083.00	4,901,696,223.00
Current Liabilities			
Trade and other Payables	9.0	13,717,994,700.00	11,498,023,122.00
Taxation		0.00	71,587,395.00
Bank Overdraft	11.0	2,850,110,230.00	2,837,860,567.00
		<u>16,568,104,930.00</u>	<u>14,407,471,084.00</u>
TOTAL EQUITY AND LIABILITIES		<u>21,661,182,513.00</u>	<u>20,969,504,997.00</u>

The notes and related statements on pages 12 - 18 form part of these financial statements.



DIRECTOR



DIRECTOR

Date: 13/02/2025

**Report of Auditors on the Financial Statements of Harsho Packaging Company
Limited for the Year Ended on 31st December 2023**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2023	2022
	<u>NOTES</u>	<u>TZS</u>	<u>TZS</u>
SALES		14,094,763,142.00	14,633,486,094.00
Cost of Sales	12.0	13,400,832,113.00	13,415,291,375.00
Gross Profit		693,931,029.00	1,218,194,719.00
Other Income	14.0	1,080,000.00	15,080,000.00
		695,011,029.00	1,233,274,719.00
 OPERATING EXPENSES			
Establishment	15.0	209,057,733.00	261,497,765.00
Administrative	16.0	244,045,323.00	84,248,442.00
Labour	17.0	142,754,376.00	132,174,215.00
Financial	18.0	815,642,787.00	912,387,163.00
		1,411,500,219.00	1,390,307,585.00
Profit/Loss from Operations before tax		(716,489,190.00)	(157,032,866.00)
Other comprehensive income:			
Profit/Loss before tax		(716,489,190.00)	(157,032,866.00)
Corporate Tax		0.00	11,705,120.00
Profit/Loss from Operations after tax		(716,489,190.00)	(168,737,986.00)

The notes and related statements on pages 11 - 17 form part of these financial statements.

**Report of Auditors on the Financial Statements of Harsho Packaging Company
Limited for the Year Ended on 31st December 2023**

STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	TOTAL TZS
At 1st January 2022	30,000.00	76,763,000.00	1,752,282,676.00	1,829,075,676.00
Net Loss after Tax	0.00	0.00	(168,737,986.00)	(168,737,986.00)
Prior Year Adjustment	0.00	0.00	0.00	0.00
At 31st December 2022	30,000.00	76,763,000.00	1,583,544,690.00	1,660,337,690.00
At 1st January 2023	30,000.00	76,763,000.00	1,583,544,690.00	1,660,337,690.00
Net Loss after Tax	0.00	0.00	(716,489,190.00)	(716,489,190.00)
Prior Year Adjustment	0.00	0.00	0.00	0.00
At 31st December 2023	30,000.00	76,763,000.00	867,055,500.00	943,848,500.00

**Report of Auditors on the Financial Statements of Harsho Packaging Company
Limited for the Year Ended on 31st December 2023**

STATEMENT OF CASH FLOW

	31.12.2023	31.12.2022
	<u>TZS</u>	<u>TZS</u>
OPERATING ACTIVITIES		
Net Profit/Loss before tax	(716,489,190.00)	(157,032,866.00)
Adjustment for:		
Depreciation	811,826,313.00	911,398,331.00
(Increase)/ Decrease in Inventories	(1,184,164,651.00)	(3,083,011,244.00)
(Increase)/Decrease in Trade and other Receivables	177,865,075.00	(269,614,142.00)
Increase/(Decrease) in Trade and other Payables	2,219,971,578.00	2,710,283,161.00
Proir Year Adjustment	0.00	0.00
	<u>2,025,498,315.00</u>	<u>269,056,106.00</u>
Net Cash in / (out) flow from operating activities	1,309,009,125.00	112,023,240.00
Corporate Tax paid	(84,411,689.00)	(160,000,000.00)
 INVESTING ACTIVITIES		
Acquisition of Tangible Fixed Assets	<u>(554,247,622.00)</u>	<u>(480,968,751.00)</u>
Net Cash in /(out) flow from investing activities	<u>(554,247,622.00)</u>	<u>(480,968,751.00)</u>
Net Cash in/(out) flow before financing activities	670,349,814.00	(528,945,511.00)
 FINANCING ACTIVITIES		
Issue of Shares	0.00	0.00
Bank Overdraft Movement	12,249,663.00	1,990,813,483.00
Loan Movement	<u>(752,467,140.00)</u>	<u>(1,365,048,088.00)</u>
Net Cash in/ (out) flow from financing	<u>(740,217,477.00)</u>	<u>625,765,395.00</u>
Increase/(Decrease) in Cash and Cash Equivalents	<u>(69,867,663.00)</u>	<u>96,819,884.00</u>
 CHANGES IN CASH AND CASH EQUIVALENTS		
Increase /(Decrease) in Cash and Cash Equivalents	<u>(69,867,663.00)</u>	<u>96,819,884.00</u>
Cash and Cash Equivalents at the beginning of the year	244,217,209.00	147,397,325.00
Cash and Cash Equivalents at the end of the year	174,349,546.00	244,217,209.00

