

**THE UNITED REPUBLIC OF TANZANIA  
NATIONAL AUDIT OFFICE**



**NATIONAL HOUSING CORPORATION  
REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL  
STATEMENTS AND COMPLIANCE AUDIT  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

---

Controller and Auditor General,  
National Audit Office,  
Audit House,  
4 Ukaguzi Road,  
P.O. Box 950,  
41101 Tambukareli,  
Dodoma, Tanzania.  
Tel: +255 (026) 2161200,  
Fax: +255 (026) 2321245,  
E-mail: [ocag@nao.go.tz](mailto:ocag@nao.go.tz)  
Website: [www.nao.go.tz](http://www.nao.go.tz)

January 2023

AR/PA/NHC/2021/2022

### **Mandate**

The statutory mandate and responsibilities of the Controller and Auditor General are provided for under Article 143 of the Constitution of the URT of 1977 and in Section 10 (1) of the Public Audit Act, Cap 418 (R.E 2021).

### **Vision**

A credible and modern Supreme Audit Institution with high-quality audit services for enhancing public confidence.

### **Mission**

To provide high-quality audit services through modernization of functions that enhances accountability and transparency in the management of public resources.

**Motto:** “Modernizing External Audit for Stronger Public Confidence”

### **Core values**

In providing quality services, NAO is guided by the following Core Values:

- i. Independence and objectivity
- ii. Professional competence
- iii. Integrity
- iv. Creativity and Innovation
- v. Results-Oriented
- vi. Teamwork Spirit

### **We do this by:**

- ✓ Contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- ✓ Helping to improve the quality of public services by supporting innovation on the use of public resources;
- ✓ Providing technical advice to our clients on operational gaps in their operating systems;
- ✓ Systematically involve our clients in the audit process and audit cycles; and
- ✓ Providing audit staff with adequate working tools and facilities that promote independence.

© This audit report is intended to be used by National Housing Corporation and may form part of the annual general report which once tabled to National Assembly, becomes a public document hence, its distribution may not be limited.

TABLE OF CONTENT

ABBREVIATIONS ..... iii

CORPORATE INFORMATION ..... 1

1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL..... 2

2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30  
JUNE, 2022 ..... 7

3.0 STATEMENT OF DIRECTORS' RESPONSIBILITIES ..... 35

4.0 DECLARATION OF HEAD OF FINANCE ..... 36

5.0 FINANCIAL STATEMENTS ..... 37

6.0 NOTES TO THE FINANCIAL STATEMENTS ..... 41

**ABBREVIATIONS**

ICT	Information and Communication Technology
IFRSs	International Financial Reporting Standards
ISSAI	International Standards of Supreme Audit Institutions
NAO	National Audit Office
NHC	National Housing Corporation
NHIF	National Health Insurance Fund
No.	Number
PhD	Doctor of Philosophy
TAMICO	Tanzania Mines, Energy, Construction and Allied workers Union
TZS	Tanzania Shillings
UDOM	University of Dodoma
URT	United Republic of Tanzania
UDSM	University of Dar es Salaam

**CORPORATE INFORMATION**

**REGISTERED OFFICE**

Medeli Magharibi  
P.O. Box 2422  
Dodoma

**BANKERS**

CRDB Bank Plc  
Ali Hassan Mwinyi Road  
P.O. Box 268  
Dar es Salaam

TIB Corporate Bank  
Mlimani City Office Park  
P.O. Box 9373  
Dar es Salaam

NCBA Bank  
Nyerere Road  
P.O. Box 9640  
Dar es Salaam

National Bank of Commerce Limited  
Sokoine Drive  
P.O. Box 1863  
Dar es Salaam

KCB Bank Tanzania Limited  
Kaunda Drive  
P.O. Box 16666  
Dar es Salaam

Azania Bank Limited  
Masdo House  
P.O. Box 9271  
Dar es Salaam

NMB Bank Plc  
Ohio Street  
P.O. Box 9213  
Dar es Salaam

Citibank House  
Plot 1962, Toure Drive,  
Oyster Bay  
P.O. Box 71625  
Dar es Salaam  
Tanzania

**COMPANY SECRETARY**

Sarah Massamu,  
Kambarage House  
P.O.Box 2977  
Dar es Salaam

**PRINCIPAL AUDITORS**

The Controller and Auditor General,  
National Audit Office,  
4 Ukaguzi Road,  
P.O.Box 950,  
41104 Tambukareli, Dodoma

## 1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Board Chairperson,  
National Housing Corporation,  
P.O. Box 2422,  
Dodoma, Tanzania

### 1.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

#### Unqualified Opinion

I have audited the financial statements of National Housing Corporation which comprise the statement of financial position as at 30 June 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly in all material respects, the financial position of National Housing Corporation as at 30 June 2022, and its profit or loss and other comprehensive income and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### Basis for Opinion

I conducted my audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the section below titled, "Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements". I am independent of National Housing Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of financial statements as a whole and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

## NATIONAL HOUSING CORPORATION

---

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. I have determined that there are no key audit matters to communicate in my report.

### **Other Information**

Management is responsible for the other information. The other information comprises the Director's Report and the Declaration by the Head of Finance but does not include the financial statements and my audit report thereon.

My opinion on the financial statements does not cover the other information, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information that I obtained prior to the date of this audit report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management determines 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, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

### **Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs 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 decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain
- audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are, therefore, the key audit matters. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

In addition, Section 10 (2) of the Public Audit Act, Cap 418 requires me to satisfy myself that the accounts have been prepared in accordance with the appropriate accounting standards.



Further, Section 48(3) of the Public Procurement Act, 2011 requires me to state in my annual audit report whether or not the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.

## **1.2 REPORT ON COMPLIANCE WITH LEGISLATIONS**

### **1.2.1 Compliance with the Public Procurement laws**

#### **Subject matter: Compliance audit on procurement of works, goods and services**

I performed a compliance audit on procurement of works, goods and services in the National Housing Corporation for the financial year ended 30 June 2022 as per the Public Procurement laws.

#### **Conclusion**

Based on the audit work performed, I state that, except for the matters described below, procurement of goods, works and services of National Housing Corporation is generally in compliance with the requirements of the Public Procurement Laws.

#### **Procurement of goods and services which were made outside TANEPS TZS 9.045 billion**

Regulations 341 and 342 of the Public Procurement Regulations, 2013 provide that, public entities should carry out procurement of goods or services through TANEPS. Further, on 23 October 2019 the Ministry of Finance and Planning issued a circular with Reference No. EB/AG/485/01/Vol.XII26 which details that all public entities should carry out procurement of goods or services through TANEPS and legal actions would be taken for entities that would do procurement outside the system.

However, my review of procurements and contracts management for the year ended 30 June 2022 noted that, procurement made at regional level amounting to TZS 9,044,487,061.77 were conducted outside the TANEPS.

### **1.2.2 Compliance with the Budget Act and other Budget Guidelines**

#### **Subject matter: Budget formulation and execution**

I performed a compliance audit on budget formulation and execution in the National Housing Corporation for the financial year ended 30 June 2022 as per the Budget Act and other Budget Guidelines.

**Conclusion**

Based on the audit work performed, I state that Budget formulation and execution of National Housing Corporation is generally in compliance with the requirements of the Budget Act and other Budget Guidelines.



Charles E. Kicherē  
Controller and Auditor General,  
Dodoma, United Republic of Tanzania.  
January 2023



---

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE, 2022**

The Directors submit their report together with the audited financial statements for the year ended 30 June 2022, which disclose the state of affairs of National Housing Corporation (the Corporation or NHC) in accordance with Section 29 of the National Housing Corporation Act, 1990.

**1.1. ESTABLISHMENT**

The National Housing Corporation was incorporated under the Act of Parliament No. 2 of 1990 as a Public Corporation.

**1.2. CORPORATION'S VISION**

To be a leading real estate development and management firm.

**1.3. CORPORATION'S MISSION**

To provide and facilitate the provision of quality housing and other buildings for use by the general public while operating on sound commercial principles.

**1.4. PRINCIPAL ACTIVITIES**

The principal activities of the Corporation is to provide and facilitate the provision of houses and other buildings in Tanzania mainland for use by members of the public for residential, commercial, industrial or other purposes. The Corporation's principal activities are mandated by an Act of Parliament No. 2 of 1990 and fall under the following main categories:

- (i) Construction of houses and other buildings for sale and letting;
- (ii) Construction of buildings as a part of approved schemes;
- (iii) The business of building contractors, planners and consultants; and
- (iv) The business of real estate management in respect of properties owned by the Corporation and any other properties on approved terms.

**1.5. RESULTS**

The net profit for the period of TZS 66,975 million (2021: Net profit of TZS 65,943 million) has been transferred to retained earnings. The Corporation did not pay any dividend to its shareholders but contributed to the Government Consolidated fund an amount of TZS 750 million (2021: TZS 1,205 million) for the year ended 30 June 2022 as per the Treasury Registrar directives.

---

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE, 2022(CONTINUED)**

**1.6. ADMINISTRATIVE MATTERS**

The day-to-day activities of the Corporation are overseen by the Director General who is assisted by four (4) Directors and seven (7) Heads of Unit.

The Corporation Directorates comprises the following:

- Property Management and Marketing
- Construction and Engineering
- Business Support Services
- Business Development

The 7 Units are:

- Internal Audit;
- Procurement Management;
- ICT & Statistics;
- Finance and Accounting Management;
- Legal Services;
- Public Affairs and Information and
- Risk Management.

**1.7. SOLVENCY**

The Board of Directors confirms that International Financial Reporting Standards have been followed in the preparation of financial statements and that the financial statements have been prepared on a going concern basis. The Board of Directors has reasonable expectation that the Corporation has adequate resources to continue operation for the foreseeable future.

**1.8. OPERATING AND FINANCIAL REVIEW**

**a) The Corporation's net worth**

During the year, the total value of the Corporation's net assets increased to TZS 3,389 billion from TZS 3,321 billion recorded in the prior year. This increase is attributable to net profit generated during the year which also includes the increase in fair value of investment properties by TZS 32,204 million.

**b) Profitability**

During the year ended 30 June 2022, the Corporation made a profit before tax of TZS 92,934 million (2021: profit of TZS 93,966 million). The profit generated includes the increase in fair value of investment properties by TZS 32,204 million (2021: increase by TZS 62,290 million). The actual profit before tax excluding investment property fair value is TZS 60, 729 million (2021: TZS 31,676 million).

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)**

**2.9. OPERATING AND FINANCIAL REVIEW (CONTINUED)**

**c) Cash flows**

The Corporation's cash flow is as set out in the statement of cash flows of these financial statements.

**2.10. PERFORMANCE INDICATORS**

Key Performance Indicator	Formula	Ratios	
		2021/2022	2020/2021
Current Ratio	Current assets	2.11	1.58
	Current liabilities		
Quick Ratio	Current assets-inventories	0.35	0.25
	Current liabilities		
Return on Assets	Profit before tax**	1.21%	0.63%
	Total assets		
Debt to Equity Ratio	Total debt*	7.53%	7.52%
	Equity		
Profit before tax margin	Profit before tax**	23.59%	21.93%
	Revenue		

\*Total debt includes total principal of borrowings and accrued interests outstanding as at end of reporting period.

\*\*For the purpose of determination of these ratios, profit before tax excludes the gains from fair value movements of investment properties.

**2.11. BUSINESS PROFILE**

**(a) Investment Policy**

The purpose of the investment policy is to guide the management of NHC in effectively identifying, implementing, supervising, monitoring and evaluating investments of NHC assets. The policy also helps to guide management with regards to day-to-day investment activities of the Corporation.

NHC investment policy outlines different sources of funds for investments. These are;

- Internal generated funds from day to day activities e.g. rental collections from existing properties and interest earned from NHC deposits;
- Money earned by selling new housing units and or existing units;
- Money earned from construction and consultancy services;
- Funds sourced from external sources either on shore or offshore from the financial markets, DFIs, Government or any other source as approved by the NHC Act. NHC Investment policy directs the Corporation to work with strategic Partners in any of the following models;

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)**

**2.11. BUSINESS PROFILE (CONTINUED)**

**(a) Investment Policy (continued)**

- Land as Equity Contribution (LEC);
- Land and Finance as Equity Contribution (LFEC);

Revenue Sharing Model (RSM) under this model NHC invites the strategic investors to invest in the Corporation's land and in return, the Corporation receives the share of revenue as percentage of the total revenues from sales of properties developed.

**(b) Construction Activities**

**(i) Houses for Sale**

During the year ended 30 June 2022, the following projects were in progress:

- **CRDB Head Office -Dar es salaam**

This project comprises construction of CRDB Headquarters building. The building will be having a gross floor area of approximately twenty thousand (20,000) square meters and approximately ten thousand eight hundred (10,800) square meters of parking area. The project was completed during the year.

- **Golden premier Residential (Plot 711/2 Kawe) - Dar es Salaam**

This project is of 16 floors (G + M +15 floors). It comprises of 184 residential units as follows: two bed room-8 units, three bed rooms (normal)-144 units, four bedrooms (normal) - 8 units, four bedroom (duplex) - 16 units, pent house duplex-8 units, shops, gym, swimming pool, kids playing ground and other facilities to support the residences. The project was in suspension as at 30 June 2022.

- **EWURA Head office-Dodoma**

This project comprises of construction of 1 block flat with 5 floors (G+4 floors). The project was completed during the year.

- **Morocco mixed use - Dar es Salaam**

This project comprises of 4 towers; Two office towers; office tower 1 with 20 floors (G + 19 floors), office tower 2 with 17 floors (G + 16 floors). It also consists of 1 apartments tower with 22 floors (G + 21 floors) which comprise of 100 residential units (64 units of three bedrooms normal, 32 units of three bedrooms duplex and 4 units of 4 bedrooms) and 1 hotel tower with 13 floors (G + 12 floors). The project also includes commercial space retail shops, food courts, restaurants, conference facilities, pubs, coffee lounges and supermarket. The project was at the completion stage as at 30 June 2022.

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)**

**2.11. BUSINESS PROFILE (CONTINUED)**

**(b) Construction Activities (Continued)**

**(i) Houses for Sale (Continued)**

• **Igunga Affordable Housing scheme - Tabora**

This project comprises construction of 15 semidetached buildings equivalent to 30 residential units with 85 square meter three bedroom each. The project was completed during the year.

• **Kawe-Plot no 711/1 - Dar es salaam**

This project involves construction of 8 apartment blocks of B + G + 17 floors each making a total of 422 residential units. The project also includes retail space, gym, swimming pool, kids' playing stands and other facilities. The project was in suspension as at 30 June 2022. The corporation is the process of borrowing fund to complete the project

• **Iyumbu Affordable Housing Project - Dodoma**

The project comprises of 300 affordable housing units of 79, 85 and 115 square meters of three bedrooms each. This project has been constructed in three phases of 151, 81 and 68 units each. Phase one was completed during the year ended June 2018, phase two completed 2020 whereas phase three was still in progress as at 30 June 2022.

• **Muheza Affordable Housing Project - Tanga**

The project comprises of 20 houses/units stand-alone for residential purposes. The project was partially completed (10 houses were completed during the year ended June 2019) and other 10 houses were still in suspension as of 30 June 2022.

• **Makete Affordable Housing Project-Njombe**

The project comprises of 24 units of three bedrooms semidetached. The project was completed during the year.

• **Inyonga Affordable Housing Project - Katavi**

The project comprises of 24 units of three bedrooms semidetached. The project was completed during the year.

• **Iyumbu (1,000 houses) - Dodoma**

The project comprises 300 units of three bedrooms and two bedrooms and 2shops. The project was in completion stage as at 30<sup>th</sup> June 2022.

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE  
2022 (CONTINUED)**

**2.11. BUSINESS PROFILE (CONTINUED)**

**(b) Construction Activities (Continued)**

**(ii) Investment projects**

These projects are constructed for generation of revenue through renting or capital appreciation. During the period under review the following projects were at various levels of construction and substantial parts of these projects were about to be completed.

• **Mutukula - Bukoba**

The project comprises of construction of 1 block of flat - G + 4 floor commercial building for renting. The project was completed during the year.

• **Shops on plot No. 129/13T, Rwegasore and Plot No.83, Block U Market street - Mwanza**

The project comprises construction of shops on Plot No.129/13t, Rwegasore and Plot No. 83, Block U, Market Street - Mwanza. The project was completed during the year.

• **Chamwino (1000 Houses) - Dodoma**

The project comprises 300 units of three bedrooms, two bedrooms and two shops. The project was in progress as at 30th June 2022

**(iii) Construction contracts projects**

• **Malinyi District Council**

This project involves construction of office building for Malinyi District Council at Misegese area phase one in Malinyi District-Morogoro. The project was completed during the year.

• **Wanging'ombe District Council**

This project involves construction of office building for Wangingómbe district council (Phase II) at Igwachanya in Wangingómbe district council. The project was completed during the year.

• **Ardhi University**

This project involves extension of Lands Building Wing B Phase 3 at Ardhi University. This project was completed during the year.

• **Vingunguti Abattoir**

This project involve construction of Vingunguti Abattoir (Phase I) which include basement and ground floor with approximately total area of 4,575 m<sup>2</sup> to be built Plot No.3003 & 3004 block B at Vingunguti Industrial area, Ilala Municipal council. The project was in completion as at 30 June 2022.



---

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)**

**2.11. BUSINESS PROFILE (CONTINUED)**

**(b) Construction Activities (Continued)**

**(iii) Construction contracts projects (Continued)**

- **Musoma Referral Hospital**

This project involves construction of Health facilities of Mara Referral Hospital at Kwangwa Area in Mara Region. The project was at completion stage as at 30 June 2022.

- **Mtwara Referral Hospital**

This project involves construction of Health facilities of Mtwara Zonal Referral Hospital at Mikindani Area. The project was in completion stage as at 30 June 2022.

- **Tanzania Forest Services Agency**

This project involves construction of offices and residential houses in different locations in Tanzania. The project was in completion stage as at 30 June 2022.

- **Tanzania Medicine and Medical Devices Authority (TMDA)**

This project involves construction of office building at plot No. 56/1, Block E, Kisasa B Dodoma. The project was completed during the year.

- **National Board of Accountants and Auditors (NBAA)**

This project involves rehabilitation of Mhasibu House at Dar es Salaam. The project was completed during the year.

- **Mbuye Special School**

The project involves the construction of Mbuye Special School Infrastructure at Chato District Council. The project was in completion stage during the year.

- **Burigi Watumishi Houses - Geita**

The project involve the construction of 20 houses for the staff of Burigi Chato Zonal Referral Hospital at Geita Region. The project was in completion stage as at 30 June 2022.

