

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE



REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON
THE FINANCIAL STATEMENTS OF NATIONAL HOUSING
CORPORATION FOR 18 MONTHS PERIOD ENDED
30TH JUNE, 2016

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August 2017

AFRIMHC/2016

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



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AR/NHC/2016

NATIONAL HOUSING CORPORATION

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NATIONAL HOUSING CORPORATION

ACRONYMS

IFRSs	International Financial Reporting Standards
ISSAI	International Standards of Supreme Audit Institutions
NAO	National Audit Office
NEMC	National Environmental Management Council
NSSF	National Social Security Fund
PAA	Public Audit Act
PAYE	Pay As You Earn
PMU	Procurement Management Unit
PPA	Public Procurement Act
PPF	Parastatal Pension Fund
TUICO	Tanzania Union of Industrial and Commercial Workers
TRA	Tanzania Revenue Authority
TZS	Tanzania Shillings
URT	United Republic of Tanzania
TAMICO	Tanzania Mines, Energy, Construction and Allied workers Union

NATIONAL HOUSING CORPORATION

CORPORATION'S INFORMATION

REGISTERED OFFICE

Plot No. 1, Ali Hassan Mwinyi/Ufukoni
Road
P.O. Box 2977
Dar es Salaam

BANKERS

CRDB Bank Plc P.O. Box 268 Dar es Salaam	TIB Development Bank Limited Mlimani City Office Park P.O. Box 9373 Dar es Salaam	Commercial Bank of Africa(CBA) 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 P.O. Box 16666 Dar es Salaam	African Banking Corporation (T) Limited Barclays House P.O. Box 31 Dar es Salaam
National Microfinance Bank Plc NMB House P.O. Box 9213 Dar es Salaam	Citibank (T) Ltd 36 Upanga Road P. O. Box 71625 Dar es Salaam	Bank M Tanzania Plc Obama Drive P.O. Box 96 Dar es Salaam
Standard Chartered Bank International House P.O. Box 9011 Dar es Salaam	Azania Bank Limited Masdo House P.O. Box 9271 Dar es Salaam	
Ecobank Tanzania Limited P.O. Box 20500 Dar es Salaam		

COMPANY SECRETARY

Martin Mdoe

PRINCIPAL AUDITORS

The Controller and Auditor General
National Audit Office
Samora Avenue/Ohio Street
P.O. Box 9080
Dar es Salaam

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016

The directors submit their report together with the audited financial statements for the 18 months period ended 30 June 2016, 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 ESTABLISHMENT

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

2 CORPORATION'S VISION

To be a leading real estate development and management firm.

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.

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.

5 RESULTS

The net profit for the period of TZS 461,894 million (2014: TZS 253,931 million) has been added to retained earnings. The Corporation did not pay any dividend to its shareholder but contributed to the Government Consolidated fund an amount of TZS 975 million (2014: TZS 650 million) for the 18 months period ended 30 June 2016 as per the Treasury directives.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

6 DIRECTORS AND SECRETARY

The directors who held office since 1 January 2015 to February 2017 when the board's term ended are set below:

Name	Position	Nationality	Age (Years)	Qualification	Remarks
Hon. Zakia Hamdani Meghji	Chairperson	Tanzanian	71	Master's Degree in Economic History from University of Dar es Salaam Bachelor; Degree with Education from the University of Dar es Salaam Mastering Negotiation for Building Dynamic Agreements from Harvard University, John F. Kennedy School of Government Cambridge, Massachusetts U.S.A; and Certificate in Leadership skills from Harvard University, John F. Kennedy School of Government Cambridge, Massachusetts, U.S.A.	Term ended on 25 February 2017
Arch. Subira Ali Mchumo	Director	Tanzanian	44	Post Graduate Diploma PG. Dip. In advanced Architectural Design, 1997 (University of Strathclyde, Glasgow, United Kingdom); Bachelor of Science B. Sc. (Honours) in Architectural Studies, 1995 (University of Strathclyde, Glasgow, United Kingdom); and International Baccalaureate Diploma (IB), 1991 (Seisen International School, Tokyo).	Term ended in March 2017
Mr. Charles Mwitond'i Mafuru	Director	Tanzanian	61	Masters of Science in Urban Housing Management with Distinction and Advanced Diploma in Urban and Rural Planning.	Term ended in March 2017