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

NOTES TO THE FINANCIAL STATEMENTS

1.0 ACCOUNTING POLICIES

1.1 Basic of Preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for Small and Medium Entities (SME's). The measurement basis applied is the historical cost basis except where otherwise disclosed 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 ISAs (as revised in 2019) shown below which are relevant to its operation:

Section 3	Presentation of Financial Statements
Section 7	Statement of Cash Flows
Section 8	Notes to The Financial Statements
Section 10	Accounting Polices, Change in Accounting Estimates and Errors
Section 13	Inventories
Section 32	Events After Reporting Period
Section 29	Accounting for Income Taxes
Section 17	Property, Plant and Equipment
Section 23	Revenue
Section 28	Employes Benefit
Section 30	Foreign Currency Translation
Section 33	Related Party Disclosures

1.3 Depreciation

Depreciation has been calculated to write off the cost of the property, furniture & fixtures, Machinery & equipments, Computer & Accessories & motor vehicles over their expected usefull lives on reducing balance basis at the following rates:-

Land	NIL
Building	5.0%
Motor Vehicles	37.5%
Furniture & Fixtures	12.5%
Machinery & Equipments	12.5%
Computers & Accessories	37.5%

1.4 Inventories

The trading inventories are stated at the lower of cost incurred and net realisable value.

1.5 Currency

The Financial Statement figure have been expressed in Tanzania Shillings

1.6 Taxation

The income tax expense is the aggregate of charge in profit and loss in respect of Current Income. The current Income tax is the amount of Income tax payable on the taxable profit for the year determined in accordance with Taxable Income Tax Act 2004.

1.7 Cash & Cash Equivalents

Cash and Cash Equivalents includes cash in hand and bank balance.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

1.8 Employment' 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), Contribution 10% of employee's gross emoluments. The contribution of the company is charged to Income Statement with the year to which they relate.

2.0 PROPERTY, PLANT AND EQUIPMENTS

	LAND TZS	BUILDING TZS	FURNITURE & FIXTURES TZS	MACHINERY & EQUIPMENTS TZS	COMPUTER & ACCESSORIES TZS	MOTOR VEHICLES TZS	CAPITAL WORKING IN PROGRESS TZS	TOTAL TZS
Cost at 01.01.2023	180,000,000	1,879,704,611	45,192,626	8,634,647,525	27,440,300	856,854,825	1,965,275,542	13,589,115,429
Additions	0.00		0.00	298,748,042	0.00	136,652,541	118,847,038	554,247,621
	180,000,000	1,879,704,611	45,192,626	8,933,395,568	27,440,300	993,507,367	2,084,122,580	14,143,363,050
Depr at 01.01.2023	0.00	732,964,323	30,595,783	3,907,716,774	25,253,390	593,463,034	0.00	5,289,993,304
Depr. charge 2023	0.00	93,985,231	1,824,605	607,883,680	820,091	107,312,706	0.00	811,826,313
	0.00	826,949,554	32,420,389	4,515,600,453	26,073,481	700,775,739	0.00	6,101,819,616
N.B.V. at 31.12.23	180,000,000	1,052,755,057	12,772,237	4,417,795,115	1,366,819	292,731,628	2,084,122,580	8,041,543,434
N.B.V. at 31.12.22	180,000,000	1,146,740,288	14,596,843	4,726,930,751	2,186,910	263,391,791	1,906,784,336	8,240,630,919

31.12.2023
TZS

31.12.2022
TZS

3.0 INVENTORIES IN TRADE

The inventories in trade comprise of:

Raw Materials	1,144,950,100.00	1,529,854,184.00
Semi - Finished Products	6,245,650,400.00	4,949,358,408.00
Finished Products	5,444,056,177.00	5,048,591,202.00
Recycle Waste Products	165,328,900.00	288,017,132.00
	12,999,985,577.00	11,815,820,926.00

4.0 TRADE AND OTHER RECEIVABLES

Trade Debtors	367,297,066.00	367,297,066.00
Other Debtors	65,182,596.00	243,047,671.00
	432,479,662.00	610,344,737.00

5.0 CASH & CASH EQUIVALENTS

Mpesa	0.00	24,974,847.00
Bank Balance	151,627,129.00	194,426,374.00
Cash Balance	22,722,417.00	24,815,988.00
	174,349,546.00	244,217,209.00

**Report of Auditors on the Financial Statements of Harsho Packaging Company Limited
for the Year Ended on 31st December 2023**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd.)