- **Buzirayombo Livestock Secondary Market -Geita**

The project involve the construction of Buzirayombo Livestock Secondary Market and its associated works at Chato District in Geita Region. The project was in completion stage as at 30 June 2022.

---

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)**

**2.11. BUSINESS PROFILE (CONTINUED)**

**(b) Construction Activities (Continued)**

**(iii) Construction contracts projects (Continued)**

- **Commissioner conference Facility - Iringa**

The project involve the construction of regional administrative secretary Phase four. The project was in progress as at 30 June 2022.

- **NIMR Primary Production - Mabibo, Dar es salaam**

The project involve the construction of new building to accommodate primary Production Area. The project was completed during the year.

- **School of Economics - UDSM**

The project involve proposed design and construction of University of Dar es salaam School of economics (UDSoE) Building. The project was in progress as at 30 June 2022.

- **Ministry of Minerals**

The project involve the construction office building second phase for Ministry of minerals at Mtumba, Dodoma. The project was in progress as at 30 June 2022.

- **Ministry of Home Affair**

The project involve the construction office building second phase for Ministry of Home affair at Mtumba, Dodoma. The project was in progress as at 30 June 2022.

- **Ministry of Culture Arts and Sports**

The project involve the construction office building second phase for Ministry of Culture Arts and sports at Mtumba, Dodoma. The project was in progress as at 30 June 2022.

- **Ministry of Livestock and Fisheries**

The project involve the construction office building second phase for Ministry of Livestock and Fesheris at Mtumba, Dodoma. The project was in progress as at 30 June 2022.

- **Ministry of Industry**

The project involve the construction office building second phase for Ministry of Industry at Mtumba, Dodoma. The project was in progress as at 30 June 2022.

---

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)**

**2.11. BUSINESS PROFILE (CONTINUED)**

**(b) Construction Activities (Continued)**

**(iii) Construction contracts projects (Continued)**

- **Ministry of Communication and Information Technology**

The project involve the construction office building second phase for Ministry of Communication and Information Technology at Mtumba, Dodoma. The project was in progress as at 30 June 2022.

- **Ministry of Energy**

The project involve the construction office building second phase for Ministry of Energy at Mtumba, Dodoma. The project was in progress as at 30 June 2022.

- **Ministry of Land**

The project involve the construction office building second phase for Ministry of Land at Mtumba, Dodoma. The project was in progress as at 30 June 2022.

- **Jakaya Kikwete Cardinal Institutional**

The project Involve the construction of extension block for administration and diagnostic unit for Jakaya Cardiac Institute. The project was in progress as at 30 June 2022.

- **Renovation of Mtwara Regional Land Office Building**

The project involves roof and ceiling renovation of Regional land office Mtwara Building. The project was in progress as at 30 June 2022.

- **Partition of NHIF Mara Office**

The project involves the procurement of materials for Partitioning of NHIF Mara office together with fitting. The project was in progress as at 30 June 2022.

- **Vingunguti Executive Ward**

The project involves the construction of executive ward office at Vingunguti. The project was in progress as at 30 June 2022.

- **Government Procurement Services Agency**

The project involves the design and construction of GPSA offices in different regions. The projects were in progress as at 30 June 2022.

- **Masasi Warehouse**

The project involves the design and building of Masasi Warehouse at Masasi District Council. The projects were in progress as at 30 June, 2022.

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)**

**2.11. BUSINESS PROFILE (CONTINUED)**

**(b) Construction Activities (Continued)**

**(iii) Construction contracts projects (Continued)**

• **Rehabilitation of National Repository and President office**

The project involve rehabilitation of National Repository for President Office, Records and Archives Management Department Upanga, Dar es Salaam. The project was in progress as at 30 June 2022.

• **2 storey OPD Building - Ligula RRH**

The project involves the construction of two storey OPD Building at Ligula RRH procurement under Tanzania Covid 19 Social Economic Recovery Plan (tcrp). The project was in progress as at 30 June 2022.

• **Tanzanite Trading Centre**

The project involves the design and building of Tanzanite Trading Centre at Mirerani Township Authority. The project was in progress as at 30<sup>th</sup> June 2022

• **Teaching Laboratory - UDOM**

The project involves construction of Laboratory building at University of Dodoma. The project was in progress as at 30 June 2022.

**(iv) Joint venture projects**

During the year ended 30<sup>th</sup> June 2022, the Corporation had 149 (2021:149) projects under joint arrangements. Out of these, 79 (2021:79) were completed, 33 (2021:33) are still under construction and 42 (2021:42) projects have been stalled. Most of these projects are located in Dar es Salaam, Mwanza and Arusha.

**(c) Rental Buildings Activities**

**Rental revenue**

During the year ended 30 June 2022, rental revenue increased to TZS 90,763 million from TZS 89,230 million recorded during 12 months period ended 30 June 2021.

During the year ended 30 June 2022 an average monthly rental increased to TZS 7,564 million from TZS 7,436 million recorded during 12 months period ended 30 June 2021.

**(d) Property maintenance**

During the year the Corporation's expenditure on property maintenance increased to TZS 5,368 million compared to TZS 4,775 million in the 12 month period ended 30 June 2021.

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)**

**2.12. EMPLOYEES WELFARE (CONTINUED)**

Employees play an important role in contributing to the long-term success and performance of the Corporation. The Corporation believes that its employees are the most valuable assets, and it always make effort to develop their abilities and productivity. It encourages a work culture, foster relationship with them at every level in the Corporation, make them express their views and share their ideas to bring about improvements towards the achievement of our vision.

This is based on the conviction that a pleasant and safe working climate, with an emphasis on the enduring availability of satisfactorily trained, active and motivated workforce, is critical success factor for the Corporation Business. The Corporation strives to create an environment responsive to different cultures and Corporations in all our interactions with employees, customers, visitors, suppliers, contractors, government, investors and in the communities in which we operate. The following are parameters to enhance employees welfare;

**(a) Staff disposition**

The total number of staff as at 30 June 2022 was 485 (2021: 410).

**(b) Affirmative action**

The National Housing Corporation is an equal opportunity employer. The Corporation strives to build a broad-based organization with balance in gender to reflect the composition of the Tanzanian population.

During the year, the Corporation's workforce comprised 303 male and 182 female employees (2021: 256 male and 154 female employees). On the other hand, the Corporation continued to promote female employees to senior level positions. As at 30 June 2022, the composition of female employees in various senior positions was as follows:

	<b>30 June 2022</b>	<b>%</b>	<b>30-Jun-2021</b>	<b>%</b>
Directors/Heads of Unit	4 out of 8	50	3 out of 8	38
Line Managers	3 out of 14	21	4 out of 14	29
Regional Managers	6 out of 23	26	7 out of 23	30
Senior Officers	35 out of 89	39	14 out of 52	27
Middle level Officers	89 out of 229	39	71 out of 143	50

---

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE  
2022 (CONTINUED)**

**2.12. EMPLOYEES WELFARE (CONTINUED)**

**(c) Persons with disabilities**

The Corporation gives equal opportunities to disabled persons for vacancies they are able to fill. It also provides medical facilities to staff who become disabled while on duty. As at 30 June 2022, the Corporation had one employee with physical disabilities (2021: 1 employee).

**(d) Management - employee's relations**

During the year management continued to maintain cordial relations with employees. Employees were represented at various levels of decision making through regular meetings organized by TAMICO; Trade Union and Union Leader participating in the Master Workers' Council to discuss employees' welfare.

**(e) Retirement benefits**

The Corporation pays contributions to a publicly administered pension plan on mandatory basis which qualifies to be a defined contribution plan.

**(f) Training**

During the year a total of TZS 1,172 million was spent in staff training (2021: TZS 958 million). The training activities are guided by the training policy. Trainings held during the year were focused on short-term and long-term professional competence as well as improving customer care skills.

**(g) Medical facilities**

The Corporation provides medical services to its employees and their family members through medical insurance scheme from NHIF.

**(h) Staff incentives**

The Corporation provides various loans to staff to enable them to meet their financial needs. Some of the incentives are car loans, education loans, house loans, car insurance and normal cash advance loans.

---

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE  
2022 (CONTINUED)**

**2.13. CORPORATE GOVERNANCE**

The Corporation is founded on strong principles of good corporate governance, which we conceive as integral to our prosperity. We understand the depth of the responsibility placed upon us by our shareholders to safeguard their investments. Therefore, the Corporation confirms its commitment to the principles of good governance, openness, integrity and accountability. We have a diverse board of directors that has the right balance of skills and experience to steer our Corporation into prosperity. The Corporation has Risk Management Framework which forms the integral part of its corporate governance. It defines the corporation high-level governance structure; it documents the key responsibilities and accountabilities that are in place to manage risks inherent in the Corporation business and operations.

**Board of Directors**

The Board comprises of eight (8) directors including the Chairperson and all are non-executive. All the directors are required to be independent of management and free from any business and other relationship, which could materially interfere with the exercise of their independent judgment.

The Board is required to meet regularly, at least quarterly, and retain full control over the Corporation's activities. The Board monitors the Corporation's management, ensuring that material matters are subject to Board approval. Senior management attends Board meetings by invitation.

The Chairperson provides leadership and guidance to the Board and encourages proper deliberation on all matters requiring the Board's attention.

The Board has ultimate responsibility for management and strategic direction of the Corporation as well as attending to legislative, regulatory and best practice requirements. Accountability to the shareholder (Government) remains paramount in Board decisions and this is balanced against the demands of the regulatory environment in which the Corporation operates, and the concern of its other stakeholders.

2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

2.13. CORPORATE GOVERNANCE (CONTINUED)

The Composition of those charged with governance.

As of 30 June 2022, those charged with governance “the board” comprised three members (two Directors who were appointed in October 2021, and Chairperson who was reappointed in October 2021). The Board Chairperson held office from October 2018 to date while the term for 5 members of the Board expired in May 2022. Four new members were appointed and one reappointed in November 2022.

Name	Position	Nationality	Age (Years)	Qualification	Remarks
Dr. Sophia Kongela	Chairperson	Tanzanian	47	<ul style="list-style-type: none"> <li>- PhD (Real Estate Development), International Real Estate Business School (IREBS), Regensburg University, Germany, 2009-2013;</li> <li>- MBA (Finance), University of Dar Es Salaam, 2003-2005; and</li> <li>- B.Sc. (Land Management and Valuation), University of Dar Es Salaam, (1999-2003).</li> </ul>	Appointed on 30 October 2018 (renewed term)
Mr. Abdallah Mwinyimvua Shamte	Board Member	Tanzanian	66	<ul style="list-style-type: none"> <li>- Post Graduate Diploma In Management from Research Institute for Management Science-RVB Delft-The Netherlands, (1987);</li> <li>- Association of Chartered Certified Accountants (ACCA) from Kilburn Polytechnic-priory Park Road, N.W. London UK, (1978); and</li> <li>- Government Accounting Certificate from Civil Service Training Centre, (1970).</li> </ul>	Appointed on 20 May 2019 (expired in May 2022)
Mr. Charles Gambageu Singili	Board Member	Tanzanian	65	<ul style="list-style-type: none"> <li>- Bachelor of Commerce (Accounting) from University of Dar es Salaam, Tanzania, (1988);</li> <li>- Diploma in Business Administration from College of Business Education, Tanzania, (1983); and</li> <li>CPA (T) - (Certified Public Accountant) from National Board of Accountants and Auditors (NBAA), (1991).</li> </ul>	Appointed on 20 May 2019 (expired in May 2022), Reappointed in November 2022



NATIONAL HOUSING CORPORATION

Name	Position	Nationality	Age (Years)	Qualification	Remarks
Mrs. Immaculata Mwanja Senje	Board Member	Tanzanian	57	<ul style="list-style-type: none"> <li>- Master of Science in Urban Planning and Management from University of Dar es Salaam, Tanzania, (2006-2008); and</li> <li>- Advanced Diploma in Urban and Rural Planning from Ardhi Institute, Dar es Salaam, Tanzania (1987-1990).</li> </ul>	Appointed on 20 May 2019 (expired in May 2022)
Eng. Johnny Kalupale	Board Member	Tanzanian	65	<ul style="list-style-type: none"> <li>- Masters of Science in Highway; Engineering from University of Strathclyde University, United Kingdom, (1998); and</li> <li>- Advance Diploma in Civil Engineering from Dar es Salaam Tech. College, (1980).</li> </ul>	Appointed on 20 October 2021
Ms. Sauda K. Msemu	Board Member	Tanzanian	50	<ul style="list-style-type: none"> <li>- Master of Science in Finance with Distinction from University of Strathclyde, Glasgow, United Kingdom (2002); and</li> <li>- Bachelor of Account from International Islamic University Malaysia (1999).</li> </ul>	Appointed on 20 May 2019 (expired in May 2022)
Mr. Martin Ginedi Madekwe	Board Member	Tanzanian	74	<ul style="list-style-type: none"> <li>- Postgraduate Diploma in Housing, Building and Planning from Bowcentrum Centre of Housing, Rotterdam, Holland (1981);</li> <li>- Diploma in Estate Management, RICS Part II Willesden College of Technology, N. W. London, England (1973-1976); and</li> <li>Royal Institution of Chartered Surveyors (RICS) Part 1. N. E. London Polytechnic, Walthamstow, London.</li> </ul>	Appointed on 20 May 2019 (expired in May 2022)
Dr. Frank Haule Hawassi	Board Member	Tanzanian	55	<ul style="list-style-type: none"> <li>- PHD from Sokoine University of Agriculture (2006)</li> <li>- Masters of Science in Agriculture Economy from Sokoine University of Agriculture (2000)</li> <li>- Bachelor of Science in Agriculture from Sokoine University of Agriculture (1993)</li> </ul>	Appointed on October 2021

**NATIONAL HOUSING CORPORATION**

<b>Name</b>	<b>Position</b>	<b>Nationality</b>	<b>Age (Years)</b>	<b>Qualification</b>	<b>Remarks</b>
Mr. Nehemiah K. Mchechu	Director General	Tanzanian	50	- Bachelor Degree Holder in Commerce and Management - (B.Com. Hons) Finance Option from the University of Dar es salaam. ACI-Financial Market Association. - Masters Degree in Development Administration from the Australian National University, Canberra, in Australia. -Bachelor of Arts in Economics from the University of Dar es Salaam, Tanzania	Appointed on March 2022
Mr. Eliud Betri Sanga	Board Member	Tanzanian	61	- Bachelor Degree Holder in Economics from the University of Dar es salaam. - Masters of Science in Agricultural Economics from Sokoine University of Agriculture	Appointed on November 2022
Ms. Dorothy Stanley Mwanyika	Board Member	Tanzanian	62	- Emeritus Professor - Ardhi University -PhD Urban Land Management from Technical University of Dortmund, Germany - Masters of Art in Urban Design from Royal Danish Academy school of architecture Copenhagen, Denmark	Appointed on November 2022
Prof. Wilbard Jackson Kombe	Board Member	Tanzanian	68	- PhD in Development Economics from International Institute of Social Studies (ISS) of Erasmus University Rotterdam, The Netherlands - Postgraduate Diploma in Universalizing Social Security for the Poor from International Institute of Social Studies (ISS) of Erasmus University Rotterdam, The Netherlands - Master's degree in Economics (Majoring Public Finance, Monetary Economics) from University of Dares Salaam	Appointed on November 2022
Dr. Tausi Mbaga Kida	Board Member	Tanzanian	51	- Bachelor's degree in Economics from University of Dares Salaam	Appointed on November 2022

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)**

**2.13. CORPORATE GOVERNANCE (CONTINUED)**

**Board Meetings**

The board has in place an annual work plan that sets out the board activities in a year. The board ordinary meetings are conducted at least four times a year, and, when necessary extraordinary meetings are conducted. The Board Chairperson together with the Company Secretary and Director General prepare the annual work plan and agenda for each meeting. The notice, agenda and detailed board papers are circulated fourteen days in advance of the meetings.

During the year the board held four (4) ordinary meeting as planned and seven (7) times extraordinary meetings. During the meetings board had several discussions regarding the operations of the Corporation. Below are some of the matters discussed during the meetings;

- The board had a discussion on the quarterly performance of all KPIs of the Corporation as presented by the management and directed management accordingly on expected performance of the Corporation.
- The board discussed and approved the Corporations' budget and strategy for year 2022 as presented by the management by adding inputs and enlightening management on its expectations on the implementation of the strategy and budget.
- During the meetings, the board also discussed the reports received from all board committees and deliberated accordingly.

The board Chairperson is appointed by the President of United Republic of Tanzania whereas the board members are appointed by the Minister responsible for the Housing and human settlement.

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)**

**2.13. CORPORATE GOVERNANCE (CONTINUED)**

**Overall meeting attendance**

Below is the summary indicating the number of meetings attended by each board member during the year ended 30 June 2022.

Name	Position	Number of meetings attended
Dr. Sophia M. Kongela	Chairperson	10/11
Mr. Martin Madekwe	Vice Chairman	11/11
Mr. Charles Singili	Director	8/11
Mr. Abdallah Shamte	Director	11/11
Ms. Immaculata Senje	Director	9/11
Ms. Sauda Msemu	Director	5/11
Eng. Johnny Kalupale	Director	7/11
Dr. Frank Haule Hawassi	Director	6/11

**Board Committees**

The Board is comprised of three (3) committees namely Business Development Committee (BDC); Audit, Risk and Compliance Committee (ARC) and Finance; and Human Resources Committee (FHRC). The composition of the committees during the year ended 30 June 2022 was as follows:

**Business Development Committee**

This Committee is composed of three (3) members. The main responsibility of the Committee is to advise the Board on all business development matters that need consideration of the Board. The Committee held four meetings during the year ended 30 June 2022. The following Directors served in the Business Development Committee during the year.

Name	Position	Nationality	Number of meetings attended
Eng. Johnny Kalupale	Chairman	Tanzanian	3/5
Mr. Charles Singili	Member	Tanzanian	5/5
Ms. Sauda Msemu	Member	Tanzanian	3/5

**Finance and Human Resources Committee**

This Committee is composed of three (3) members. The main responsibility of the Committee is to advise the Board on financial and personnel related matters that need consideration of the Board. The Committee held three meetings during the year ended 30 June 2022.