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

6 DIRECTORS AND SECRETARY (CONTINUED)

Name	Position	Nationality	Age (Years)	Qualification	Remarks
Mr. Samson M. Kassala	Director	Tanzanian	67	Diploma in Hostage interrogation and other crimes, (Louisiana State University, United States of America); Law pertaining to Human Rights, Humanity and Refugee (Raul Rund Sweden); Financial crimes, prevention and detentions for Crime Prevention (Africa Centre for Crime Prevention Academy); and Certificate of Laws (University of Dar es Salaam).	Term ended in March 2017
Ms. Irene Isaka	Director	Tanzanian	48	Master's Degree of Economics (University of Dar es salaam); Bachelor Degree in Economics; Post Graduate Diploma in Pension Fund Investment; Diploma in Risk Management for Investment of Pension Funds; and Diploma in Housing Finance.	Term ended in March 2017
Mr. Bedason Anthony Shallanda	Director	Tanzanian	57	MA Economics (University of Dar es Salaam); BA Economics (University of Dar es Salaam); and Post Graduate Diploma in Population and Development Institute of Social Studies (The Hague, Holland).	Resigned in March 2016
Mr. Patrick Rutabanzibwa	Director	Tanzanian	66	M.Sc. Chemical Engineering (Process Engineering and Economics) Loughborough University, U.K (1978) and B. Sc. Chemical Engineering, Loughborough University, U.K. (1977).	Term ended in March 2017

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

6 DIRECTORS AND SECRETARY (CONTINUED)

Name	Position	Nationality	Age (Years)	Qualification	Remarks
Mr. Diotrephe Mmari	Director	Tanzanian	73	Master's Degree in Public Administration, Public Policy Analysis and Evaluation (University of Pittsburgh, 1986); Advanced Certificate in Personnel and Labour Relations Management (University of Pittsburgh); and LLB Degree, Dar es Salaam College (constituent to the University of East Africa).	Term ended in March 2017
Mr. Nehemiah Mchechu	Secretary	Tanzanian	44	Bachelor Degree in Commerce and Management - (B.Com. Hons) Finance Option from the University of Dar es salaam. ACI - Financial Market Association.	Term ended in March 2017

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

6 DIRECTORS AND SECRETARY (CONTINUED)

The following directors were appointed to the board in February/March 2017:

Name	Position	Nationality	Age (Years)	Qualification	Remarks
Blandina Sallome Joseph Nyoni	Chairperson	Tanzanian	62	Masters of Business Administration in Accounting & Finance from Algonquin College of Applied Arts & Technology - Manchester University; Advanced Diploma in Accountancy from Institute of Development Management, Tanzania; Certified Government Financial Manager (CGFM), Association of Government Accountants USA; Certified Public Accountant, CPA (T), National Board of Accountants and Auditors, Tanzania; and Society of Management Accountants of Ontario, Canada (Ottawa University) CMA Level IV. Certificate in Financial Management, Algonquin College, Ottawa, Canada.	Appointed on 25 February 2017
Mr. Pius Aloysius Maneno	Board Member	Tanzanian	51	Post Graduate Diploma in Management - Maastricht School of Management (MSM) The Netherlands (1998); Masters of Accountancy (MAcc) majoring in International Accounting and Financial Management - University of Glasgow, the United Kingdom (1995-96); Bachelor Degree in Commerce (Accounting) - University of Dar es salaam (1988- 1992) and Certified Public Accountant (CPA).	Appointed on 23 March 2017