	31.12.2023	31.12.2022
	<u>TZS</u>	<u>TZS</u>
6.0 SHARE CAPITAL		
Authorised Share Capital		
100,000 Ordinary Shares @ Tshs 10,000/=	<u>1,000,000,000.00</u>	<u>1,000,000,000.00</u>
Issued and fully paid		
3 Ordinary Shares @ Tshs 10,000/=	<u>30,000.00</u>	<u>30,000.00</u>
7.0 SHARE PREMIUM		
The registered Share Capital of the company is 100,000 Ordinary Shares of Tshs.10,000.00 each. On the inception of the company, the member contributed Tshs. 76,793,000 toward formation while making share subscription of Tshs. 30,000 giving rise to share premium of Tanzania Shillings.	<u>76,763,000.00</u>	<u>76,763,000.00</u>
9.0 TRADE AND OTHER PAYABLES		
Trade Creditors	12,978,383,942.00	10,193,883,942.00
Other Creditors	739,610,758.00	1,304,139,180.00
	<u>13,717,994,700.00</u>	<u>11,498,023,122.00</u>
10.0 LONG TERM LOAN		
	<u>4,149,229,083.00</u>	<u>4,901,696,223.00</u>
11.0 Bank Overdraft		
Bank overdraft balance from KCB bank	2,850,110,230.00	2,837,860,567.00
	<u>2,850,110,230.00</u>	<u>2,837,860,567.00</u>
12.0 COST OF SALES		
Opening Inventory	5,048,591,202.00	2,600,400,005.00
Cost of Production	13,796,297,088.00	15,863,482,572.00
	18,844,888,290.00	18,463,882,577.00
Less - Finished Inventory	5,444,056,177.00	5,048,591,202.00
	<u>13,400,832,113.00</u>	<u>13,415,291,375.00</u>

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

**Report of Auditors on the Financial Statements of Harsho Packaging Company Limited
for the Year Ended on 31st December 2023**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd.)

	31.12.2023	31.12.2022
	<u>TZS</u>	<u>TZS</u>
13.0 MANUFACTURING COST		
Opening Inventories: Raw Materials	1,529,854,184.00	1,845,145,789.00
: Semi Finished Products	5,237,375,540.00	4,287,263,888.00
	<u>6,767,229,724.00</u>	<u>6,132,409,677.00</u>
Add: Purchases of Raw Materials	12,419,685,844.00	14,631,001,322.00
	<u>19,186,915,568.00</u>	<u>20,763,410,999.00</u>
Closing Inventories: Raw Materials	1,144,950,100.00	1,529,854,184.00
: Semi Finished Products	6,410,979,300.00	5,237,375,540.00
Cost of Raw Materials Consumed	<u>11,630,986,168.00</u>	<u>13,996,181,275.00</u>
Direct Labour		
Salaries	434,520,000.00	375,220,000.00
Wages	52,038,839.00	26,518,749.00
Total Direct Labour	<u>486,558,839.00</u>	<u>401,738,749.00</u>
Prime Cost	<u>12,117,545,007.00</u>	<u>14,397,920,024.00</u>
Factory Overheads		
Machinery Repair and Maintenance	29,352,258.00	34,900,234.00
Electricity and Water	788,168,588.00	643,403,261.00
NSSF Contribution	43,452,000.00	37,522,000.00
Osha Contribution	4,200,000.00	5,120,000.00
Skills & Development Levy	18,169,374.00	16,069,550.00
Meals & Cattering	53,842,577.00	12,066,225.00
Rubber & Tape	16,859,621.00	5,011,460.00
Industrial Safety gears	0.00	231,000.00
Generator Fuel, Oil and Lubricant	106,035,983.00	42,798,362.00
Depreciation of Production Machines	607,883,680.00	158,035,074.75
Factory Insurance	9,288,000.00	10,959,840.00
Enviromental Care (NEMC)	1,500,000.00	1,500,000.00
Total Factory Overhead	<u>1,678,752,081.00</u>	<u>967,617,006.75</u>
Factory Cost of Goods Manufactured	<u>13,796,297,088.00</u>	<u>15,365,537,030.75</u>

**Report of Auditors on the Financial Statements of Harsho Packaging Company Limited
for the Year Ended on 31st December 2023**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd.)