NATIONAL HOUSING CORPORATION

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)**

**2.13. CORPORATE GOVERNANCE (CONTINUED)**

**Board Committees (Continued)**

**Finance and Human Resources Committee (Continued)**

The table below is the summary indicating the number of meetings attended by each board member:

Name	Position	Nationality	Number of meetings attended
Mr. Charles Singili	Chairman	Tanzanian	4/4
Ms. Suda Msemu	Member	Tanzanian	3/4
Dr. Frank Haule Hawassi	Member	Tanzanian	2/4
Eng. Johnny Kalupale	Member	Tanzanian	1/4

**Audit, Risk and Compliance Committee**

This committee is composed of three (3) members. The main responsibility of the committee is to advise the Board on all audit, risk and compliance matters that need consideration of the Board. The committee held five meetings during the year ended 30 June 2022.

The table below is the summary indicating the number of meetings attended by each Board member:

Name	Position	Nationality	Number of meetings attended
Mr. Abdallah Shamte	Chairman	Tanzanian	5/5
Mr. Martin Madekwe	Member	Tanzanian	5/5
Ms. Immaculata Senje	Member	Tanzanian	4/5

During the year under review three joint committee meetings were held as per below details

Name	Position	Nationality	Number of meetings attended
<b>Joint ARC and FHRC Meeting</b>			
Mr. Abdallah Shamte	Chairman	Tanzanian	1/1
Mr. Charles Singili	Co-Chairman	Tanzanian	1/1
Mr. Martin Madekwe	Member	Tanzanian	1/1
Ms. Immaculata Senje	Member	Tanzanian	1/1
Ms. Suda Msemu	Member	Tanzania	1/1
<b>Joint FHRC and BDC Meeting</b>			
Mr. Charles Singili	Chairman	Tanzanian	1/1
Eng. Johnny Kalupale	Co- Chairman	Tanzanian	1/1
Ms. Suda Msemu	Member	Tanzanian	0/1
Dr. Frank Haule Hawassi	Member	Tanzania	1/1

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)**

**2.13. CORPORATE GOVERNANCE (CONTINUED)**

**Board Committees (Continued)**

Special Committee Meeting		
Name	Position	Number of meetings attended
Mr. Martin Madekwe	Chairman	2/2
Mr. Charles Singili	Director	2/2
Mr. Abdallah Shamte	Director	2/2
Ms. Immaculata Senje	Director	1/2
Ms. Sauda Msemo	Director	1/2
Eng. Johnny Kalupale	Director	1/2
Dr. Frank Haule Hawassi	Director	1/2

**Conflict of interest and Related party transactions**

Members of the Board, the Director General and Management shall not engage directly or indirectly in any business activity that competes or conflicts with the Corporation's interest. These activities include, although not necessarily limited to, the following:

**a) Material interest in Corporation's Contracts**

Members of the Board, the Director General and Management shall disclose to the Board any interest they may have, whether directly or indirectly, in any material contract being considered to be entered into by the Corporation at the opening of the meeting of the members of the Board at which the transaction is to be discussed.

A Member of the Board, the Director General and Management with a material personal or related interest in a matter being considered by the Board shall not be present when the matter is being considered, unless otherwise invited by the Board and shall not vote on such matter.

In such circumstances, a member of the Board or the Director General or any Management member is required to disclose to the Board the actual or apparent conflict of interest or of any of the related parties and, the extent the discussion or decision concerns any matter in which he or she has an interest, shall exclude himself or herself from further attendance at the meeting and should not be counted for purposes of determining a quorum required for that discussion.

In addition, any member of the Board, the Director General and member of Management who has a conflict of interest in connection with any matter being considered by the Board or a Standing Board Committee will not receive a copy of any document in respect of that matter.

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)**

**2.13. CORPORATE GOVERNANCE (CONTINUED)**

**Conflict of interest and Related party transactions (Continued)**

**b) Outside Financial Interest**

Where a member of the Board, the Director General or a member of Management has a financial interest in a customer, /tenant such an interest must be disclosed immediately. Thereafter, the affected Board member or the Director General or member of Management should not be directly involved in the Corporation's dealings with the customer so long as the interest continues to exist.

**Members of the Board's Training and Development**

The weighty responsibilities placed upon members of the Board, the level of commitment called for and the fast changing corporate environment dictates that the Corporation must now increasingly prepare those expected to assume these roles.

The Corporation commits to all Board members receiving formal training on their roles, duties, responsibilities and obligations as induction on Board practices and procedures on first appointment. It is therefore desirable that Board members are exposed on matters relevant to legal reforms, corporate governance, changing corporate environment, business/commercial risks and other matters that may be of interest in the execution of their duties.

All Board Members attended the Institute of Directors certification course to equip them with relevant knowledge about their responsibilities.

**Board Performance Evaluation**

For the Board to be continuously effective, it undertakes thorough annual evaluation of the entire Board, its Committees and individual members so as to identify measurable improvement in Board's performance.

The evaluation criteria includes time commitment, participation through meetings, committees, and self-education on current issues while ascertaining what to do in order to increase level of performance. Additionally, the evaluation include, among other things, an assessment of the Board's:

- i. Composition and independence;
- ii. Performance against its objectives at the beginning of the year;
- iii. Its effectiveness in the Corporation's strategic direction;
- iv. Response to problems and crises;
- v. Responsiveness to stakeholders' concerns;
- vi. Maintenance and implementation of the Board's governance principles; and
- vii. Access to and review of information from management and the quality of such information.

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)**

**2.13. CORPORATE GOVERNANCE (CONTINUED)**

**Members of the Board's Training and Development (Continued)**

Evaluation is done by means of self - evaluation of the Board as a whole, its committees and the contribution of each and every Director including the Chairman or may take any other form as the Board may design.

The evaluation is conducted annually, and the Corporation is required to disclose in the annual report that this has been done.

The Board will also reviews the performance of each of the Board Committee as well as their composition and TOR's to ensure that the Committee continues to provide effective assistance to the Board in the areas in which they function.

An external facilitator may be deployed to assist and manage the entire process.

**2.14. RISK MANAGEMENT AND CONTROL**

The board ensures that the Corporation has sound risk management and an internal control system that is appropriate to its activities. The risk management and internal control systems are based on the NHC's corporate values, ethics guidelines and principles for sustainability and corporate social responsibility ("CSR"). It is the responsibility of the Management to ensure that adequate internal control systems are developed and maintained on an ongoing basis to provide reasonable assurance regarding:

- Operational effectiveness and efficiency;
- Safeguarding of the Corporation's assets;
- Reliability of accounting records;
- Responsible behaviors' towards all stakeholders
- Compliance with applicable laws and regulations; and
- Business continuity.

To ensure the internal controls, remain adequate, the Corporation has a fully-fledged Risk and Compliance function that coordinates and oversees the implementation of enterprise-wide risk management framework within the Corporation. The audit committee on behalf of the board assess issues related to financial review and internal control, and the external audit of Corporation's accounts.



---

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE  
2022 (CONTINUED)**

**2.14. RISK MANAGEMENT AND CONTROL (CONTINUED)**

The board ensures that the Corporation can produce reliable annual reports and that the external auditor's recommendations are given thorough consideration. During the year, internal control systems were assessed by the board and was found to be at an acceptable level.

The Corporation's activities expose it to a variety of financial risks including credit risk, market risk (foreign exchange risk and interest rate risk) and liquidity risk. The detailed explanation on risk are found in note 4 to the financial statement

**2.15. IT GOVERNANCE**

IT governance is part of the overall corporate governance of the Corporation which aimed at improving the overall management and implementation of IT structure to derive value from investment in information technology. The Corporation has established IT charter and policies to govern the structure and operations of ICT and its implementation is being reviewed annually. The charter enables the Corporation to manage IT risks effectively and ensure that the activities associated with information and technology are aligned with the overall Corporation business objectives.

**2.16. FINANCIAL REPORTING AND AUDITING**

Those charged with governance are responsible for preparing the Annual Report, including the Corporation Financial Statements in accordance with International Financial Reporting Standards (IFRS). In preparing these financial statements, those charged with governance are required to:

- Adopt the going concern basis unless it is inappropriate to do so;
- Select suitable accounting policies and then apply them consistently; and
- Make judgements and accounting estimates that are reasonable and prudent

The external auditor presented the result of the audit to the audit committee and the board in the meeting dealing with the annual financial statements, including presenting any material changes in the Corporation's accounting principles and significant accounting estimates, and reported on whether the financial statements give a true and fair view of the state of affairs of the Corporation. The accounting policies used in preparing the financial statements have been disclosed in Note 3 to the financial statements. These policies are all considered to be key to an understanding of the performance and financial position of the Corporation.

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)**

**2.17. CORPORATE SOCIAL RESPONSIBILITY**

NHC is committed to making a positive difference in fostering sustainable development. As a leader in real estate business, NHC has a responsibility to conduct the CSR activities based on the highest ethical standards. When evaluating the viability of real estate business around the country, NHC takes into account social, cultural, economic, environmental and governmental factors. Through this constructive approach, NHC aims to work collaborative to identify the needs, priorities and create sustainable development programs. At NHC, CSR is not an-add on, it is fundamental to the corporate strategy. The Corporation continued with its principle of corporate social responsibility and committed itself to active participation in education development, and promotion of socio-economic development of the society through extension of financial support towards implementation of community development projects.

During the year, the Corporation contributed largely towards the education sector by contributing to construction of classrooms, promoting health facilities to reduce health challenges and other community initiatives support to create a bigger impact. The amount spent on the activities is as analyzed below:

- TZS 245.6 million towards the education sector;
- TZS 31.5 million towards health support to institutions;
- TZS 47.6 million to support youth initiatives; and
- TZS 90.5 million to support community initiatives.

**2.18. CORPORATE IMAGE**

During the year the Corporation continued to pursue strategies that were geared towards improving the corporate image. These strategies included the following:

- Improving government and stakeholders relations ;
- Building trust towards the Corporation by dealing honestly with stakeholders ;
- Increased staff awareness on our core values and corporate culture ; and
- Imparting employees with customer care skills.
- Advertising the Corporation's products and services

**2.19. OPERATING ENVIRONMENT**

The operating environment remained stable amidst the turbulent dynamics of the year. Despite the impact of COVID-19 on some key sectors, and disruption of global trade, the economy sustained minimal disruption due to policies in place by the government to mitigate the impact. The economy continues to recover to the adverse impacts of the COVID-19 pandemic. The Real Estate sector continued to recover from the effect of the pandemic in 2022.

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE  
2022 (CONTINUED)**

**2.19. OPERATING ENVIRONMENT (CONTINUED)**

**Macro and micro economic overview**

Tanzania has sustained relatively high growth in economy this year, bolstered by strengthened private consumption and recovered exports as global restrictions has been eased. GDP grew by 4.8% in 2022 supported by the large infrastructure spending. The Construction sector recorded a marginal growth rate of 4.0 percent in the year ending June 2022 compared to 1.9 percent in 2021. The growth was attributed to an increase in local production of construction materials like iron and steels which are proxies for construction activities.

Demand for housing and housing loans remains extremely high as it is constrained by inadequate supply of equitable houses and high interest rates charged on housing loans. Most lenders offer loans for home purchase and equity release while a few offer loans for self-construction which continue to be expensive beyond the reach of the average Tanzanians. While interests on mortgage loans improved from 22 - 24 percent in 2010 to 15 - 19 percent offered today, market interest rates are still relatively high hence negatively affecting affordability. Additionally, cumbersome processes around issuance of titles (especially unit titles) continue to pose a challenge by affecting borrowers' eligibility to access mortgage loans.

The current housing deficit of 3,000,000 units with an annual growth in demand of 200,000 units [Ministry of Lands, research]. The current deficit coupled with the annual growth in demand and the urban population growth; offer a big hyper-growth opportunity for the national economy. NHC intends to increase the housing sector contribution to GDP to 4% in five (5) years' time.

**Competitive Position**

The growth of housing at the top end of the market has been remarkable. Few institutional developers have been targeting the niche market leaving the middle and low ends to individual household funding. The latter types of houses have mainly been concentrated in unplanned and un-serviced settlements.

The housing supply has greatly been hampered by the long standing problem of near absence of formal mortgage finance which now stand at 0.29% of the GDP. This problem has led to around 99% of the houses to be built out of pockets. Such houses are built on incremental basis taking 5 to 10 years to complete instead of 9 to 12 months. Consequently, colossal amount of capital is immobilized for a long time. This tied up capital is likely to be greater than total bank deposits in the country.

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)**

**2.19. OPERATING ENVIRONMENT (CONTINUED)**

**Competitive Position (Continued)**

The above housing market situation is both a challenge and an opportunity to NHC. It is a challenge because the corporation will be required to devise mechanisms for reaching the majority of house seekers and including government employees as well as competing with emerging developers. In terms of opportunity, the serious housing shortage unfolds a ready market for envisaged housing schemes. Being a major real estate firm in Tanzania, NHC is expected to address these challenges.

**2.20. STAKEHOLDERS NEEDS AND INTERESTS**

As a real estate developer, we are deeply connected and committed to the environment we operate in and societies we serve. Our ability to deliver value is dependent on our relationships and the contributions and activities of our stakeholders. We engage in dialogue with our stakeholders to understand their needs and seek to meet their expectations to create value for them and for NHC.

Below table shows key stakeholders with respective needs and expectations:

Stakeholder	Stakeholder Needs and expectations
Employees	<ul style="list-style-type: none"> <li>• Career development and advancement opportunities</li> <li>• Challenging work, with opportunities to make a difference</li> <li>• Employment at a company with a strong brand</li> <li>• An empowering and enabling environment that embraces diversity and inclusivity.</li> <li>• Fair remuneration, effective performance management, and recognition</li> <li>• A safe and healthy work environment</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Innovative housing solutions and services.</li> <li>• Affordability and value for money of NHC Product offering.</li> <li>• Excellence in client service.</li> </ul>
Suppliers	Fair bidding process and timely payments
Shareholders/	Shareholder value creation through Corporation growth and sustainable dividend stream
The Government Ministries and Departments	Continuous engagement to inform their investment decisions.
Regulators and policy makers	Compliance with all legal and regulatory requirements <ul style="list-style-type: none"> <li>• Being a responsible taxpayer</li> <li>• Active participation and contribution to industry and regulatory working groups</li> </ul>

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)**

**2.20. STAKEHOLDERS NEEDS AND INTERESTS (CONTINUED)**

Stakeholder	Stakeholder Needs and expectations
Society	<ul style="list-style-type: none"> <li>• NHC influencing its stakeholders to act responsibly in environmental, social and governance matters</li> <li>• NHC partnering with the community to address common social and environmental issues to build a thriving society.</li> </ul>
Banks and Financial Institution	<ul style="list-style-type: none"> <li>• A healthy business relationship</li> <li>• Be a responsible who timely meets obligations</li> </ul>

**2.21. FUTURE DEVELOPMENTS**

The Corporation has continued being dependent on its rental portfolio as its main source of income since its inception. In order for the Corporation to improve and diversify its products and services to meet public demand. A recent survey has shown that there are potential markets for sale and lease of new products and services in the housing industry.

Sale opportunities include selling of houses and construction materials; leasing includes lease of residential houses, office/commercial spaces, warehouses, plants and equipment; services include construction and consultancy services offered to third party projects. The Corporation will undertake a strategy of establishing new products and services through;

- Constructing 3 building material industries
- Enhancing its Construction business by acquisition of more plants and equipment.
- Undertake more construction activities especially government projects in order to increase its revenues and contribution to the government
- Undertake more consultancy services to increase its revenue diversity.
- Undertake to develop prime plots whose buildings have been condemned due to structural weaknesses and required conformity to the Urban Planning Regulations and Zoning Conditions, or old and dilapidated buildings, which though not condemned are in need of being rebuilt or renovated to increase revenues and modernize cities in accordance with Township Rules and Regulations

Besides diversification of its products, The Corporation in its effort to improve its capacity to deliver products and services to meet future demand it is undertaking its information system integration to connect and synchronize all its operations. This will enable the Corporation work more effectively and efficiently. This will also include applications of technology-oriented solutions in its operations especially in estate management.

The immediate measure is the implementation of the new Joint venture policy in order to attract equity investments in its projects.

NATIONAL HOUSING CORPORATION

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)**

**2.22. FIDUCIARY RESPONSIBILITIES**

The Corporation's Board members as stewards of public trust always acted for the good of the organization, rather than for the benefit of themselves throughout the year ended 30 June 2022. Reasonable care was exercised in all decisions taken by the Corporation, without placing the Corporation under unnecessary risk.

**2.23. RELATED PARTY TRANSACTIONS AND BALANCES**

All related party transactions and balances are disclosed in Note 38 to these Financial Statements. In accordance to National Housing Corporation Act No 2 of 1990, Directors' remuneration is determined by the Minister upon recommendation of the Board and key management remuneration is determined by the Board of Directors.

**2.24. ENVIRONMENTAL MATTERS AND IMPACT TO CORPORATION BUSINESS OPERATIONS**

The Corporation is committed to promote environmentally sound and sustainable development. On the projects side, the Corporation undertakes Environmental and Social Impact Assessment (ESIA) before starting any project as per Environmental Management Act of 2014. For Master plans NHC undertakes Strategic Environmental Assessment (SEA). The Corporation ensures that the Environmental Management Plan in place prepared during ESIA or SEA of the particular project is functioning during construction and after construction.

**2.25. POLITICAL DONATIONS**

There were no political donations made during the year.

**2.26. SERIOUSLY PREJUDICIAL**

No impending new developments are under consideration by the Corporation.

**2.27. AUDITOR**

The Controller and Auditor General is the statutory independent auditor of the National Housing Corporation for the financial year ended 30 June 2022 by virtue of Article 143 of the Constitution of the United Republic of Tanzania as amplified under section 10 (1) of the Public Audit Act, Cap 418 (R.E 2021).

**BY ORDER OF THE BOARD**



Dr. Sophia Kongela  
Chairperson

Date: 19/01/2023


### 3.0 STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by the National Housing Corporation Act 1990 to prepare financial statements for each financial year that gives a true and fair view of the state of affairs of the Corporation as at the end of the financial year and of its profit or loss for the year. The Directors are also obliged to ensure that the Corporation keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Corporation.

They are also responsible for safeguarding the assets of the Corporation. The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRSs), and the requirements of National Housing Corporation Act, 1990. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Corporation and of its performance. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal control.

Nothing has come to the attention of the Directors to indicate that the Corporation will not remain a going concern for at least twelve months from the date of this statement.

**BY ORDER OF THE BOARD**



Dr. Sophia Kongela  
Chairperson

Date: 19/Jan/2023

**4.0 DECLARATION OF HEAD OF FINANCE**

The National Board of Accountants and Auditors (NBAA), according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance/Accounting responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under the Statement of Directors' Responsibilities on an earlier page.

