

HARSHO PACKAGING 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

Packaging Company Limited

"Best Solution for: Reuse-Recycle-Recover"

REPORT OF THE DIRECTORS FOR THE YEAR ENDED **31ST DECEMBER 2021**

The Directors submit their annual report together with the audited financial statements for the year ended 31st December 2021, 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:**

	2021	2020
	<u>TZS</u>	<u>TZS</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
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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 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 **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 sixty one (161).

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: 9/9/2022



HARSHO

Packaging Company Limited

"Best Solution for: Reuse-Recycle-Recover"

STATEMENT OF DIRECTOR'S 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 Packaging Company Limited, comprising the statement of financial position at 31st December 2021, 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: 9/9/2022

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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 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 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

Date10/09/2022.....

**Report of Auditors on the Financial Statements of Harsho Packaging 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
		<u>TZS</u>	<u>TZS</u>
<u>Non-Current Assets</u>			
Property, Plant and Equipments	2.0	8,729,551,705.00	7,203,525,689.00
<u>Current Assets</u>			
Inventories in Trade	3.0	8,732,809,682.00	8,600,871,625.00
Trade and other Receivables	4.0	340,730,595.00	334,763,750.00
Taxation Account		0.00	14,678,022.00
Cash & Cash Equivalents	5.0	147,397,325.00	27,746,566.00
		<u>9,220,937,602.00</u>	<u>8,978,059,963.00</u>
TOTAL ASSETS		<u>17,950,489,307.00</u>	<u>16,181,585,652.00</u>
EQUITY AND LIABILITIES			
<u>Capital and Reserves</u>			
Share Capital	6.0	30,000.00	30,000.00
Share Premium	7.0	76,763,000.00	76,763,000.00
Retained Earnings		1,752,282,676.00	1,864,113,499.00
		<u>1,829,075,676.00</u>	<u>1,940,906,499.00</u>
<u>Non Current Liabilities</u>			
Long Term Loan	10.0	5,157,225,458.00	4,985,577,140.00
<u>Current Liabilities</u>			
Trade and other Payables	9.0	9,897,258,814.00	8,628,989,657.00
Taxation		219,882,275.00	0.00
Bank Overdraft	11.0	847,047,084.00	626,112,356.00
		<u>10,964,188,173.00</u>	<u>9,255,102,013.00</u>
TOTAL EQUITY AND LIABILITIES		<u>17,950,489,307.00</u>	<u>16,181,585,652.00</u>

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



DIRECTOR



DIRECTOR

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

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 2021**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2021	2020
	<u>NOTES</u>	<u>TZS</u>	<u>TZS</u>
SALES		15,358,207,172.00	12,589,080,758.00
Cost of Sales	12.0	<u>14,178,360,507.00</u>	<u>11,865,297,604.00</u>
Gross Profit		1,179,846,665.00	723,783,154.00
Other Income	14.0	<u>1,080,000.00</u>	<u>3,123,415,811.00</u>
		1,180,926,665.00	3,847,198,965.00
 OPERATING EXPENSES			
Establishment	15.0	212,251,143.00	220,330,106.00
Administrative	16.0	116,514,128.00	148,537,029.00
Labour	17.0	107,917,016.00	93,148,613.00
Financial	18.0	<u>763,326,289.00</u>	<u>407,896,369.00</u>
		<u>1,200,008,576.00</u>	<u>869,912,117.00</u>
Profit/Loss from Operations before tax		(19,081,911.00)	2,977,286,848.00
Other comprehensive income:			
Interest Received	19.0	<u>0.00</u>	<u>165,649.00</u>
Profit/Loss before tax		(19,081,911.00)	2,977,452,497.00
Corporate Tax		<u>9,998,524.00</u>	<u>5,149,914.00</u>
Profit/Loss from Operations after tax		<u>(29,080,435.00)</u>	<u>2,972,302,583.00</u>