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

6 DIRECTORS AND SECRETARY (CONTINUED)

Name	Position	Nationality	Age (Years)	Qualification	Remarks
Prof. John Modestus Lupala	Board Member	Tanzanian	57	PhD, (Built Environment Analysis), Royal Institute of Technology (KTH), Stockholm, Sweden, (1999-2002); Master of Architecture (Human Settlements), Post Graduate Centre for Human Settlements (PGC-HS), Catholic University of Leuven, Belgium (1994-1995); Post Graduate Diploma in Housing Institute for Housing and Urban Development Studies, Rotterdam, Netherlands (August-December 1993); and Advanced Diploma in Urban and Rural Planning, Ardhi Institute, Dar es Salaam, (1984-1987).	Appointed on 23 March 2017
Mr. Gabriel Pascal Malata	Board Member	Tanzanian	44	Masters of Laws in Corporate and Commercial Relations, University of Bagamoyo (2011-2013) and Bachelor of Laws, University of Dar es salaam (1997-2000).	Appointed on 23 March 2017
Ms. Subira Ali Mchumo	Board Member	Tanzanian	44	Post Graduate Diploma PG. Dip. In advanced Architectural Design, University of Strathclyde, Glasgow, United Kingdom (1997); Bachelor of Science B. Sc. (Honours) in Architectural Studies, University of Strathclyde, Glasgow, United Kingdom (1995); and International Baccalaureate Diploma (IB), Seisen International School, Tokyo (1991).	Appointed on 23 March 2017
Mr. Ally Hussein Laay	Board Member	Tanzanian	61	Masters of Business Administration (MBA-Finance and Marketing) UK (1996/1997); Fellow Certified Public Accountant (FCPA (T) – NBAA Tanzania (1983-1987); Postgraduate Diploma in Accountancy (PGDA) – IFM Tanzania (1982/1983); and Advanced Diploma in Accountancy (ADA) – IFM Tanzania (1979-1981).	Appointed on 23 March 2017

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

6 DIRECTORS AND SECRETARY (CONTINUED)

Name	Position	Nationality	Age (Years)	Qualification	Remarks
Mr. Kesogukwele M. I.M Msita	Board Member	Tanzanian	65	M.Sc. Construction Management, Loughborough University, UK, 1984; B.Sc. (Hons) Engineering, University of Dar es Salaam Tanzania, 1980; Internationally Accredited Public Private Partnership (PPP) Specialist, Institute for Public Private Partnerships, Washington DC, 2009; and Numerous short training courses on arbitration, project management/management, PPP, procurement, governance.	Appointed on 23 March 2017
Ms. Mary Stanslaus Mlay	Board Member	Tanzanian	37	Master's degree in Human Resource Development, Mzumbe University, Dar es salaam Campus (2011) and Bachelor of Arts in Political Science and Public Administration, University of Dar es salaam (2002 – 2005).	Appointed on 23 March 2017
Mr. Nehemiah Mchechu	Board Member	Tanzanian	44	Bachelor Degree in Commerce and Management - (B.Com. Hons) Finance Option from the University of Dar es salaam. ACI - Financial Market Association.	Appointed on 23 March 2017

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

7 ADMINISTRATIVE MATTERS

The day to day activities of the Corporation are overseen by the director general who is assisted by eight (8) directors and four (4) heads of unit.

The Corporation directorates comprise the following:

- Finance;
- Property Management and Maintenance;
- Property Development;
- Regional Operations and Administration;
- Human Resources;
- Treasury and Business Development;
- Innovation; and
- Sales and Marketing.

The 4 units are:

- Corporate Secretary and Legal;
- Procurement;
- Internal Audit; and
- Public Relations and Corporate Social Responsibilities.

8 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.

9 OPERATING AND FINANCIAL REVIEW

a) The Corporation's net worth

During the period the total value of the Corporation's net assets increased to TZS 2,754 billion from TZS 2,293 billion recorded in the prior year. This increase is attributable to the following:

- Increase in fair value of investment properties of TZS 612 billion;
- Additions to investment properties of TZS 32 billion;
- Additions to property and equipment of TZS 4.6 billion.

b) Profitability

During the 18 months period ended 30 June 2016, the Corporation made a profit before tax of TZS 625,544 million (2014: TZS 343,661 million). Included in this profit is an increase in fair value of TZS 611,901 million (2014: TZS 324,823 million) relating to the investment properties.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

9 OPERATING AND FINANCIAL REVIEW (CONTINUED)

c) Cash flows

The Corporation's cash flow is as set out in the statement of cash flows shown on page 34 of these financial statements.