I, CPA. Adolph T. Kasegenya being the Director of Finance and Accounting Management Unit of National Housing Corporation hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30 June 2022 have been prepared in compliance with International Financial Reporting Standards (IFRS) and statutory requirements.

I thus confirm that the financial statements comply with applicable accounting standards and statutory requirements as on that date and that they have been prepared based on properly maintained financial records.



---

CPA. Adolph T. Kasegenya (ACPA 1791)

**Director of Finance and Accounting Management Unit.**

Date: 19/January/2023



NATIONAL HOUSING CORPORATION

**5.0 FINANCIAL STATEMENTS**


**5.1 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2022**

	Notes	30 June 2022 TZS '000	30 June 2021 TZS '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	6.14	4,600,673,160	4,562,116,542
Property, plant and equipment	6.15	44,364,819	44,561,198
Intangible assets	6.16	310,944	-
Investment in joint venture	6.17(a)	18,914,452	18,504,668
Advances toward shares in other entities	6.17(b)	29,757,252	29,787,137
Equity Investments	6.17(c)	3,133,764	3,133,764
		<b>4,697,154,391</b>	<b>4,658,103,309</b>
<b>Current assets</b>			
Inventories	6.18	277,057,482	328,044,566
Trade and other receivables	6.19	39,872,559	35,767,211
Cash and Bank balances	6.20	14,751,342	26,101,390
		<b>331,681,383</b>	<b>389,913,167</b>
<b>TOTAL ASSETS</b>		<b>5,028,835,774</b>	<b>5,048,016,476</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Capital fund	6.21	15,485,554	15,485,554
Capital reserve	6.22	2,395,444	2,395,444
Revaluation reserve	6.23	1,286,923	(468,100)
Retained earnings		3,369,899,292	3,303,158,206
		<b>3,389,067,213</b>	<b>3,320,571,104</b>
<b>Non-current liabilities</b>			
Deferred tax liability	6.24	1,286,481,267	1,273,234,103
Bank & other borrowings	6.25	163,314,968	176,019,614
Rental deposits	6.31	20,484,808	18,770,387
Defined benefit obligation	6.26	12,300,528	12,223,802
		<b>1,482,581,571</b>	<b>1,480,247,906</b>
<b>Current liabilities</b>			
Bank & other borrowings	6.25	61,019,554	46,084,532
Bank overdraft	6.25	4,686,912	4,334,794
Current tax liability	6.13(c)	8,666,033	2,465,821
Trade and other payables	6.27	70,110,574	182,559,160
Accruals	6.28	4,551,578	4,454,013
Provisions	6.29	8,152,339	7,299,146
		<b>157,186,990</b>	<b>247,197,466</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,028,835,774</b>	<b>5,048,016,476</b>

The financial statements were approved and authorized for issue by the Board of Directors on..... and signed on its behalf by:



Dr. Sophia Kongela  
Chairperson

  
Mr. Nehemia Kyando Mchechu  
Director General

NATIONAL HOUSING CORPORATION

**5.2 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR  
ENDED 30 JUNE 2022**

	Notes	30 June 2022	30 June 2021
		TZS '000	TZS '000
Revenue	6.6	257,467,228	144,423,914
Net gain/(loss) from fair value adjustment on investment properties	6.14	32,204,529	62,289,609
Other gains and losses-net	6.7	1,277,151	551,609
Cost of sales - inventory properties	6.8(a)	(131,805,512)	(51,328,635)
Property management costs	6.8(b)	(8,853,494)	(8,193,889)
Depreciation of property and equipment	6.15	(1,344,171)	(1,098,654)
Net Impairment of financial assets	6.19	(1,876,480)	(355,461)
Administrative expenses	6.9	(14,807,486)	(12,230,848)
Sales and marketing expenses	6.10	(1,626,908)	(955,908)
Employee benefit expenses	6.11	(23,201,127)	(18,888,461)
<b>Operating profit</b>		<b>107,433,730</b>	<b>114,213,276</b>
Dividend income from equity investments		29,776	54,509
Finance income	6.12	477,167	450,980
Finance costs	6.12	(16,028,050)	(21,209,742)
Share of profit of joint ventures	6.17(a)	1,021,053	456,632
<b>Profit before tax</b>		<b>92,933,676</b>	<b>93,965,655</b>
Tax expense	6.13(a)	(25,958,801)	(28,022,761)
<b>Profit for the year</b>		<b>66,974,875</b>	<b>65,942,894</b>
Share of other comprehensive income from joint ventures	6.17(a)	(104,868)	(44,303)
Actuarial gain /(loss) from defined benefit obligation	6.26	1,859,891	(5,364,846)
<b>Total comprehensive profit for the year</b>		<b>68,729,898</b>	<b>60,533,745</b>

The financial statements were approved and authorized for issue by the Board of Directors on..... and signed on its behalf by:



Dr. Sophia Kongela  
Chairperson



Mr. Nehemia Kyando Mchechu  
Director General

NATIONAL HOUSING CORPORATION

**5.3 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022**

	Capital fund TZS '000	Capital reserve TZS '000	Retained earnings TZS '000	Revaluation Reserve TZS '000	Total TZS '000
<b>30 June 2022</b>					
At beginning of the year	15,485,554	2,395,444	3,303,158,206	(468,100)	3,320,571,104
Correction of opening balance (Note 6.36)	-	-	(233,789)	-	(233,789)
Opening amount at the beginning of the year	<u>15,485,554</u>	<u>2,395,444</u>	<u>3,302,924,417</u>	<u>(468,100)</u>	<u>3,320,337,315</u>
<i>Comprehensive income:</i>					
Profit for the period	-	-	66,974,875	-	66,974,875
Additional Capital	-	-	-	-	-
<i>Other comprehensive income:</i>					
Share of other comprehensive income from joint venture	-	-	-	(104,868)	(104,868)
Actuarial gain (loss) from defined benefit obligation	-	-	-	1,859,891	1,859,891
<b>At end of year</b>	<u>15,485,554</u>	<u>2,395,444</u>	<u>3,369,899,292</u>	<u>1,286,923</u>	<u>3,389,067,213</u>
<b>30<sup>th</sup> June 2021</b>					
At beginning of the year	485,554	2,395,444	3,237,278,320	4,941,049	3,245,100,367
Correction of opening balance (Note 6.36)	-	-	(63,008)	-	(63,008)
Opening amount at the beginning of the year	<u>485,554</u>	<u>2,395,444</u>	<u>3,237,215,312</u>	<u>4,941,049</u>	<u>3,245,037,359</u>
<i>Comprehensive income:</i>					
Profit for the period	-	-	65,942,894	-	65,942,894
Additional Capital	15,000,000	-	-	-	15,000,000
<i>Other comprehensive income:</i>					
Share of other comprehensive income from joint venture	-	-	-	(44,303)	(44,303)
Actuarial gain / (loss) from defined benefit obligation	-	-	-	(5,364,846)	(5,364,846)
<b>At end of year</b>	<u>15,485,554</u>	<u>2,395,444</u>	<u>3,303,158,206</u>	<u>(468,100)</u>	<u>3,320,571,104</u>

NATIONAL HOUSING CORPORATION

**5.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022**

	Notes	30 June 2022 TZS '000	30 June 2021 TZS '000
<b>Cash flows from operating activities</b>			
Cash receipts from customers	6.32	166,678,238	138,903,423
Interest received	6.12	477,167	450,980
Cash paid to suppliers	6.33	(131,159,326)	(100,444,177)
Cash paid in respect of staff cost	6.34	(21,274,327)	(18,313,261)
Interest paid	6.35	(17,777,030)	(21,245,412)
Tax paid	6.13 (c)	(6,511,425)	(7,534,042)
<b>Net Cash used in operating activities</b>		<b>(9,566,703)</b>	<b>(8,182,490)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	6.15	(1,147,955)	(1,911,955)
Purchase of intangible assets		(310,944)	-
Additions to the investment property	6.14	(94,389)	(42,217)
Dividend received from joint venture	6.17(a)	506,401	562,334
<b>Net cash used in investing activities</b>		<b>(1,046,887)</b>	<b>(1,391,838)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	6.25	31,679,255	12,302,330
Repayments of borrowings	6.25	(32,767,831)	(22,155,631)
Additional Capital		-	15,000,000
<b>Net cash (used in)/generated from financing activities</b>		<b>(1,088,576)</b>	<b>5,146,699</b>
Net decrease in cash and cash equivalent		(11,702,166)	(4,427,629)
Cash and cash equivalents at the beginning of the year.		21,766,596	26,194,225
<b>Cash and cash equivalent at the end of year</b>	6.20	<b>10,064,430</b>	<b>21,766,596</b>

## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS

#### 6.1 GENERAL INFORMATION

The National Housing Corporation (“Corporation”) is incorporated under the Act of Parliament No. 2 of 1990 as a Public Corporation and is domiciled in Tanzania. The address of its head office is as indicated under Corporation’s information page number 1. The principal activities of the Corporation are included in the report of the Directors on page 2.

#### 6.2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

##### *a) New standards and amendments to published standards effective for the year ended 30<sup>th</sup> June 2022*

The following new and revised IFRSs have been applied in the current year and had material impact on the amounts reported in these financial statements.

<b>IAS 8</b> (Accounting Policies, Changes in Accounting Estimates and Errors)	IAS 8 is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.
---	---

**Accounting policies** are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

**A change in accounting estimate** is an adjustment of the carrying amount of an asset or liability, or related expense, resulting from reassessing the expected future benefits and obligations associated with that asset or liability.

**International Financial Reporting Standards** are standards and interpretations adopted by the International Accounting Standards Board (IASB). They comprise:

International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC) and approved by the IASB.

**Materiality.** Information is material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

##### a) *New standards and amendments to published standards effective for the year ended 30 June 2022 (Continued)*

**IAS 8** (Accounting Policies, Changes in Accounting Estimates and Errors) Prior period errors are omissions from, and misstatements in, an entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available and could reasonably be expected to have been obtained and taken into account in preparing those statements. Such errors result from mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud

#### **Disclosure**

*Disclosures relating to changes in accounting policy caused by a new standard or interpretation include: [IAS 8.28]*

The title of the standard or interpretation causing the change the nature of the change in accounting policy a description of the transitional provisions, including those that might have an effect on future periods for the current period and each prior period presented to the extent practicable and the amount of the adjustment:

For each financial statement line item affected, and for basic and diluted earnings per share (only if the entity is applying IAS 33)

The amount of the adjustment relating to periods before those presented, to the extent practicable if retrospective application is impracticable, an explanation and description of how the change in accounting policy was applied.

Financial statements of subsequent periods need not repeat these disclosures.

*Disclosures relating to voluntary changes in accounting policy include: [IAS 8.29]*

The nature of the change in accounting policy the reasons why applying the new accounting policy provides reliable and more relevant information for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

For each financial statement line item affected, and for basic and diluted earnings per share (only if the entity is applying IAS 33).

The amount of the adjustment relating to periods before those presented, to the extent practicable if retrospective application is impracticable, an explanation and description of how the change in accounting policy was applied.

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

##### *a) New standards and amendments to published standards effective for the year ended 30 June 2022 (Continued)*

<b>IAS 8</b> (Accounting Policies, Changes in Accounting Estimates and Errors)	<p>Disclosures relating to prior period errors</p> <p>Disclosures relating to prior period errors include: [IAS 8.49].</p> <p>The nature of the prior period error for each prior period presented, to the extent practicable, the amount of the correction:</p> <p>For each financial statement line item affected, and for basic and diluted earnings per share (only if the entity is applying IAS 33).</p> <p>The amount of the correction at the beginning of the earliest prior period presented if retrospective restatement is impracticable, an explanation and description of how the error has been corrected.</p> <p><b>Effect of changes in the standard</b></p> <p>Clarified by Definition of Material (Amendments to IAS 1 and IAS 8), effective 1<sup>st</sup> January 2020.</p>
<b>Amendments to References to the Conceptual Framework in IFRS</b>	<p>Together with the revised Conceptual Framework published in June 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework.</p> <p>Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.</p> <p>The Directors of the Corporation do not anticipate that the application of the Amendments in the future will have an impact on the Corporation's financial statements.</p> <p><b>Definition of a Business (Amendments to IFRS 3)</b></p> <p>The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix a Defined terms, the application guidance, and the illustrative examples of IFRS 3 only.</p>

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

##### *a) New standards and amendments to published standards effective for the year ended 30 June 2022 (Continued)*

- |   |   |
|---|---|
| <b>Amendments to References to the Conceptual Framework in IFRS</b> | <ul style="list-style-type: none"><li>• They clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.</li><li>• Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired.</li><li>• Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and</li><li>• Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.</li></ul> |
|---|---|

##### *b) New and amended standards and interpretations in issue but not yet effective for the year ended 30 June, 2022*

- **IFRS 17-Insurance Contracts:** Effective for the accounting periods beginning on or after 1<sup>st</sup> January 2021.
- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform phase 2:** Effective for the accounting periods beginning on or after 1<sup>st</sup> January 2021.
- **IAS 16-Property, Plant and Equipment (PPE) amendments regarding proceeds before intended use.** Effective for the accounting periods beginning on or after 1<sup>st</sup> January 2022.

##### *c) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 30 June, 2022*

#### **IFRS 17: Insurance Contracts**

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021

IFRS 17 is effective for accounting periods beginning on or after 1<sup>st</sup> January 2021 and the Directors are still assessing the expected impact on the financial statements.



## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

##### *c) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 30 June, 2022(Continued)*

#### **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform phase 2**

##### **Nature of the amendments**

Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform.

For instruments to which the amortized cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9.

As a result, no immediate gain or loss is recognized. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis.

IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform (for example, where lease payments are indexed to an IBOR rate).

##### **Impact of amendments**

The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.

##### **Additional temporary exceptions from applying specific hedge accounting requirements**

The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

##### **IAS 16: Property, Plant and Equipment (PPE) - amendments regarding proceeds before intended use.**

The IASB issued 'Property, Plant and Equipment proceeds before intended use (Amendments to IAS 16) regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

##### *c) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 30th June, 2022(Continued)*

*Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform phase 2(Continued)*

*IAS 16: Property, Plant and Equipment (PPE) - amendments regarding proceeds before intended use (Continued)*

At present, incidental income from operating the asset whilst bringing it into use, such as from the sale of samples produced during testing, is deducted from the cost of the asset. In practice, entities have applied this in different ways, with some deducting only the proceeds from selling items produced while testing.

The amendment to IAS 16 requires that sales proceeds recognized before the related item of PPE is available for use are recognized in profit or loss together with the costs associated with the items sold, rather than by adjusting the cost of the item of PPE. The cost of the items sold is derived by applying the allocation and measurement requirements of IAS 2 Inventories.

Disclosure of the amount of the proceeds and corresponding cost is required, along with details of the income statement line item in which they are included (if not already separately disclosed under IFRS 15).

The revisions to the standard also clarify that testing means, “assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes”

##### **d) Early adoption of standards**

The Corporation did not early adopt any new or amended standards in the year ended 30 June, 2022.

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES

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

##### **6.3.1 Statement of compliance**

The financial statements have been prepared in accordance with the International Financial Reporting Standards and the National Housing Corporation Act, 1990.

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.1 Basis of preparation

The financial statements are presented in Tanzania Shillings (TZS), rounded to the nearest thousand. The measurement basis applied is the historical cost basis, except for investment properties and defined benefit obligation which are measured at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates.

It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

##### 6.3.2 Revenue recognition

Revenue comprises the fair value of consideration received and receivable for the performance obligation fulfilled by the Corporation in various contracts. Revenue is recognized as follows:

- (i) Rental income from property leases is recognised on a straight-line basis over the period of the lease;
- (ii) Sales of property inventory are recognised in the period in which the Corporation fulfil performance obligation, i.e. when the customer has accepted the property and there is binding contract.
- (iii) Where joint venture properties constitute joint operations, rental income from such properties are recognised in revenue based on the Corporation's percentage share of the joint venture rental income on a straight line basis over the period of the lease;
- (iv) Contracts incomes are recognised overtime base on measurement of progress of satisfaction of performance obligation. The Corporation uses the input method in measuring satisfaction of the performance obligation; this is in alignment of IFRS 15 for construction contracts.

##### 6.3.3 Functional currency and translation of foreign currencies

###### (i) Functional and presentation currency

Items included in financial statements are measured using the currency of the primary economic environment in which the Corporation operates ("the functional currency"). Financial statements are presented in Tanzanian Shillings, which is the Corporation's functional and presentation currency, rounded to the nearest thousand.

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.4 Functional currency and translation of foreign currencies (continued)

###### (ii) Transactions and balances

Foreign currency transactions are translated into Tanzania Shillings using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss.

##### 6.3.5 Investment property

A property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Corporation, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Land held under operating leases is classified and accounted for by the Corporation as investment property when the rest of the definition of investment property is met.

Investment property is measured initially at cost, including related transaction costs and borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is measured at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

If this information is not available, the Corporation uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.5 Investment property (Continued)

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract;
- The stage of completion;
- Whether the project/property is standard (typical for the market) or non-standard;
- The level of reliability of cash inflows after completion;
- The development risk specific to the property;
- Past experience with similar constructions; and
- Status of construction permits.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Changes in fair values are recognized in profit or loss. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising from the disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognized in profit or loss in the period of disposal.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

##### 6.3.6 Property and equipment

All categories of property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably.

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.6 Property and equipment (continued)

All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of the property and equipment to their residual values over their estimated useful lives, as follows:

Office buildings	50 years
Machinery	10 years
Motor vehicles	5 years
Office equipment	5 years
Furniture and fittings	4 years
Tricycle and motor cycle	5 years
Computers and accessories	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in the profit or loss.

##### 6.3.7 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful life of the Corporation intangible assets were two years.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of materials is determined by the first-in, first-out (FIFO) method. The cost of finished houses and work in progress comprises construction materials, direct labour, other direct costs, borrowing costs and related overheads. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and costs directly related to the sale.

##### 6.3.9 Trade receivables

Trade receivables are stated at invoice amounts less expected credit loss provision for impairment. A provision for impairment is established using a provision matrix based on the Corporation's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the trade and other receivables.

##### 6.3.10 Payables

Payables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method.

##### 6.3.11 Borrowings and borrowings cost

###### *(i) Borrowings*

Borrowings are recognized initially at fair value, net of transaction costs incurred and then subsequently stated at amortized cost; any differences between proceeds and the redemption value are recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

###### *(ii) Borrowing costs*

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.11 Borrowings and borrowings cost (Continued)

###### *(ii) Borrowing costs (continued)*

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

The Corporation capitalizes borrowing costs on qualifying projects for sale and investment properties.