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 2021**

STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	TOTAL TZS
At 1st January 2020	30,000.00	76,763,000.00	(1,183,857,085.00)	(1,107,064,085.00)
Net Loss after Tax	0.00	0.00	2,972,302,583.00	2,972,302,583.00
Prior Year Adjustment	0.00	0.00	75,668,001.00	75,668,001.00
At 31st December 2020	30,000.00	76,763,000.00	1,864,113,499.00	1,940,906,499.00
At 1st January 2021	30,000.00	76,763,000.00	1,864,113,499.00	1,940,906,499.00
Net Loss after Tax	0.00	0.00	(29,080,435.00)	(29,080,435.00)
Prior Year Adjustment	0.00	0.00	(82,750,388.00)	(82,750,388.00)
At 31st December 2021	30,000.00	76,763,000.00	1,752,282,676.00	1,829,075,676.00

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

STATEMENT OF CASH FLOW

	31.12.2021	31.12.2020
OPERATING ACTIVITIES	<u>TZS</u>	<u>TZS</u>
Net Profit/Loss before tax	(19,081,911.00)	2,977,452,497.00
Adjustment for:		
Depreciation	874,595,342.00	898,536,132.00
(Increase)/ Decrease in Inventories	(131,938,057.00)	(1,884,438,535.00)
(Increase)/Decrease in Trade and other Receivables	108,470,938.00	686,821,738.00
Increase/(Decrease) in Trade and other Payables	1,153,831,374.00	(585,748,709.00)
Proir Year Adjustment	124,575,112.00	76,793,001.00
	2,129,534,709.00	(808,036,373.00)
Net Cash in / (out) flow from operating activities	2,110,452,798.00	2,169,416,124.00
Corporate Tax paid	(9,700,000.00)	(12,952,936.00)
INVESTING ACTIVITIES		
Acquisition of Tangible Fixed Assets	(2,373,685,085.00)	(770,344,038.00)
Net Cash in /(out) flow from investing activities	(2,373,685,085.00)	(770,344,038.00)
Net Cash in/(out) flow before financing activities	(272,932,287.00)	1,386,119,150.00
FINANCING ACTIVITIES		
Issue of Shares	0.00	0.00
Bank Overdraft Movement	220,934,728.00	(392,880,669.00)
Loan Movement	171,648,318.00	(1,043,407,393.00)
Net Cash in/ (out) flow from financing	392,583,046.00	(1,436,288,062.00)
Increase/(Decrease) in Cash and Cash Equivalents	119,650,759.00	(50,168,912.00)
CHANGES IN CASH AND CASH EQUIVALENTS		
Increase /(Decrease) in Cash and Cash Equivalents	119,650,759.00	(50,168,912.00)
Cash and Cash Equivalents at the beginning of the year	27,746,566.00	77,915,478.00
Cash and Cash Equivalents at the end of the year	147,397,325.00	27,746,566.00

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 2020 the company adopted ISAs (as revised in March 2004) shown below which are relevant to its operation:

ISA 1	Presentation of Financial Statements
ISA 7	Statement of Cash Flows
ISA 8	Accounting Polices, Change in Accounting Estimates and Errors
ISA 10	Events After Reporting Period
ISA 12	Accounting for Income Taxes
ISA 16	Property, Plant and Equipment
ISA 18	Revenue
ISA 19	Employes Benefit
ISA 21	The effectsof Changes in Foreign Exchange Rates

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 Equivalentents

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

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 01.01.2021	180,000,000	1,879,704,611	45,192,626	8,084,298,855	27,440,300	517,825,201	0.00	10,734,461,593
Additions	0.00	0.00	0.00	324,665,647	0.00	339,029,624	1,709,989,814	2,373,685,085
	180,000,000	1,879,704,611	45,192,626	8,408,964,502	27,440,300	856,854,825	1,709,989,814	13,108,146,678
Depr at 01.01.2021	0.00	544,993,861	26,127,362	2,561,370,059	21,841,811	349,666,538	0.00	3,503,999,631
Depr. charge 2020	0.00	93,985,231	2,383,158	690,366,099	2,099,433	85,761,421	0.00	874,595,342
	0.00	638,979,092	28,510,520	3,251,736,158	23,941,244	435,427,959	0.00	4,378,594,973
N.B.V. at 31.12.21	180,000,000	1,240,725,519	16,682,106	5,157,228,344	3,499,056	421,426,866	1,709,989,814	8,729,551,705
N.B.V. at 31.12.20	180,000,000	1,334,710,750	19,065,264	5,847,594,443	5,598,489	507,188,287	0.00	9,604,147,047