	31.12.2023	31.12.2022
	<u>TZS</u>	<u>TZS</u>
14.0 OTHER INCOME		
Rental Income	1,080,000.00	1,080,000.00
Mashine Hiring	0.00	14,000,000.00
	<u>1,080,000.00</u>	<u>15,080,000.00</u>
15.0 ESTABLISHMENT EXPENSES		
Rent and Rates	3,799,900.00	4,560,050.00
Depreciation	203,942,633.00	255,417,715.00
Repairs and Maintenance	715,200.00	920,000.00
Business Licence	600,000.00	600,000.00
	<u>209,057,733.00</u>	<u>261,497,765.00</u>
16.0 ADMINISTRATIVE EXPENSES		
Printing and Stationery	4,352,600.00	8,136,580.00
Telecommunication	7,200,000.00	3,252,291.00
Electricity and Water	7,961,299.00	7,089,843.00
Motor Vehicle Running	176,920,283.00	51,522,607.00
Advertisement	1,296,500.00	1,000,000.00
Donation	150,000.00	200,000.00
Audit Fee	5,000,000.00	5,000,000.00
Travelling and Accommodation	32,911,241.00	4,775,511.00
Cleaning and Sanitation	1,553,400.00	1,771,610.00
Subscription	2,852,000.00	0.00
Fire	1,500,000.00	1,500,000.00
Security	2,348,000.00	0.00
	<u>244,045,323.00</u>	<u>84,248,442.00</u>

**Report of Auditors on the Financial Statements of Harsho Packaging Company Limited
for the Year Ended on 31st December 2023**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

	31.12.2023	31.12.2022
	<u>TZS</u>	<u>TZS</u>
17.0 LABOUR EXPENSES		
Salaries and Wages	106,640,000.00	106,640,000.00
Skills & Development Levy	3,999,000.00	4,265,600.00
NSSF Contribution	10,664,000.00	10,664,000.00
Meals & Cattering	17,947,526.00	4,022,075.00
Staff Uniforms	350,000.00	300,000.00
Staff Permit	0.00	3,620,800.00
Staff Medical	416,300.00	0.00
Workers Compansation Fund	2,737,550.00	2,661,740.00
	<u>142,754,376.00</u>	<u>132,174,215.00</u>
18.0 FINANCIAL EXPENSES		
Bank Charges	23,300,500.00	23,853,291.00
Overdraft interest	315,337,912.00	241,670,785.00
Loan Interest	473,663,046.00	642,133,713.00
Service Levy	3,341,329.00	4,729,374.00
	<u>815,642,787.00</u>	<u>912,387,163.00</u>
19.0 RELATED PARTY TRANSACTION		
A) Inter-Company Transaction		
i) Sales of goods		
Sales of Packaging Materials to Harsho Milling Co. Ltd	686,294,740.00	174,766,088.00
Sales of Packaging Materials to Harsho Trading Co. Ltd	62,978,814.00	134,547,922.00
	<u>749,273,554.00</u>	<u>309,314,010.00</u>
<p>The Company trade with Harsho Trading Co. Ltd and Harsho Milling Co. Ltd all being owned directly by same owners and managed by the same directors of both Companies.</p>		
<p>ii) The Company has undertaken cross company gurantee against bank loans and bank overdraft for Harsho Trading Co. Ltd and Harsho Milling Co. Ltd and vice versa</p>		
<p>iii) The Company has rented land to Harsho Milling Co. Ltd</p>		
	<u>1,080,000.00</u>	<u>1,080,000.00</u>

**Report of Auditors on the Financial Statements of Harsho Packaging Company Limited
for the Year Ended on 31st December 2023**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

	31.12.2023	31.12.2022
	<u>TZS</u>	<u>TZS</u>
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 any director of the entity.		
i) Key management compensation		
Salaries	15,600,000.00	15,600,000.00
Defined Contribution	1,560,000.00	1,560,000.00
	<u>17,160,000.00</u>	<u>17,160,000.00</u>
ii) Directors' emoluments		
Executive Directors (included in the key management compensation above)	<u>15,600,000.00</u>	<u>15,600,000.00</u>

The Directors have undertaken personal guarantee and indemnity to secure bank loan and bank overdraft on the behalf of the Company as 31st December 2023

The Directors of the Company own directly 3 ordinary shares of the Company as 31st December 2023