##### 6.3.12 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with bank, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings on the statement of financial position.

##### 6.3.13 Employee benefits

###### *(i) Retirement benefit obligations*

The Corporation operates defined contribution retirement benefit schemes for its employees. A defined contribution plan is a pension plan under which the Corporation pays fixed contributions into separate entities. The Corporation made pension contributions to (Public Servant Social Security Fund (PSSSF).

The Corporation's contributions to the defined contribution schemes are recognized as an employee benefit expense when they fall due. The Corporation has no further payment obligations once the contributions have been paid.

The Corporation's contributions to the defined contribution schemes are charged to profit or loss in the year to which they relate.

###### *(ii) Other entitlements*

The estimated monetary liability for employees' accrued annual leave entitlement at the end of reporting period is recognized as an expense accrual.

###### *(iii) Service gratuity*

The Corporation operates an employee service gratuity plan for senior management staff who is employed on a contract basis whereby the Corporation makes a provision of 25% of the annual basic pay per year payable at the end of the three years contract period. Provision for gratuity is made in the financial statements based on the salary paid during the year.



## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.13 Employee benefits (Continued)

###### *Defined benefit plan*

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Re-measurement, comprising actuarial gains and losses is reflected in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur.

Re-measurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Past service cost;
- Net interest expense or income; and
- Re-measurement.

The Corporation presents the first two components of defined benefit cost in profit or loss as part of staff costs.

##### 6.3.14 Financial Instruments

Financial assets and financial liabilities are recognized on the Corporation's statement of financial position when the Corporation becomes a party to the contractual provisions of the financial instrument.

###### **Financial assets**

###### *Initial recognition*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Corporation's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Corporation has applied the practical expedient, the Corporation initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Corporation has applied the practical expedient are measured at the transaction price determined under IFRS 15.

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.14 Financial Instruments (Continued)

###### Financial assets (Continued)

###### *Subsequent measurement*

Financial assets are classified into the following specified categories:

- (i) Financial assets at amortized cost;
- (ii) Financial assets at fair value through Other Comprehensive Income;
- (iii) Financial assets at fair value through profit or loss

The Corporation's principal class of financial assets is financial assets at amortized cost which includes trade and other receivables, excluding cash and bank balances.

Financial assets are recognized and derecognized on trade-date where the purchase or sale of the financial asset is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned.

All of the Corporations financial assets are initially measured at cost or fair value, depending on the classification of financials assets and subsequently measure.

###### *Amortized cost and effective interest method*

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

###### *Trade and other receivables*

Trade and other receivables are stated at invoice amounts less provision for impairment. A provision for impairment is established using a provision matrix based on the Corporation's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the trade and other receivables.

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.14 Financial Instruments (Continued)

###### Financial assets (Continued)

###### *Cash and bank balances*

For the purposes of the cash flows statement, cash and cash equivalents include cash on hand, in banks and investments in money market instruments and duly reconciled to the related items in the statement of financial position.

###### *Impairment of financial assets*

The Corporation recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive, discounted at an approximation of the original effective interest rate. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Corporation applies a simplified approach in calculating ECLs for trade and other receivables. Therefore, the Corporation does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Corporation has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Corporation considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Corporation may also consider a financial asset to be in default when internal or external information indicates that the Corporation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Corporation. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

###### *De-recognition of financial assets*

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.14 Financial Instruments (Continued)

###### Financial assets (Continued)

On de-recognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

###### Financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

The Corporation's financial liabilities include trade, borrowings and other payables. The measurement of financial liabilities depends on their classification, as described below:

###### *Financial liabilities measured subsequently at amortized cost*

Financial liabilities that are not contingent consideration of an acquirer in a business, held-for-trading, or designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

###### *De-recognition of financial liabilities*

The Corporation de-recognizes financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in profit or loss.

###### *Offset*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

##### 6.3.15 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in arriving at the profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.15 Current and deferred tax (continued)

In this case the tax is also recognized in other comprehensive income or directly in equity respectively. Current tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Tanzania Income Tax Act (2004).

The current tax charge is calculated on the basis of the tax enacted or substantively enacted at the statement of financial position date.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

##### 6.3.16 Joint arrangements

The Corporation enters into joint arrangements with various stakeholders to develop properties which are then used as investment properties. The main joint arrangement the corporation had during the year was joint venture. The Corporation recognises its interest in the joint venture properties as an investment and accounts for it based on the equity based method that recognises the Corporation's proportionate share of the jointly controlled investment property.

##### 6.3.17 Provision

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

##### 6.3.18 Investment in associates and joint ventures

Associates are all entities over which the Corporation has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.18 Investment in associates and joint ventures Continued)

Investments in associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate or joint venture is reduced but control remains unchanged, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Corporation's share of post-acquisition profit or loss is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Corporation's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Corporation does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Corporation determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Corporation calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount.

##### 6.3.19 Construction costs

When the outcome of a construction contract can be estimated reliably, costs are recognized to the stage of completion of the contract activity at the end of the period, measured based on the proportion of contract cost incurred for work performed to date relative to the estimated total contract costs.

##### 6.3.20 Lease

###### *Corporation as Lessor*

Leases where the Corporation retains substantially all the risks and benefits incidental to ownership of the leased item are classified as operating leases. Payments, including prepayments, made under operating lease (net of incentives received from the lessor) are charged to profit and loss statement on straight-line basis over the period of the lease. All other leases are classified as finance leases.

The Corporation's activities expose it to a variety of financial risks including credit risk, market risk (foreign exchange risk and interest rate risk) and liquidity risk. The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance, but the Corporation does not hedge any risks. Risk management is carried out by the Risk Management Unit under policies approved by the board of directors.

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.4 FINANCIAL RISK MANAGEMENT AND OBJECTIVES AND POLICIES

##### 6.4.1 Market risk

###### (i) Foreign exchange risk

The Corporation's exposure to foreign exchange risks is managed by limiting the Corporation's transactions in foreign currencies. Foreign exchange risk that could arise from future commercial transactions, and recognized assets and liabilities are therefore mitigated. Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies.

###### (ii) Cash flow and fair value interest rate risk

The Corporation has borrowings from banks which carry fixed and variable interest rates (Note 25). The Corporation regularly monitors financing options available to ensure optimum interest rates are obtained whenever the facilities are being rolled forward.

##### 6.4.2 Credit risk

Credit risk arises mainly from deposits with banks, as well as trade and other receivables. The Corporation does not have any significant concentrations of credit risk. Credit risk is managed by the Director of Finance and Accounting Management Unit. The credit controller assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The Corporation does not grade the quality of receivables.

	30 June 2022 TZS '000	30 June 2021 TZS '000
Cash at bank	14,734,137	26,084,685
Trade receivables (gross)	52,938,928	46,748,061
Staff receivables	4,279,224	3,998,853
	<u>71,952,289</u>	<u>76,831,599</u>

None of the above assets are past due or impaired except for the following amounts in trade receivables (which are due within 30 days of the end of the month in which they are invoiced):

	30 June 2021 TZS '000	30 June 2021 TZS '000
Past due but not impaired:		
Up to 90 days	2,622,824	3,383,197
Above 90 days but less than 1 year	2,051,548	999,297
Construction Debtors	11,634,490	9,202,724
Total past due but not impaired	<u>16,308,862</u>	<u>13,585,218</u>
Impaired	25,271,991	27,586,566
	<u>41,580,852</u>	<u>41,171,784</u>

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.4 FINANCIAL RISK MANAGEMENT AND OBJECTIVES AND POLICIES (CONTINUED)

##### 6.4.2 Credit risk (Continued)

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

All receivables from ex-tenants and those tenants subject to court cases are considered fully impaired. The value of these receivables as at 30 June 2022 was TZS 19,923 million (30 June 2021: TZS 17,874 million).

##### Bank balances

The Corporation has bank arrangements with banks of sound credit standing. The Corporation banks with National Bank of Commerce, CRDB Bank plc, National Microfinance Bank plc, KCB Bank, NCBA Bank, CITI Bank, Azania Bank, and TIB Bank. These are highly reputable Bank in Tanzania. In the view of the directors, the risk of non-performance by these counterparties is not significant.

##### 6.4.3 Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the Corporation's financial liabilities that will be settled on a net basis into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date.

	Less than 1 year TZS'000	Between 1 and 2 years TZS'000	Over 2 years TZS'000	Total TZS'000
<b>30 June 2022</b>				
Trade and other payables	37,466,024	-	-	37,466,024
Borrowings	61,019,554	37,723,502	125,591,596	224,334,652
Bank overdraft	4,686,912	-	-	4,686,912
Rental deposits	-	-	20,484,808	20,484,808
	<b>103,172,490</b>	<b>37,723,502</b>	<b>146,076,404</b>	<b>286,972,396</b>
<b>30 June 2021</b>				
Trade and other payables	39,657,249	-	-	39,657,249
Borrowings	46,084,532	34,442,684	141,576,930	222,104,146
Bank overdraft	4,334,794	-	-	4,334,794
Rental deposits	-	-	18,770,387	18,770,387
	<b>90,076,575</b>	<b>34,442,684</b>	<b>160,347,317</b>	<b>284,866,576</b>



## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.4 FINANCIAL RISK MANAGEMENT AND OBJECTIVES AND POLICIES (CONTINUED)

##### 6.4.1 Capital risk Management

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern in order to provide returns for the shareholder and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Corporation may limit the amount of dividends paid to the shareholder.

The Corporation monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. The gearing ratios as and 30 June 2022 were as follows:

	30 June 2022	30 June 2021
	TZS '000	TZS '000
Total borrowings (Note 25)	(224,334,522)	(222,104,146)
Less: cash and bank balances (Note 20)	10,064,430	21,766,596
Net borrowings	<u>(214,270,092)</u>	<u>(200,337,550)</u>
Total equity	<u>3,389,067,213</u>	<u>3,320,571,104</u>
Gearing ratio	<u>6.32%</u>	<u>6.03%</u>

#### 6.5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Corporation accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

##### Receivables

During the year end critical analysis is made by the Directors in establishing expected credit loss on the trade receivables depend on two years historical loss rate model, adjusted for factors that are specific to debtors, general economic conditions and an assessment of both the current as well as forecast direction of condition at the reporting date.

##### Investment property

Critical estimates are made by the professional valuers in determining the fair values of investment property at the end of each reporting period. The fair valuation of investment properties are determined by using valuation techniques, as set out in note 3.5.

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

##### Property and equipment

Critical estimates are made by the Directors in determining depreciation rates which are based on the useful lives for plant, property and equipment and their residual values. The useful lives applied are set out in note 6.3.6.

##### Income Tax

The Corporation is subjected to a number of taxes and levies by various government and quasi-government regulations bodies. As a rule of thumb, the Corporation recognizes liabilities for the anticipated tax/levies payable with utmost care and diligence. However, significant judgement is usually required in the interpretation and applicability of those taxes/levies. Should it come to the attention of managements in one way or other that initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determine.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2022 TZS '000	30 June 2021 TZS '000
<b>6.6 REVENUE</b>		
Rental income	90,762,603	89,229,551
Sale of inventory properties-Own constructed Projects (Note 6.6.a)	121,947,552	29,329,808
Contracts income-Third party projects (Note 6.6.b)	43,983,676	25,600,907
Sale of open plots (Note 6.6.c)	773,397	263,648
	<u>257,467,228</u>	<u>144,423,914</u>
<b>(6.6.a) Own Constructed Projects</b>		
Medeli project	316,601	2,532,809
Iyumbu project	775,990	4,571,926
Unyankumi project	46,610	46,599
Safari City(affordable houses)project	72,250	-
EWURA	10,384,100	-
CRDB head office	110,352,001	-
Kibada project	-	50,081
Mtanda project	-	289,436
Ilembo project	-	76,303
Kongwa project	-	40,166
Chato project	-	1,351,200
Mwongozo project	-	1,673,810
Mlole Project	-	337,966
Victoria Apartment project	-	16,927,083
Zongomela project	-	49,600
Igunga project	-	82,109
Mrara project	-	622,972
Uyui project	-	49,368
Jangwani project	-	276,480
Buswelu project	-	351,900
	<u>121,947,552</u>	<u>29,329,808</u>
<b>(6.6.b) Third Party Projects</b>		
Malinyi District Council project	180,116	130,011
Wanging'ombe project	18,945	601,663
Ardhi University project	5,184	283,036
Vingunguti Abattoir	1,105,529	3,954,683
Musoma Refferal Hospital	2,542,625	3,868,353
Mtwara Refferal Hospital	1,824,405	6,038,691
Mbuye Special School	42,494	1,111,779
National Board of Accountants and Auditors	20,208	374,923
Tanzania Medical Devices Agency	869,639	4,236,522
Burigi project	256,305	732,478
Buzirayombo livestock market	1,979,473	1,317,640
Iringa Regional Commissioner Conference	279,501	137,331
NIMRI primary production	317,611	249,755
UDSM school of economics	1,790,165	69,770
Nane Nane Pavilion	4,303	15,398

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2022 TZS '000	30 June 2021 TZS '000
<b>6. REVENUE (CONTINUED)</b>		
<b>6.6.b) Third Party Projects (continued)</b>		
Tanzania Forest Agency	-	2,346,004
Malinyi DC residential	-	2,838
Public Procurement Regulatory Authority	-	46,865
UDOM teaching laboratory	-	9,473
NHIF Jangwani	-	73,694
Ministry of Land, Housing and Human Settlement project	4,072,276	-
Ministry of Energy project	3,153,790	-
Ministry of Industry project	3,079,034	-
Ministry of minerals	4,742,625	-
Ministry of home affairs	3,469,275	-
Ministry of arts, culture and sports	3,473,743	-
Ministry of livestock and fisheries	3,386,980	-
Ministry of information and communication technology	5,775,699	-
Jakaya Kikwete cardiac institution	470,665	-
Renovation of Mtwara regional land office	24,036	-
Partition of NHIF Mara regional office	45,740	-
Construction of Vingunguti executive ward office	64,896	-
GPSA Dodoma office	92,966	-
GPSA Songwe office	161,156	-
GPSA Simiyu office	132,807	-
GPSA Head office	9,794	-
GPSA Kibaha office	139,517	-
Masasi warehouse	149,917	-
Rehabilitation of national repository and present office record and archives-DSM	10,393	-
OPD building - LIGULA RRH	245,420	-
Tanzanite trade centre (Mererani township authority)	46,444	-
	<u>43,983,676</u>	<u>25,600,907</u>
<b>6.6.c Sales of open plots</b>		
Safari City plots	(773,397)	263,648
	<u>(773,397)</u>	<u>263,648</u>
<b>6.7 OTHER GAINS AND LOSSES</b>		
Gain on disposal of property, plant and equipment	-	82,750
Net foreign exchange losses	(231,191)	(713,810)
Miscellaneous income	1,508,342	1,182,669
	<u>1,277,151</u>	<u>551,609</u>
<b>6.8 (a) CONSTRUCTION COSTS</b>		
<b>(i) Own Constructed Projects</b>		
Medeli project	175,996	1,407,969
Iyumbu project	687,126	4,325,936
Unyankumi project	46,446	46,446

**NATIONAL HOUSING CORPORATION**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>TZS '000</b>	<b>TZS '000</b>
<b>6.8 (a) CONSTRUCTION COSTS (CONTINUED)</b>		
<b>(i) Own Constructed Projects (continued)</b>		
Safari city Project	57,198	-
EWURA	10,376,846	-
CRDB head office	81,820,557	-
Kibada project	-	47,091
Mtanda project	-	300,168
Ilembo project	-	42,707
Mwongozo project	-	1,365,368
Mlole Project	-	311,335
Plot 274 Chato street DSM	-	934,628
Kongwa Project	-	37,801
Levolosi project	-	62,275
Uyui project	-	38,367
Victoria Project	-	16,805,472
Jangwani project	-	166,911
Buswelu project	-	354,056
Zongomela project	-	38,371
Mrara project	-	556,532
	<b>93,164,169</b>	<b>26,841,433</b>
<b>(ii) Third Party Projects</b>		
Malinyi District Council project	160,299	115,707
Wanging'ombe project	16,176	513,717
Ardhi University project	4,500	245,709
Vingunguti Abattoir	762,213	3,487,227
Musoma referral hospital	2,465,101	3,973,239
Tanzania Forest Service Agency	311,942	2,594,473
Mtwara referral hospital	1,755,004	5,302,682
Mbuye special school	40,743	1,801,025
National Board of Accountant and Auditors	19,024	352,956
Tanzania Medicine and Medical Authority	746,956	3,638,861
Burigi project	263,744	620,744
Buzirayombo Livestock Market	1,728,690	1,150,706
Iringa Regional Commissioner Conference	287,372	116,732
NIMRI primary production	290,358	227,050
UDSM school of economics	1,627,423	63,428
Nane nane pavilion	3,630	12,990
Malinyi District Council Residential	-	2,913
Public Procurement Regulatory Authority	-	37,492
UDOM teaching laboratory	-	7,521
NHIF Jangwani	-	70,732
Ministry of land, housing and human settlement project	3,281,056	-
Ministry of Energy project	2,697,366	-
Ministry of industry project	2,603,314	-
Ministry of minerals	4,031,232	-
Ministry of home affairs	2,948,346	-

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>30 June 2022</u>	<u>30 June 2021</u>
	TZS '000	TZS '000
<b>6.8 (a) CONSTRUCTION COSTS (Continued)</b>		
<b>(ii) Third Party Projects (continued)</b>		
Ministry of arts, culture and sports	3,030,841	-
Ministry of livestock and fisheries	2,878,835	-
Ministry of information and communication technology project	4,909,345	-
Jakaya Kikwete cardiac institution	401,835	-
Renovation of Mtwara regional land office	22,690	-
Partition of NHIF Mara regional office	35,957	-
Construction of Vingunguti executive ward office	52,726	-
GPSA Dodoma office	75,533	-
GPSA Songwe office	130,936	-
GPSA Simiyu office	107,903	-
GPSA Head office	7,957	-
GPSA Kibaha office	113,355	-
Masasi warehouse	121,394	-
Rehabilitation of national repository and present office record and archives-DSM	9,037	-
OPD building - LIGULA RRH	223,109	-
Tanzanite trade centre (Mererani township authority)	67,402	-
	<u>38,233,344</u>	<u>24,335,904</u>
<b>(iii) Open Plots</b>		
Safari City	407,999	151,298
	<u>407,999</u>	<u>151,298</u>
	<u>131,805,512</u>	<u>51,328,635</u>
<b>6.8 (b) PROPERTY MANAGEMENT COSTS</b>		
Repair and maintenance rental houses	5,368,401	4,775,147
Estate management expenses	1,657,557	1,672,626
Land rent and property tax	1,062,535	1,299,055
Property valuation fees	58,025	156,606
City service levy	706,976	290,455
	<u>8,853,494</u>	<u>8,193,889</u>
<b>6.9 ADMINISTRATIVE EXPENSES</b>		
Training and seminar costs	1,171,917	957,996
Security and insurance services	460,736	614,146
Printing and stationeries	495,482	340,589
Computer expenses and software maintenance cost	215,897	311,329
Auditors remuneration	380,000	312,710
Other audit costs	23,091	38,944
Repair and maintenance office buildings	380,748	194,563
Internet costs and network	630,785	563,311
Consultancy fee	105,192	131,680
Water and electricity	358,391	331,355