31.12.2021
TZS

31.12.2020
TZS

3.0 INVENTORIES IN TRADE

The inventories in trade comprise of:

Raw Materials	1,845,145,789.00	2,145,839,805.00
Semi - Finished Products	4,267,406,455.00	3,109,278,719.00
Finished Products	2,600,400,005.00	2,998,320,550.00
Recycle Waste Products	19,857,433.00	347,432,551.00
	8,732,809,682.00	8,600,871,625.00

4.0 TRADE AND OTHER RECEIVABLES

Trade Debtors	340,100,595.00	272,713,922.00
Other Debtors	630,000.00	62,049,828.00
	340,730,595.00	334,763,750.00

5.0 CASH & CASH EQUIVALENTS

Mpesa	64,619,032.00	2,687,695.00
Bank Balance	72,527,893.00	2,251,022.00
Cash Balance	10,250,400.00	22,807,849.00
	147,397,325.00	27,746,566.00

**Report of Auditors on the Financial Statements of Harsho Packaging 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>
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	8,277,140,839.00	8,612,061,838.00
Other Creditors	1,620,117,975.00	121,927,819.00
	<u>9,897,258,814.00</u>	<u>8,733,989,657.00</u>
10.0 LONG TERM LOAN		
CRDB Hai	0.00	4,985,577,140.00
KCB	5,157,225,458.00	0.00
	<u>5,157,225,458.00</u>	<u>4,985,577,140.00</u>
11.0 Bank Overdraft		
Bank overdraft balance from Crdb bank	0.00	626,112,356.00
Bank overdraft balance from KCB bank	847,047,084.00	0.00
	<u>847,047,084.00</u>	<u>626,112,356.00</u>
12.0 COST OF SALES		
Opening Inventory	2,998,320,550.00	1,991,826,592.00
Cost of Production	13,780,439,962.00	12,871,791,562.00
	<u>16,778,760,512.00</u>	<u>14,863,618,154.00</u>
Less - Finished Inventory	2,600,400,005.00	2,998,320,550.00
	<u>14,178,360,507.00</u>	<u>11,865,297,604.00</u>

**Report of Auditors on the Financial Statements of Harsho Packaging 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>
13.0 MANUFACTURING COST		
Opening Inventories: Raw Materials	2,145,839,805.00	1,423,541,984.00
: Semi Finished Products	3,456,711,270.00	3,301,064,514.00
	5,602,551,075.00	4,724,606,498.00
Add: Purchases of Raw Materials	12,245,057,714.00	11,369,888,930.00
	17,847,608,789.00	16,094,495,428.00
Closing Inventories: Raw Materials	1,845,145,789.00	2,145,839,805.00
: Semi Finished Products	4,287,263,888.00	3,456,711,270.00
	11,715,199,112.00	10,491,944,353.00
Cost of Raw Materials Consumed	11,715,199,112.00	10,491,944,353.00
 Direct Labour		
Salaries	305,037,000.00	339,035,840.00
Wages	19,365,160.00	15,956,000.00
Total Direct Labour	324,402,160.00	354,991,840.00
 Prime Cost	12,039,601,272.00	10,846,936,193.00
 Factory Overheads		
Machinery Repair and Maintenance	32,064,124.00	78,942,101.00
Electricity and Water	863,174,920.00	992,314,114.00
NSSF Contribution	30,503,700.00	33,903,584.00
Osha Contribution	7,585,000.00	5,345,000.00
Skills & Development Levy	12,976,086.00	15,007,529.00
Meals & Cattering	12,376,000.00	33,257,900.00
Rubber	9,584,278.00	19,050,366.00
Industrial Safety gears	231,000.00	350,000.00
Generator Fuel, Oil and Lubricant	55,281,003.00	112,381,433.00
Depreciation of Production Machines	690,366,099.00	723,043,502.00
Factory Insurance	24,196,480.00	10,259,840.00
Enviromental Care (NEMC)	2,500,000.00	1,000,000.00
	1,740,838,690.00	2,024,855,369.00
Total Factory Overhead	1,740,838,690.00	2,024,855,369.00
 Factory Cost of Goods Manufactured	13,780,439,962.00	12,871,791,562.00