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2022 TZS '000	30 June 2021 TZS '000
<b>6.9 ADMINISTRATIVE EXPENSES (CONTINUED)</b>		
Postage and telephone	246,958	247,866
Travelling on duty	3,050,466	1,889,948
Directors' fees and board expenses	212,872	187,422
Motor vehicle fuel and maintenance	2,816,806	1,856,695
VAT write off, penalties and fines	548,393	1,120,956
Donation	415,164	166,966
Repairs and maintenance office equipment	219,854	147,234
Legal fees	40,384	13,560
Provision for legal cases	853,193	422,495
Bank charges	119,383	142,888
Office expenses	576,389	291,744
National festivals	52,326	55,828
Procurement expenses	306,165	339,343
Contribution to exchequer	750,000	1,205,000
General cleaning expenses	349,816	336,714
Other administrative expenses	27,078	9,566
	<u>14,807,486</u>	<u>12,230,848</u>
<b>6.10 SALES AND MARKETING EXPENSES</b>		
Business promotion	986,893	565,924
Sales expenses and marketing expenses	85,825	27,108
Advertising and publicity	554,190	362,876
	<u>1,626,908</u>	<u>955,908</u>
<b>6.11 EMPLOYEE BENEFITS EXPENSES</b>		
Salaries and wages	13,464,610	10,429,850
Housing allowance	455,356	1,936,130
Electricity Allowance	119,721	-
Furniture Allowance	384,000	-
Sitting Allowance	46,240	-
Extra duty payments	75,025	-
House servant allowance	2,994	-
Defined benefit obligation expense	3,091,407	1,523,578
Staff welfare	131,280	108,433
Staff canteen services	722,208	530,329
Staff transport services	282,575	310,610
Staff uniforms and clothing	110,341	10,800
Pension contributions	1,713,890	1,365,392
Medical costs	1,017,097	547,864
Master workers council	52,976	62,364
Leave travel allowance	28,356	726,485
Transfer and disturbance allowance	556,113	576,324
Skills and development levy	683,507	595,846
Gratuity provision expense	45,535	32,229
Workers' compensation fund	69,324	60,227
Annual incentive and service award	148,572	72,000
	<u>23,201,127</u>	<u>18,888,461</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2022 TZS '000	30 June 2021 TZS '000
<b>6.12 FINANCE INCOME AND COSTS</b>		
<b>Finance income</b>		
Interest on bank term deposits	36,014	5,628
Interest on rental receivables	441,153	445,352
	<u>477,167</u>	<u>450,980</u>
<b>Finance costs</b>		
Interest on borrowings	(14,840,672)	(19,996,488)
Loan-related charges	(1,187,378)	(1,213,254)
	<u>(16,028,050)</u>	<u>(21,209,742)</u>
Net finance cost	<u>(15,550,883)</u>	<u>(20,758,762)</u>

**6.13 INCOME TAX**

**(a) Tax (income)/charge**

Current tax-current period	13,180,653	4,444,660
Current tax- prior period overprovision	(469,016)	1,014,180
Deferred tax income-current period (Note 24)	15,244,184	22,572,114
Deferred tax charge/(income)-prior periods (Note 24)	(1,997,020)	(8,193)
	<u>13,247,164</u>	<u>22,563,921</u>

**(b) Reconciliation of income tax expense**

The tax on the Corporation's income tax differs from the theoretical amount that would arise using the statutory income tax rate on the applicable profit as follows:

	30 June 2022 TZS '000	30 June 2021 TZS '000
Profit/(Loss) before tax	<u>92,933,676</u>	<u>93,965,655</u>
Tax calculated at the statutory income tax rate of 30%	27,880,103	28,189,697
Tax effect of:		
Non-taxable income	(315,248)	(139,319)
Expenditure permanently disallowed for tax purpose	445,624	575,850
Decrease in deferred tax from fair value losses	414,358	(1,609,454)
Current tax relating to prior periods	(469,016)	1,014,180
(Under)/Over- provision of deferred tax from prior year	(1,997,020)	(8,193)
	<u>25,958,801</u>	<u>28,022,761</u>

**(c) Tax movement**

Balance at beginning of the year	2,465,821	4,541,023
Current tax charge for the year	13,180,653	4,444,660
Tax interest and penalties-prior period	-	381,271
Current tax- prior period overprovision	(469,016)	632,909
Tax paid during the year	(6,511,425)	(7,534,042)
Balance as at the end of the year	<u>8,666,033</u>	<u>2,465,821</u>



NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6.14 INVESTMENT PROPERTIES

	Land and rental buildings TZS'000	Joint arrangements land and rental buildings TZS'000	Work in progress and undeveloped land TZS'000	Total TZS'000
<b>30 June 2022</b>				
Opening balance	3,707,017,407	234,121,909	620,977,226	4,562,116,542
Additions: Monetary	-	-	94,389	94,389
Additions: Non-monetary	535,771	-	5,490,010	6,025,781
Transfer in/(out)	9,700,017	2,791,250	(12,491,267)	-
Transfer from inventory	231,920	-	-	231,920
Transfer to inventory of buildings	-	-	-	-
Fair value gain/(loss)	21,671,471	4,461,419	6,071,638	32,204,528
	<b>3,739,156,586</b>	<b>241,374,578</b>	<b>620,141,996</b>	<b>4,600,673,160</b>
<b>30 June 2021</b>				
Opening balance	3,612,256,262	225,633,881	626,470,967	4,464,361,110
Additions: Monetary	-	-	42,217	42,217
Additions: Non-monetary	31,039,284	-	4,428,750	35,468,034
Transfer in/(out)	8,003,743	2,127,000	(10,130,743)	-
Transfer to inventory of buildings	(22,028)	-	(22,400)	(44,428)
Fair value gain/(loss)	55,740,146	6,361,028	188,435	62,289,609
	<b>3,707,017,407</b>	<b>234,121,909</b>	<b>620,977,226</b>	<b>4,562,116,542</b>

Investment property refers to completed, ongoing construction houses for renting and undeveloped land. Out of total capitalized work-in-progress as at year end is capitalized borrowing costs amounting to TZS 531.08 million (2021: TZS 468.50 million).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6.14 INVESTMENT PROPERTIES (CONTINUED)**

The Corporation is satisfied that the fair value of all its investment properties under construction at 30 June 2022 were reliably determinable on continuing basis. The Corporation investment properties were revalued at 30 June 2022 through review by independent professionally qualified valuers who hold a recognized relevant professional qualification and have recent experience in the location and categories of investment properties valued.

Properties being constructed or developed for future use as investment properties were valued at TZS 620 billion (2021: TZS 621 billion) as follows:

<b>30 June 2022</b>	<b>Total value of the investment property TZS'000</b>	<b>NHC percentage share %</b>	<b>NHC share of ownership TZS'000</b>
Investment properties under construction (Joint venture properties)	58,494,279	100	58,494,279
Investment properties under construction (NHC owned properties)	13,566,070	100	13,566,070
Undeveloped plots	<u>548,081,647</u>	100	<u>548,081,647</u>
	<b><u>620,141,996</u></b>		<b><u>620,141,996</u></b>
<b>30 June 2021</b>			
Investment properties under construction (Joint venture properties)	60,143,425	100	60,143,425
Investment properties under construction (NHC owned properties)	10,870,087	100	10,870,087
Undeveloped plots	<u>549,963,715</u>	100	<u>549,963,715</u>
	<b><u>620,977,227</u></b>		<b><u>620,977,227</u></b>

As at the end of the period, investment properties with value of TZS 573,593 million (30 June 2021: TZS 573,593 million), were pledged as security on bank borrowings as detailed in Note 25.

NATIONAL HOUSING CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6.15 PROPERTY, PLANT AND EQUIPMENT**

	Land TZS'000	Buildings	Machinery TZS'000	Motor vehicle TZS'000	Office equipment, furniture and fixtures TZS'000	Tricycle and motorcycle TZS'000	Computer hardware and accessories TZS'000	Work in progress TZS'000	Total TZS'000
<b>30<sup>th</sup> June 2022</b>									
Opening net book value	18,785,930	23,104,898	1,474,122	624,473	452,842	-	118,933	-	44,561,198
Additions: Monetary (at cost)	-	-	23,127	184,694	541,069	59,322	339,743	-	1,147,955
Additions: Non-monetary (at cost)	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	(1,458)	-	(1,458)
Depreciation related to disposals	-	-	-	-	-	-	1,295	-	1,295
Depreciation charge	-	(515,796)	(318,978)	(204,444)	(178,629)	(11,864)	(114,460)	-	(1,344,171)
<b>Closing net book value</b>	<b>18,785,930</b>	<b>22,589,102</b>	<b>1,178,271</b>	<b>604,723</b>	<b>815,282</b>	<b>47,458</b>	<b>344,053</b>	-	<b>44,364,819</b>
Cost	18,785,930	25,789,768	3,608,091	7,022,145	6,645,197	111,384	3,258,879	-	65,221,394
Accumulated depreciation	-	(3,200,666)	(2,429,820)	(6,417,422)	(5,829,915)	(63,926)	(2,914,826)	-	(20,856,575)
<b>Net book value</b>	<b>18,785,930</b>	<b>22,589,102</b>	<b>1,178,271</b>	<b>604,723</b>	<b>815,282</b>	<b>47,458</b>	<b>344,053</b>	-	<b>44,364,819</b>
<b>30<sup>th</sup> June 2021</b>									
Opening net book value	18,785,930	23,620,693	988,988	114,107	107,086	165	130,928	-	43,747,897
Additions: Monetary (at cost)	-	-	691,223	673,498	467,214	-	80,020	-	1,911,955
Additions: Non-monetary (at cost)	-	-	-	-	-	-	-	-	-
Disposals	-	-	220,618	-	-	-	-	-	220,618
Depreciation related to disposals	-	-	(220,618)	-	-	-	-	-	220,618
Depreciation charge	-	(515,795)	(206,089)	(163,132)	(121,458)	(165)	(92,015)	-	(1,098,654)
<b>Closing net book value</b>	<b>18,785,930</b>	<b>23,104,897</b>	<b>1,474,123</b>	<b>624,472</b>	<b>452,841</b>	-	<b>118,935</b>	-	<b>44,561,198</b>
Cost	18,785,930	25,789,768	3,584,965	6,837,451	6,104,128	52,061	2,920,594	-	64,074,897
Accumulated depreciation	-	(2,684,871)	(2,110,842)	(6,212,979)	(5,651,287)	(52,061)	(2,801,659)	-	(19,513,699)
<b>Net book value</b>	<b>18,785,930</b>	<b>23,104,897</b>	<b>1,474,123</b>	<b>624,472</b>	<b>452,841</b>	-	<b>118,935</b>	-	<b>44,561,198</b>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**6.15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Property and equipment refer to long term tangible assets held by the corporation for operation. As at the end of the period, the corporation has property and equipment that are fully depreciated but are still in use worth TZS 14,921 million (2021: TZS 14,355 million) as categorized below:

	30 June 2022 TZS '000	30 June 2021 TZS '000
Machinery	403,418	403,418
Motor vehicle	6,163,953	5,803,615
Office equipment, furniture and fixtures	5,493,922	5,482,966
Tricycle and motorcycle	52,061	52,061
Computer hardware and accessories	2,807,720	2,612,611
	<u>14,921,074</u>	<u>14,354,672</u>

**6.16 INTANGIBLE ASSETS**

Net book value at the beginning of the year	-	-
Additions	310,944	-
Amortisation charge	-	-
Netbook value at the end of the year	<u>310,944</u>	<u>-</u>
Cost	1,514,236	1,203,292
Accumulated amortisation	(1,203,292)	(1,203,292)
Net book value	<u>310,944</u>	<u>-</u>

**6.17 (a) INVESTMENT IN JOINT VENTURES**

At the beginning of the year	18,504,668	18,654,673
Share of profit from joint ventures	1,021,053	456,632
Dividend received during the year	(506,401)	(562,334)
Share of other comprehensive income	(104,868)	(44,303)
At the end of the year	<u>18,914,452</u>	<u>18,504,668</u>

The table below summarizes details of assets and liabilities as at 30 June 2022, and financial results for the year then ended accruing to the Corporation:

JV Name	Country of incorporation	% interest held	Assets TZS '000	Liabilities TZS '000	Revenue TZS '000	Profit after tax TZS '000
30 June 2022						
NHC/PPF - IPS Building Company Limited	Tanzania	50	16,106,228	(213,928)	-	130,576
NHC House Company Limited	Tanzania	50	4,876,832	(1,854,680)	910,779	726,821
			<u>20,983,060</u>	<u>(2,068,608)</u>	<u>910779</u>	<u>857,397</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6.17 (a) INVESTMENT IN JOINT VENTURES (CONTINUED)

JV Name 30 <sup>th</sup> June 2021	Country of incorporation	% interest held	Assets TZS '000	Liabilities TZS '000	Revenue TZS '000	Profit after tax TZS '000
NHC/PPF - IPS Building Company Limited	Tanzania	50	15,826,843	(100,353)	-	(123,565)
NHC House Company Limited	Tanzania	50	3,853,796	(1,075,617)	2,362,966	998,339
			<u>19,680,639</u>	<u>(1,175,970)</u>	<u>2,362,966</u>	<u>874,774</u>

	<b>30 June 2022</b>	<b>30 June 2021</b>
	TZS '000	TZS '000

6.17 (b) ADVANCES TOWARD SHARES IN OTHER ENTITIES

At the beginning of the year	29,787,137	29,787,137
Cash paid during the year	-	-
Investment termination	(29,885)	-
At the end of the year	29,757,252	29,787,137

Below is the summary of advances held:

Kawe Special Purpose Vehicle	6,682,039	6,682,039
USA River project Special Purpose Vehicle	-	29,885
Kunduchi Riffle Range Special Purpose Vehicle	23,075,213	23,075,213
	29,757,252	29,787,137

6.17 (c) EQUITY INVESTMENTS

Tanzania Mortgage Refinancing Company Limited	1,200,000	1,200,000
Watumishi Housing Company Limited	1,933,764	1,933,764
	3,133,764	3,133,764

During the year, a total of dividend TZS 29.8 million was declared from Tanzania Mortgage Refinance Company Limited

6.18 INVENTORIES

(i) Inventory properties (Completed houses)

Medeli Project- Dodoma at cost	527,988	703,985
Mrara Project- Manyara at cost	42,810	42,810
Mvomero Project- Morogoro at cost	39,959	159,836
Ilembo Project- Katavi at cost	85,413	85,413
Buswelu Project	120,394	120,394
Iyumbu project-Dodoma at cost	548,350	1,347,519
Safari City project-Arusha at cost	246,520	303,717
Mwongozo project	343,642	343,642
Unyankumi Project- Singida at cost	-	46,446
	1,955,076	3,153,762

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2022 TZS '000	30 June 2021 TZS '000
<b>6.18 INVENTORIES (CONTINUED)</b>		
<b>(ii) Inventory properties (Ongoing projects)</b>		
Morocco square-Plot 1-3 & 44 Morocco	175,434,652	160,289,643
Victoria- Plot 300	4,766,215	4,758,025
Golden Premier Residential-Plot no 711/2 Kawe	29,817,536	29,817,537
Makete Affordable Housing Scheme	1,712,593	1,222,767
Inyonga Affordable Housing Scheme	965,891	959,559
Igunga Affordable Housing Scheme	1,471,384	1,268,538
Manyoni Affordable Housing Scheme	15,675	15,675
Luguruni Low costing Houses Project	19,710	19,710
Kawe-Plot no. 711/1	25,935,175	23,444,589
Burka (Safari city)	990,385	1,007,485
Ipogolo Affordable Housing Scheme	11,734	11,734
Vijibweni Alykhan-Plot 270,288 & 289 Magore	14,065	14,065
Iyumbu Affordable Housing Scheme	1,788,063	266,180
Muheza Affordable Housing Scheme (Chatur)	397,684	390,484
Chato plots Project	50,672	50,672
Iyumbu (1000 houses)	15,382,455	5,184,004
Consultancy for Ministry of Finance	2,057,860	1,951,356
Consultancy for UDOM Master Plan	156,495	144,885
Consultancy for Vice president Office Dodoma	21,505	-
CRDB head office-Plot 25&26 A.H Mwinyi Road & Obama Drive	-	73,419,084
EWURA Head Office	-	9,695,467
	<u>261,009,749</u>	<u>313,931,459</u>
<b>(iii) Plot for sale</b>		
Safari city project	7,522,746	7,913,646
	<u>7,522,746</u>	<u>7,913,646</u>
<b>(iv) Other inventories</b>		
Building materials	6,540,734	3,086,678
Stationeries	273,084	202,928
Spare Parts (Motor Vehicles)	2,150	2,150
	<u>6,815,968</u>	<u>3,291,756</u>
Allowance for obsolete inventories	<u>(246,057)</u>	<u>(246,057)</u>
	<u>6,569,911</u>	<u>3,045,699</u>
Total inventories	<u>277,057,482</u>	<u>328,044,566</u>

Inventory property refers to completed houses or ongoing construction projects for sale. Out of total additions to inventories from on-going projects during the year is capitalized borrowing costs amounting to TZS 8,100 million (2021: TZS 5,079 million).

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.19 TRADE AND OTHER RECEIVABLES

	30 June 2022 TZS '000	30 June 2021 TZS '000
Rental receivables - current tenants	7,374,351	8,886,441
Rental receivables - ex tenants	19,922,729	17,873,522
Tenant purchase receivables	5,580	5,580
Receivables from the sale of buildings	15,119,414	14,801,887
	<u>42,422,074</u>	<u>41,567,430</u>
Other receivables	10,516,854	5,180,631
Less: Allowances for doubtful debts	(25,598,596)	(23,722,117)
	<u>27,340,332</u>	<u>23,025,945</u>
Staff receivables	4,279,224	3,998,853
Advance to contractors	8,253,003	8,742,413
	<u>39,872,559</u>	<u>35,767,211</u>

#### Movements in the impairment allowance:

	Receivables TZS'000	Other financial assets TZS'000	Total TZS'000
<b>30<sup>th</sup> June 2022</b>			
At beginning of the year	23,696,015	26,102	23,722,117
Charge for the year	1,876,480	-	1,876,480
At end of the year	<u>25,572,495</u>	<u>26,102</u>	<u>25,598,597</u>
<b>30<sup>th</sup> June 2021</b>			
At beginning of the year	23,340,554	548,432	23,888,986
Charge for the year	355,461	-	355,461
Reversal	-	(522,330)	(522,330)
At end of the year	<u>23,696,015</u>	<u>26,102</u>	<u>23,722,117</u>

Impairment allowance on receivables include impairment for rental, sale of buildings and construction contracts receivables. Impairment for other financial assets include impairment for cash balances and other receivables.

#### 6.20 CASH AND BANK BALANCES

Bank balances	14,734,137	26,084,685
Cash on hand	17,205	16,705
Cash and bank balances as per statement of financial position	<u>14,751,342</u>	<u>26,101,390</u>
Bank overdrafts (Note 25)	(4,686,912)	(4,334,794)
Cash and cash equivalents as per statement of cash-flows	<u>10,064,430</u>	<u>21,766,596</u>

NATIONAL HOUSING CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6.21 CAPITAL FUND**

The Capital Fund of TZS 15,486 million represents the initial amount of funds received from the Treasury of TZS 416 million, additional capital of TZS 15,000 million and grants of TZS 70 million received from several donors for financing construction of houses.

**6.22 CAPITAL RESERVE**

The Capital Reserves represents the net surplus of the value of buildings acquired through the Acquisition Act, 1971 over the amount of mortgage paid or payable on these buildings, compensation paid and cost of properties returned to the original value.

**6.23 REVALUATION RESERVE**

The revaluation reserve represents the net comprehensive income or loss of shares valuation from joint ventures and actuarial gain or loss from defined benefit obligation.

**6.24 DEFERRED TAX**

Deferred tax is calculated using balance sheet approach at the enacted income tax rate of 30% (30 June 2021: 30%). The movement on the deferred tax account is as follows:

	30 June 2022 TZS '000	30 June 2021 TZS '000
At the beginning of the year	1,273,234,103	1,250,670,182
Deferred tax (credit)/charge -current period (Note 13(a))	15,244,184	22,572,114
Deferred tax (credit)/charge- prior periods (Note 13(a))	(1,997,020)	(8,193)
At the end of the year	1,286,481,267	1,273,234,103

Deferred tax assets and liabilities and deferred tax charge (credit) to profit or loss are attributable to the following items:

	Opening balance TZS'000	Charge to P&L prior year TZS'000	Charge to P & L current year TZS'000	Closing balance TZS'000
<b>30 June 2022</b>				
<b>Deferred tax liabilities</b>				
Fair value of investment properties	190,666,511	(1,997,020)	15,244,184	203,915,675
Accelerated capital allowances	1,100,637,890	-	-	1,100,637,890
	1,291,304,401	(1,997,020)	15,244,184	1,304,551,565
<b>Deferred tax assets</b>				
Provisions and other deductible temporary differences	(18,070,298)	-	-	(18,070,298)
Net deferred income tax liability	1,273,234,103	(1,997,020)	15,244,184	1,286,481,267



NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**6.24 DEFERRED TAX (CONTINUED)**

			<u>30 June 2022</u> TZS '000	<u>30 June 2021</u> TZS '000
<b>30 June 2021</b>				
<b>Deferred tax liabilities</b>				
Fair value of investment properties	191,069,046	(8,193)	(394,342)	190,666,511
Accelerated capital allowances	1,076,061,980	-	24,575,910	1,100,637,890
	<u>1,267,131,026</u>	<u>(8,193)</u>	<u>24,181,568</u>	<u>1,291,304,401</u>
<b>Deferred tax assets</b>				
Other deductible temporary differences	(16,460,844)	-	(1,609,454)	(18,070,298)
Net deferred income tax liability	<u>1,250,670,182</u>	<u>(8,193)</u>	<u>22,572,114</u>	<u>1,273,234,103</u>

**6.25 BORROWINGS**

Bank and other borrowings			217,552,854	218,641,430
Accrued interest on principal from Bank and other borrowings			6,781,668	3,462,716
Bank overdrafts			4,686,912	4,334,794
			<u>229,021,434</u>	<u>226,438,940</u>
<b>Current</b>				
Bank overdraft			4,686,912	4,334,794
Bank and other borrowings			61,019,554	46,084,532
Accrued interest			6,781,668	3,462,716
Current principal from Bank and other borrowings			54,237,886	42,621,816
			<u>65,706,466</u>	<u>50,419,326</u>
<b>Non-current</b>				
Bank and other borrowings			163,314,968	176,019,614
			<u>229,021,434</u>	<u>226,438,940</u>
<b>Movement in Bank and other borrowings (principal only):</b>				
At the beginning of the year			218,641,430	210,838,838
Additional borrowings			31,679,255	12,302,330
Repayments			(32,767,831)	(22,155,631)
Loans transfer			-	17,655,893
Unrealized foreign exchange losses			-	-
At the end of the year			<u>217,552,854</u>	<u>218,641,430</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6.25 BORROWINGS (CONTINUED)

The details of Bank and other borrowings are summarized in the table below (Principal plus Interest):

Lender's name	30 June 2022 TZS '000	30 June 2021 TZS '000	Effective interest rate %	Tenure Years
Shelter Afrique	-	3,197,080	LIBOR+3.7%	10
CRDB Bank Plc (Loan II)	17,956,189	20,723,402	15%	10
CRDB Bank Plc (Loan III)	20,369,122	26,270,670	15%	7
CRDB Bank Plc (Loan IV)	3,775,497	-	12%	7
Public Service Social Security Fund (PSSSF)	5,796,721	6,542,468	15.3%	11
TIB Development Bank	14,429,360	20,074,060	15%	4
Bank M (T) Limited / Azania Bank	3,837,425	4,801,958	16%	6
Azania Bank Limited	20,179,933	9,160,846	14%	7
Azania Loan (Chamwino and Iyumbu Projects)	21,564,792	12,588,851	6.8%	15
East African Development Bank (EADB)	41,901,725	47,273,394	LIBOR+5.5%	7
NCBA (T) Limited-TZS Loan	9,013,927	7,318,065	15%	5
NMB Bank Plc	9,942,964	13,063,052	15.36%	7
NMB Loan (EADB Loan Takeover)	13,856,192	15,436,193	18%	7
NMB Overdraft Loan	2,215,987	3,499,661	16%	4
NMB Bridge Finance	7,565,600	-	12%	0.25
SEM (T) Limited	31,929,218	32,154,446	13%	10
	<u>224,334,522</u>	<u>222,104,146</u>		

Bank and other borrowings are secured on investment property to the value of TZS 573,593 million (2021: TZS 573,593 million).

**Loan from Shelter Afrique**

The facility agreement of USD 14.5 million for this loan was signed on 09 August 2012 to partly finance pipeline of projects estimated at a total cost of USD 186 million that includes construction of low to middle-income houses and commercial properties for sale and rental purposes to the public. The loan is secured by first priority legal mortgage over eleven properties located in Dar es Salaam.

The loan carries interest at 6 months LIBOR + 3.7% per annum spread/margin. The loan is repayable over a period of 10 years (inclusive of 2 years grace period) effective from March 2015. As at 30 June 2022 the loan was fully repaid.

**Loan from CRDB Bank Plc (Loan II)**

The facility agreement of TZS 35 billion was signed on 2 July 2012 for financing construction of 15,000 housing units in different parts of Tanzania for sale and for rental in accordance with the five-year strategic plan.

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.25 BORROWINGS (CONTINUED)

##### Loan from CRDB Bank Plc (Loan II) (continued)

Treasury bond rate plus margin of 2%, with minimum of 15% per annum, accrued daily on outstanding balance and paid monthly effective from July 2013 repayable in 10 years (including a grace period of twenty-four months). As at 30th June 2022, outstanding balance included principal of TZS 17.8 billion and interest of TZS 6.2 billion.

##### Loan from CRDB Bank Plc (Loan III)

The facility agreement of TZS 40 billion was signed on 28 September 2015 for financing construction of Morocco Square Project. The loan carries interest at 15% per annum (reduced from 16.5% per annum in March 2020) accrued daily on outstanding balance and paid monthly effective from March 2016. The loan is repayable in 7 years (including a grace period of twenty-four months). As at 30 June 2022, outstanding balance included principal of TZS 20.3 billion and interest to maturity of TZS 4.3 billion.

##### Loan from CRDB Bank Plc (Loan IV)

The first loan facility agreement of TZS 25.7 Billion was signed on 21<sup>st</sup> March 2022 for the purpose to finance the completion of Morocco Square project which is in the final stage of completion. The loan carries interest at 12% per annum, charged monthly on the outstanding balance. The loan has a grace period of twelve months from the date of first disbursement and is repayable in 84 months inclusive of grace period. As at 30<sup>th</sup> June 2022 the outstanding balance include principal of TZS 3.8 billion

##### Overdraft facilities

The Corporation has overdraft facilities with CRDB Bank to meet normal business obligations, as detailed below:

Bank	Balance as at 30 <sup>th</sup> June 2022	Limit	Interest	Effective date	Limit time
	TZS'000	TZS'000			
CRDB Bank Plc	4,686,912	5,000,000	17% per annum	2 <sup>nd</sup> Nov 2012	One year renewable

All the CRDB loans are secured by a first charge legal mortgage on sixty landed properties in Dar es Salaam and Mwanza Regions.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6.25 BORROWINGS (CONTINUED)**

**Loan from PSSF (Formerly Local Authority Pensions Fund (LAPF))**

The facility agreement of TZS 15 billion was signed on 26 June 2012 for financing the construction of 150 residential apartments (Medeli II Project), located in Dodoma. The loan is secured by a first charge legal mortgage on 16 landed properties (11 in Arusha and 5 in Dar es Salaam).

The loan carries interest at 15.3% per annum, charged monthly on the outstanding balance. The loan has a grace period of twelve months from the date of first disbursement. Interest accrued during the grace period is capitalised and the loan is repayable in semi-annual instalment over a period of 10 years after the grace period, commencing from October 2013.

From October 2019 the loan was restructured and paid in monthly. As at 30 June 2022 outstanding principal balance amounted to TZS 5.8 billion and interest to maturity of TZS 1.8 billion.

**Loan from TIB Development Bank**

The facility agreement of TZS 30 billion was signed on 22<sup>nd</sup> September 2014 for the purpose of financing the Construction of The Golden Premier Residence project at Kawe beach Dar Es Salaam. The loan is secured by a first charge legal mortgage on twenty eight landed properties in Dar es Salaam, Mwanza and Arusha.

The loan carries interest at 15% per annum, charged daily on the outstanding balance and paid monthly in arrears. The loan had a grace period of twelve months from the date of first disbursement and is repayable after the realisation of sales proceeds from sale of plots effective from January 2013 and is repayable in 4 years. On 4<sup>th</sup> March 2021 the loan was restructured. As at 30<sup>th</sup> June 2022, outstanding balance included principal of TZS 14.3 billion and interest of TZS 3 billion.

**Loan from Bank M (T) Limited / Azania Bank**

The loan facility agreement of TZS 15 billion was signed on 4 July 2015 for financing construction of Victoria Place Project. The loan is secured by a first charge legal mortgage on five landed properties in Dar es Salaam. The loan carries interest at 14% per annum (reduced from 16% per annum after Azania Bank take over) accrued daily on outstanding balance and paid in 54 monthly instalments effective from September 2015. The loan is repayable in 6 years (including a grace period of eighteen months). As at 30 June 2022, outstanding balance included principal of TZS 3.6 billion and interest to maturity of TZS 0.79 billion.

**Loan from Azania Bank Limited**

The facility agreement of TZS 23.2 billion was signed on 11<sup>th</sup> March, 2020 for the purpose of taking over part (USD 10 billion) of loan from East African Development Bank (EADB). The agreement was disbursement to be made direct to EADB by Azania Bank. However as at 30<sup>th</sup> June, 2022 Azania Bank Limited had only disbursed TZS 17.4 billion to East African Development Bank.

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.25 BORROWINGS (CONTINUED)

##### **Loan from Azania Bank (Azania Loan (Chamwino and Iyumbu Projects))**

The loan facility of TZS 20 billion was signed on 10<sup>th</sup> November 2020 and was acquired for the purpose of financing the construction of residential housing units and associated facilities for sale and rent located in Dodoma (phase 1).

The loan carries interest at 6.75% per annum, the loan has a grace period of 36 months from the date of first disbursement. Interest accrued during the grace period is capitalised and the loan is repayable in monthly over a period of 12 years after the grace period and repayable over a period of 180 months (inclusive of a grace period of 36 months) effective from November 2020. As at 30<sup>th</sup> June 2022 outstanding principal balance amounted to TZS 20 billion and interest of 12.7 Billion.

##### **Loan from East African Development Bank (EADB)**

The facility agreement of USD 30 million was signed on 2<sup>nd</sup> November 2016 for partly financing the cost of construction of properties in Tanzania for rent or outright sale in line with the corporation strategic plan.

The rate of interest is charged at 3 months LIBOR plus 5.5%; interest accrues from day to day and be calculated based on 360 days year and number of days elapsed. The loan is repayable in 7 years (including a grace period of twenty-four months). The loan was partly purchased by NMB, AZANIA and CRDB. As at 30 June 2022, outstanding balance included principal of TZS 13.9 billion and interest to maturity of TZS 1.8 billion.

##### **Loan from NCBA Bank (T) Limited (“NCBA”)**

The facility agreement of TZS 12.6 billion was signed on 17<sup>th</sup> December, 2019 for partly taking over Shelter Afrique Loan. The loan carries interest at 15% per annum, charged monthly based on the reducing balance. As at 30<sup>th</sup> June 2022, outstanding balance included principal of TZS 8.9 billion and interest to maturity of TZS 1.8 billion

##### **Loan from National Microfinance Bank Plc**

The first loan agreement was signed on 20<sup>th</sup> November 2013 for the facility of TZS 30 billion for the purpose of construction of 150 commercial housing units for renting/sale at plot No.67, at the junction of Ngano and Wakulima Streets, Kinondoni-Dar-es-Salaam. Interest on the loan is pegged on last auction 182 T-bills plus 300bps. Term of the loan is 108 months from the date of signing the agreement including the 24 months of the grace period. As of 30 June 2022 outstanding balance from 30 billion facilities included principal balance of TZS 9.9 billion and interest to maturity of TZS 2.1billion.

The second loan agreement is 4.7 billion signed on 04<sup>th</sup> May 2020 as restructured overdraft. The loan carries interest at 16% per annum accrued daily on outstanding balance and paid in 48 monthly instalments effective from August 2020. The loan is repayable in 4 years. As at 30<sup>th</sup> June 2022, outstanding balance included principal of TZS 1.9 billion and interest to maturity of TZS 188 Million.

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.25 BORROWINGS (CONTINUED)

##### Loan from National Microfinance Bank Plc (Cont'd)

The third loan agreement is 16.3 billion signed on 13<sup>th</sup> May 2020 as restructured overdraft. The loan carries interest at 18% per annum accrued daily on outstanding balance and paid in 48 monthly instalments effective from August 2020. The loan is repayable in 84 month. As at 30 June 2022, outstanding balance included principal of TZS 13.9 billion and interest to maturity of TZS 6.3 billion.

The fourth loan is TZS 7.56 billion which was taken as a bridge finance to facilitate payments of suppliers of Reinforcement Bars for Government City Projects. This amount was drawn from the already approved facility of TZS 19 billion earmarked for Plot 300 Regent estate to help avoid price escalation of the Reinforcement bars which was being experienced then due to war in Ukraine. The amounts were payable within a period of 120 days. As at 30 June 2022, outstanding balance included principal of TZS 7.56 billion and interest to maturity of TZS 252 million.

All facilities from NMB are secured by legal mortgage of 37 landed properties.

##### Loan from Southern Economic Management (SEM) Tanzania Limited

The loan originated from the 50% construction cost of NHC House ("property") which was initially implemented as a joint venture. Interest on the loan has been determined to be 13% of the total initial cost incurred by the joint venture partner. The loan is paid from the rental proceeds of the property. As at 30th June 2022 the outstanding balance included outstanding principal of TZS 31.9 billion.

#### 6.26 DEFINED BENEFIT OBLIGATION

The Corporation operates a defined benefit plan in accordance with requirement of collective bargaining agreement contract with the Tanzania mines, Energy, Construction and Allied Workers Union (TAMICO) of 22<sup>nd</sup> October 2013. Under the plan, qualifying employees are entitled to a retirement benefits of one-month salary for every year of service up to maximum of 20 years, cement and iron sheets depending on the number of years of service and other benefits including long service awards, repatriation benefit and funeral services benefit

The Corporation provides for defined benefit obligation is based on assessments made by qualified actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The significant assumptions used for the purposes of the actuarial valuations were as follows:

	30 June 2022	30 June 2021
Discount rate	12.5%	15.8%
Salary inflation	5.0%	10.0%

NATIONAL HOUSING CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6.26 DEFINED BENEFIT OBLIGATION (CONTINUED)**

Amount recognised in statement of profit or loss and other comprehensive income in respect of this defined benefit obligation:

	30 June 2022 TZS '000	30 June 2021 TZS '000
Recognized in profit or loss	3,091,407	1,523,578
- Current service cost	1,063,291	528,613
- Interest cost	2,028,116	994,965
Recognized in other comprehensive income		
- Actuarial loss / (gain) recognized in other comprehensive income	(1,859,891)	5,364,846
<b>Net cost for the year</b>	<b>1,231,516</b>	<b>6,888,424</b>

The movement in the Corporation defined benefit obligation is as follows:

Opening balance	12,223,802	6,257,639
Current service cost	1,063,291	528,613
Interest cost	2,028,116	994,965
Benefit paid during the year	(1,154,790)	(922,261)
Actuarial loss (gain) recognized in other comprehensive income	(1,859,891)	5,364,846
	<b>12,300,528</b>	<b>12,223,802</b>

Actuarial loss recorded during the year was due to a change in actuarial financial assumptions from prior year. Financial assumptions embedded in the plan are salary inflation and discount rates. Salary inflation has decreased from 10.0% in prior year to 5.0% in current year whereas discount rate has decreased from 15.9% in the prior year to 12.5% in the current year.