**Report of Auditors on the Financial Statements of Harsho Packaging 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>
14.0 OTHER INCOME		
Rental Income	1,080,000.00	1,080,000.00
Gain on Exchange	0.00	1,454,249.00
Workers Compansation Fund	0.00	881,562.00
Creditor no longer required	0.00	3,120,000,000.00
	<u>1,080,000.00</u>	<u>3,123,415,811.00</u>
15.0 ESTABLISHMENT EXPENSES		
Rent and Rates	3,799,900.00	3,042,625.00
Depreciation	184,229,243.00	175,492,630.00
Repairs and Maintenance	23,600,000.00	38,727,828.00
Business Licence	622,000.00	622,000.00
Service Levy		2,445,023.00
	<u>212,251,143.00</u>	<u>220,330,106.00</u>
16.0 ADMINISTRATIVE EXPENSES		
Printing and Stationery	6,906,107.00	3,610,850.00
Telecommunication	3,135,000.00	4,158,208.00
Electricity and Water	12,255,482.00	10,023,375.00
Motor Vehicle Running	59,908,441.00	84,544,914.00
Entertainment	200,000.00	1,119,410.00
Advertisement	9,784,913.00	2,000,000.00
Donation	2,000,000.00	6,680,000.00
Audit Fee	3,500,000.00	3,500,000.00
Travelling and Accommodation	14,506,965.00	17,826,500.00
Cleaning and Sanitation	1,391,220.00	2,303,772.00
Subscription	1,426,000.00	9,301,000.00
Fire	1,500,000.00	1,500,000.00
Security	0.00	1,969,000.00
	<u>116,514,128.00</u>	<u>148,537,029.00</u>

**Report of Auditors on the Financial Statements of Harsho Packaging 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>
17.0 LABOUR EXPENSES		
Salaries and Wages	78,522,000.00	46,232,160.00
Skills & Development Levy	3,140,880.00	2,046,481.00
NSSF Contribution	7,852,200.00	4,623,216.00
Meals & Cattering	7,812,300.00	9,419,300.00
Staff Training	0.00	5,000,000.00
Staff Medical	0.00	10,662,436.00
Staff Uniforms	300,000.00	356,000.00
Staff Permit	7,114,950.00	9,287,200.00
Tasiwu Contribution	500,000.00	870,000.00
Workers Compansation Fund	2,674,686.00	4,651,820.00
	<u>107,917,016.00</u>	<u>93,148,613.00</u>
18.0 FINANCIAL EXPENSES		
Bank Charges	51,373,477.00	18,154,692.00
Overdraft interest	0.00	128,254,607.00
Loan Interest	711,952,812.00	261,487,070.00
	<u>763,326,289.00</u>	<u>407,896,369.00</u>
19.0 INTEREST RECEIVED		
Payment of interest received from Vodacom Tanzania PLC as a result of receiving payment from customers through M-PESA AGENT	0.00	165,649.00
	<u>0.00</u>	<u>165,649.00</u>
20.0 RELATED PARTY TRANSACTION		
A) Inter-Company Transaction		
i) Sales of goods	185,709,587.00	126,637,647.00
	<u>185,709,587.00</u>	<u>126,637,647.00</u>
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.		
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		
iii) The Company has rented land to Harsho Milling Co. Ltd		
Rental Income	1,080,000.00	1,080,000.00
	<u>1,080,000.00</u>	<u>1,080,000.00</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)

	31.12.2021	31.12.2020
	<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	14,300,000.00	27,670,000.00
Defined cotribution	1,430,000.00	1,560,000.00
	<u>15,730,000.00</u>	<u>29,230,000.00</u>
ii) Directors' emoluments		
Executive Directors (included in the key management compensation above)	<u>14,300,000.00</u>	<u>17,160,000.00</u>

The Directors have undertaken personal gurantee and indemnity to secure bank loan and bank overdraft on the behalf of the Company as 31st December 2021

The Directors of the Company own directly 3 (2019: 3) ordinary shares of the Company as 31st December 2021