**6.27 TRADE AND OTHER PAYABLES**

Trade payables	21,503,173	18,829,758
Construction deposits	32,298,737	142,879,057
Consultancy deposits	345,813	22,856
Rent advance	1,316,308	1,412,041
Value Added Tax (VAT) payable	565,080	972,607
Security and retention	7,480,661	2,540,716
Other payables	6,067,353	15,302,435
Employees related payables	533,449	599,690
	<b>70,110,574</b>	<b>182,559,160</b>

**6.28 ACCRUALS**

Accrued administrative expenses	2,681,216	2,687,116
Audit fee	350,000	290,000
Salary related expenses	229,934	458,003
Property tax	285,640	78,631
Land rent	563,534	778,102
Service fee	441,254	162,161
	<b>4,551,578</b>	<b>4,454,013</b>

**6.29 PROVISION**

Legal cases	<b>8,152,339</b>	<b>7,299,146</b>
-------------	------------------	------------------

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.30 CONTINGENT LIABILITIES

As at 30<sup>th</sup> June 2022, the Corporation was a defendant in several lawsuits. The total amount claimed in the various lawsuits approximates to TZS 12,128 million. (2021: TZS 12,128 million), of which the Corporation has made a provision of TZS 7,299 million (2021: TZS 7,299 million). In the opinion of the Directors, after taking appropriate legal advice, no material additional liabilities are expected to crystallize from these lawsuits.

#### 6.31 RENTAL DEPOSITS

These are balances which every tenant has to pay as security deposit at the beginning of lease term and they are refundable at the end of the lease term if the outgoing tenants have no arrears and have left NHC premises in original condition as it were when it was being leased. The movement in rental deposit balances are as follows;

	<u>30<sup>th</sup> June 2022</u> TZS '000	<u>30<sup>th</sup> June 2021</u> TZS '000
Opening balance	18,770,387	17,148,898
Receipts during the year	2,489,767	2,704,274
Refund during the year	(775,346)	(1,082,785)
	<u>20,484,808</u>	<u>18,770,387</u>

#### 6.32 CASH RECEIPTS FROM CUSTOMERS

Deposits on Sale of Houses	7,044,872	6,238,155
Deposits on Sale of Plots	2,029,842	1,518,189
Contractee Deposits	56,914,724	31,366,084
Receipts from Rental Income	100,365,842	99,758,139
Consultancy Deposits	322,958	22,856
	<u>166,678,238</u>	<u>138,903,423</u>

#### 6.33 CASH PAID TO SUPPLIERS

Payments to Suppliers	111,699,613	81,401,401
Payments related to Accrued Expenses	361,125	368,950
Payments related to Provisions	1,022,461	1,034,247
Payments related to Property management cost	1,641,733	5,165,318
Payments related to Administrative expenses	14,807,486	11,518,353
Payments related to Sales and Marketing expenses	1,626,908	955,908
	<u>131,159,326</u>	<u>100,444,177</u>

#### 6.34 CASH PAID IN RESPECT OF STAFF COST

Salaries and wages	13,464,610	10,429,850
Housing allowance	455,356	1,936,130
Electricity Allowance	119,721	-
Furniture Allowance	384,000	-
Sitting Allowance	46,240	-
Extra duty payments	75,025	-

84



NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6.34 CASH PAID IN RESPECT OF STAFF COST (CONTINUED)

	30 <sup>th</sup> June 2022 TZS '000	30 <sup>th</sup> June 2021 TZS '000
Terminal benefits	1,154,790	922,261
Staff welfare	189,626	166,779
Staff canteen services	722,208	530,329
Staff transport services	282,575	310,610
Staff uniforms and clothing	110,341	10,800
Pension contributions	1,713,890	1,365,392
Medical costs	1,017,097	547,864
Master workers council	52,976	62,364
Leave travel allowance	28,356	726,485
Transfer and disturbance allowance	556,113	576,324
Skills and development levy	683,507	595,846
Workmans compensation	69,324	60,227
Annual incentive and service award	148,572	72,000
	<u>21,274,327</u>	<u>18,313,261</u>

6.35 INTEREST PAID

Interest Related to Loan from Bank M	557,724	816,394
Interest Related to Loan from Shelter Afrique	120,081	194,820
Interest Related to Loan from CRDB Bank Plc (Loan II)	2,917,195	3,314,654
Interest Related to Loan from Local Authority Pension Funds(LAPF)	797,927	906,161
Interest Related to Loan from TIB Development Bank	2,873,615	3,152,781
Interest Related to Loan from NMB Bank Plc	1,867,845	2,353,287
Interest Related to Loan from CRDB Bank Plc (Loan III)	3,541,740	4,372,563
Interest Related to Loan from East African Development Bank (EADB)	1,375,859	1,895,484
Interest Related to NMB Overdraft Loan	450,547	612,118
Interest Related to Loan from CBA Bank (Shelter Afrique)	1,064,771	1,378,318
Interest Related to CRDB Overdraft	-	652,153
Interest Related to Loan from NMB Bank Plc (EADB Loan Takeover)	2,209,726	1,596,679
	<u>17,777,030</u>	<u>21,245,412</u>

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.36 CORRECTION OF OPENING BALANCE

Opening retained earnings amounts have been adjusted to reflect prior period errors as follows:  
Adjustment account:

	30 June, 2022 TZS '000	30 June, 2021 TZS '000
Mvomero project (a)	-	63,008
:Rental houses	-	(350,046)
:Debtors on sale of constructed houses	-	413,055
Kibla project (b)	175,314	
Buswelu Project(c )	58,475	
Net effect on retained earnings	<u>233,789</u>	<u>63,008</u>

- (a) Adjustment related to the change of contract terms between Mvomero District Council and NHC where the Council purchased houses from Mvomero project and later decided to return 10 houses out of 19 houses. The change of contract terms was due to financial constraints as claimed by the Council.
- (b) Errors in due to duplicate invoicing in Kibla project which led to overstatement of profit, now being reversed.
- (c) Adjustment related to a client who returned a sold house in Buswelu project which was already recognized which is now reversed.

#### 6.37 COMMITMENTS

Capital expenditure contracted for as at 30 June 2020 but not recognised in the financial statements is as follows:

	30 June 2022 TZS'000	30 June 2021 TZS'000
Construction of property for sale (ongoing projects)	<u>166,864,226</u>	<u>175,407,870</u>
	<u>166,864,226</u>	<u>175,407,870</u>

#### 6.38 RELATED PARTY TRANSACTIONS AND BALANCES

The Corporation is owned and controlled by the Government of the United Republic of Tanzania. The following transactions were carried out with related parties:

##### (i) Key management compensation

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the Corporation, comprising senior management at the level of director.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6.38 RELATED PARTY TRANSACTIONS AND BALANCES

Compensation to key management personnel that were recognised during the year under review- included salaries, annual leave pay, loans, house allowances and post-employment benefits as outlined below:

	<u>30 June 2022</u> TZS '000	<u>30 June 2021</u> TZS '000
Salaries and other short-term employment benefits	1,283,371	1,660,947
Annual leave pay	-	90,818
House allowance	71,561	191,945
Loans to key management	630,698	693,095
	<u>1,985,630</u>	<u>2,636,805</u>

The balance of loans advanced to key management was as follows:

30 June 2022

Types of Loan	<u>Amount</u> TZS '000	<u>Terms of payments</u>	<u>Interest Rate</u>
House loan	292,375	Repayable monthly for 15 years	Nil
Car loan	303,282	Repayable monthly for 6 years	Nil
Cash advance	35,041	Repayable monthly for 12 months	Nil
	<u>630,698</u>		

30 June 2021

Types of Loan	<u>Amount</u> TZS '000	<u>Terms of payments</u>	<u>Interest Rate</u>
House loan	363,496	Repayable monthly for 15 years	Nil
Car loan	311,704	Repayable monthly for 6 years	Nil
Cash advance	17,895	Repayable monthly for 12 months	Nil
	<u>693,095</u>		

	<u>30<sup>t</sup> June 2022</u> TZS '000	<u>30 June 2021</u> TZS '000
ii) Directors' remuneration		
Fees for services as director	59,833	67,000
	<u>59,833</u>	<u>67,000</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6.39 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Categories of financial instruments and reconciliation of financial instruments to the statement of financial position at 30<sup>th</sup> June 2022

30 June 2022	Total	Financial assets amortised at cost/fair value	Financial liabilities at amortized costs	Non-Financial assets or liabilities and equity
	TZS'000	TZS'000	TZS'000	TZS'000
<b>Assets</b>				
<b>Non-current assets</b>				
Investment property	4,600,673,160	-	-	4,600,673,160
Intangible assets	310,944	-	-	310,944
Investment in Joint Venture	18,914,452	-	-	18,914,452
Advance towards shares in other entities	29,757,252	-	-	29,757,252
Equity Investments	3,133,764	3,133,764	-	-
Property, plant and equipment	44,364,819	-	-	44,364,819
<b>Total non-current assets</b>	<b>4,697,154,391</b>	<b>3,133,764</b>	<b>-</b>	<b>4,694,020,627</b>
<b>Current assets</b>				
Inventories	277,057,482	-	-	277,057,482
Trade and other receivables	39,872,559	20,798,869	-	19,073,690
Trade receivables	16,823,478	16,823,478	-	-
Other receivables	10,516,854	-	-	10,516,854
Advance to contractors	8,253,003	-	-	8,253,003
Staff receivable - Staff imprest	303,833	-	-	303,833
Staff receivable - Other receivables	3,975,391	3,975,391	-	-
Cash and bank balances	14,751,342	14,751,342	-	-
Cash on hand	17,205	17,205	-	-
Bank balances	14,734,137	14,734,137	-	-
<b>Total current assets</b>	<b>331,681,383</b>	<b>35,550,211</b>	<b>-</b>	<b>296,131,172</b>
<b>Total assets</b>	<b>5,028,835,774</b>	<b>38,683,975</b>	<b>-</b>	<b>4,990,151,799</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Capital fund	15,485,554	-	-	15,485,554
Capital reserve	2,395,444	-	-	2,395,444
Revaluation reserve	1,286,923	-	-	1,286,923
Retained earnings	3,369,899,292	-	-	3,369,899,292
<b>Total equity</b>	<b>3,389,067,213</b>	<b>-</b>	<b>-</b>	<b>3,389,067,213</b>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6.39 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

**Categories of financial instruments and reconciliation of financial instruments to the statement of financial position at 30<sup>th</sup> June 2022 (Continued)**

30 June 2022	Financial assets amortised at cost/fair value TZS'000	Financial liabilities at amortized costs TZS'000	Non-Financial assets or liabilities and equity TZS'000
<b>Non-current liabilities</b>			
Deferred income tax liability	1,286,481,267	-	1,286,481,267
Borrowings	163,314,968	-	163,314,968
Rental deposits	20,484,808	-	20,484,808
Defined benefit obligation	12,300,528	-	12,300,528
<b>Total non-current liabilities</b>	<b>1,482,581,571</b>	<b>-</b>	<b>1,298,781,795</b>
<b>Current liabilities</b>			
Trade and other payables	70,110,574	-	40,028,211
Trade payables	21,503,173	-	21,503,173
Other payables	6,067,353	-	6,067,353
Employees related payables	533,449	-	533,449
Security and retention	7,480,661	-	7,480,661
Rent advance	1,316,308	-	1,316,308
Construction deposits	32,298,737	-	32,298,737
Consultancy Deposits	345,813	-	345,813
Value Added Tax (VAT) payable	565,080	-	565,080
Bank overdraft	4,686,912	-	4,686,912
Accrued expenses	4,551,578	-	4,551,578
Provisions	8,152,339	-	8,152,339
Borrowings	61,019,554	-	61,019,554
Current tax liability	8,666,033	-	8,666,033
<b>Total current liabilities</b>	<b>157,186,990</b>	<b>-</b>	<b>109,006,440</b>
<b>Total equity and liabilities</b>	<b>5,028,835,774</b>	<b>-</b>	<b>292,806,216</b>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6.39 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Categories of financial instruments and reconciliation of financial instruments to the statement of financial position at 30<sup>th</sup> June 2021

30 June 2021	Total TZS'000	Financial assets amortised at cost/fair value TZS'000	Financial liabilities at amortized costs TZS'000	Non-Financial assets or liabilities and equity TZS'000
<b>Assets</b>				
<b>Non-current assets</b>				
Investment property	4,562,116,541	-	-	4,562,116,541
Intangible assets	-	-	-	-
Investment in Joint Venture	18,504,668	-	-	18,504,668
Advance towards shares in other entities	29,787,137	-	-	29,787,137
Equity Investments	3,133,764	3,133,764	-	-
Property, plant and equipment	44,561,198	-	-	44,561,198
<b>Total non-current assets</b>	<b>4,658,103,309</b>	<b>3,133,764</b>	<b>-</b>	<b>4,654,969,545</b>
<b>Current assets</b>				
Inventories	328,044,566	-	-	328,044,566
Trade and other receivables	35,767,211	21,703,339	-	14,063,872
Trade receivables	17,845,314	17,845,314	-	-
Other receivables	5,180,631	-	-	5,180,631
Advance to contractors	8,742,413	-	-	8,742,413
Staff receivable - Staff imprest	140,828	-	-	140,828
Staff receivable - Other receivables	3,858,025	3,858,025	-	-
Cash and bank balances	26,101,390	26,101,390	-	-
Cash on hand	16,705	16,705	-	-
Bank balances	26,084,685	26,084,685	-	-
<b>Total current assets</b>	<b>389,913,167</b>	<b>47,804,729</b>	<b>-</b>	<b>342,108,438</b>
<b>Total assets</b>	<b>5,048,016,476</b>	<b>50,938,493</b>	<b>-</b>	<b>4,997,077,982</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Capital fund	15,485,554	-	-	15,485,554
Capital reserve	2,395,444	-	-	2,395,444
Revaluation reserve	(468,100)	-	-	(468,100)
Retained earnings	3,303,158,206	-	-	3,303,158,206
<b>Total equity</b>	<b>3,320,571,104</b>	<b>-</b>	<b>-</b>	<b>3,320,571,104</b>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6.39 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

**Categories of financial instruments and reconciliation of financial instruments to the statement of financial position at 30<sup>th</sup> June 2021 (Continued)**

30 June 2021	Total TZS'000	Financial assets amortised at cost/fair value TZS'000	Financial liabilities at amortized costs TZS'000	Non-Financial assets or liabilities and equity TZS'000
<b>Non-current liabilities</b>				
Deferred income tax liability	1,273,234,103	-	-	1,273,234,103
Borrowings	176,019,614	-	176,019,614	-
Rental deposits	18,770,387	-	18,770,387	-
Defined benefit obligation	12,223,802	-	-	12,223,802
<b>Total non-current liabilities</b>	<b>1,480,247,906</b>	<b>-</b>	<b>194,790,001</b>	<b>1,285,457,905</b>
<b>Current liabilities</b>				
Trade and other payables	182,559,160	-	22,942,771	159,616,389
Trade payables	18,829,758	-	18,829,758	-
Other payables	15,302,437	-	-	15,302,437
Employees related payables	599,690	-	599,690	-
Security and retention	2,540,716	-	2,540,716	-
Rent advance	1,412,041	-	-	1,412,041
Construction deposits	142,879,357	-	-	142,879,357
Consultancy Deposits	22,856	-	-	22,856
Value Added Tax (VAT) payable	972,607	-	972,607	-
Bank overdraft	4,334,794	-	4,334,794	-
Accrued expenses	4,454,013	-	4,454,013	-
Provisions	7,299,146	-	-	7,299,146
Borrowings	46,084,532	-	46,084,532	-
Current tax liability	2,465,821	-	2,465,821	-
<b>Total current liabilities</b>	<b>247,197,466</b>	<b>-</b>	<b>80,281,931</b>	<b>166,915,535</b>
<b>Total equity and liabilities</b>	<b>5,048,016,476</b>	<b>-</b>	<b>275,071,932</b>	<b>4,772,944,544</b>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**6.40 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

The table below shows an analysis of financial instruments at fair value by level of the fair value hierarchy. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- (i) Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 - fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices); and
- (iii) Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

<b>30 June 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b><u>Financial assets</u></b>	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>
Trade and other receivables	-	57,218,152	-	57,218,152
Cash and bank balances	<u>14,751,342</u>	<u>-</u>	<u>-</u>	<u>14,751,342</u>
<b>Total</b>	<b><u>14,751,342</u></b>	<b><u>57,218,152</u></b>	<b><u>-</u></b>	<b><u>71,969,494</u></b>
<b><u>Financial liabilities</u></b>				
Bank and other borrowings	-	163,314,968	-	163,314,968
Rental deposits	-	20,484,808	-	20,484,808
<b><u>Current financial liabilities</u></b>				
Bank and other borrowings	-	61,019,554	-	61,019,554
Bank overdraft	-	4,686,912	-	4,686,912
Trade and other payables	-	31,398,671	-	31,398,671
<b>Total</b>	<b><u>-</u></b>	<b><u>280,904,913</u></b>	<b><u>-</u></b>	<b><u>280,904,913</u></b>
<b>30 June 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b><u>Financial assets</u></b>	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>
Trade and other receivables	-	50,746,914	-	50,746,914
Cash and Bank balances	<u>26,101,390</u>	<u>-</u>	<u>-</u>	<u>26,101,390</u>
<b>Total</b>	<b><u>26,101,390</u></b>	<b><u>50,746,914</u></b>	<b><u>-</u></b>	<b><u>76,848,304</u></b>
<b><u>Financial liabilities</u></b>				
Bank and other borrowings	-	176,019,614	-	176,019,614
Rental deposits	-	18,770,387	-	18,770,387
<b><u>Current financial liabilities</u></b>				
Bank and other borrowings	-	46,084,532	-	46,084,532
Bank overdraft	-	4,334,794	-	4,334,794
Trade and other payables	-	24,354,812	-	24,354,812
<b>Total</b>	<b><u>-</u></b>	<b><u>269,564,139</u></b>	<b><u>-</u></b>	<b><u>269,564,139</u></b>



NATIONAL HOUSING CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6.41 EVENTS AFTER REPORTING PERIOD**

There were no events after the reporting date that required disclosure or recognition in these financial statements.

**6.42 COMPARATIVES**

Wherever considered necessary, comparative figures have been reclassified to conform to changes in presentation in the current period.