10 PERFORMANCE INDICATORS

Key performance indicator	Definition and Formula	Ratios	
		2015/2016 (18 Months)	2013/2014 (18Months)
Current Ratio	<u>Current Assets</u>	1.38	1.72
	<u>Current Liabilities</u>		
Quick Ratio	<u>Current Assets-Inventories</u>	0.19	0.71
	<u>Current Liabilities</u>		
Return on Assets	<u>Profit Before Tax(PBT)</u>	14.69%	9.82%
	<u>Total Assets</u>		
Debt to Equity Ratio	<u>Total Debt</u>	9.14%	9.28%
	<u>Equity</u>		
Profit Margin	<u>Profit</u>	9.99%	14.47%
	<u>Revenue</u>		

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;
- Funds sourced from external sources either onshore 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;
- Land as Equity Contribution (LEC); and
- Land and Finance as Equity Contribution (LFEC).

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

11 BUSINESS PROFILE (CONTINUED)

(a) Investment Policy (continued)

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 on 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 18 months period ended 30 June 2016, the Corporation continued implementing the following projects:

- **Ilala Mchikichini - Dar es Salaam**

This project comprises of construction of (three) 3 residential blocks of flats (medium end apartments) - G + 4 floors (48 units). The project is currently completed.

- **Raha Leo - Mtwara**

The project comprises of construction of 2 blocks of flats - G + 5 and G + 7 floors. These blocks comprises of 96 residential units and one commercial building. The project is in progress.

- **Shangani - Mtwara**

The project comprises of construction of 3 blocks of flats - G + 4 floors. These blocks comprise of 30 residential units. 1 block is already handed over, other 2 blocks currently is at the level of completion stage.

- **Victoria mixed use - Dar es Salaam**

This project comprises of construction of 1 Block of flat - G + 19 Floors. The block comprises 44 residential units, shops, offices, parking, restaurant, gym, swimming pool, kids playing ground and other facilities to support the residences. The project is in progress.

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

This project is 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 is in progress.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

11 BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (continued)

(i) Houses for Sale (continued)

• Wakulima - Dar es Salaam

This project comprises of construction of 2 blocks flats -G+15 floors each with four wings. It comprises 118 three bedrooms residential units and club house (bar, restaurant and swimming pool). The project is at a completion stage.

• Victoria Place Ushindi - Dar es Salaam

This project comprises of construction of 2 blocks flats -G + M +11 Floors. It comprises 88 residential units as follows: two bed room-8 units, three bedrooms (normal)- 40 units, three bedrooms duplex(type one)-16 units, three bedrooms duplex (type two)-10 units, four bedroom (duplex)-10 units and pent house- 4 units, shops, gym, swimming pool, kids playing ground and other facilities to support the residences. The project is in progress.

• Morocco mixed use - Dar es Salaam

This project comprises of 4 towers. Two towers (-G +21Floors) comprises 88 residential units as follows: three bedrooms (normal)- 64 units, three bedrooms duplex -32 units and pent house- 4 units. Other towers comprise of a hotel, shops and offices. The project is in progress.

• Mwongozo Affordable Housing Project – Dar es salaam

The project comprises of 208 units as follows: two bedrooms semidetached - 20 units, three bedrooms semidetached - 92 units, three bedrooms (double storey type one) - 20 units, three bedrooms (double storey type two) - 28 units, three bedrooms (double storey type three) - 48 units, dispensary, nursery, 5 shops and 1 club house. The project is at a completion stage.

• Bombambili Affordable Housing Project - Geita

The project comprises of 48 units as follows: - two bedrooms semidetached 12 units and three bedrooms semidetached 36 units. The project is complete.

• Kongwa Affordable Housing Project - Dodoma

The project comprises of 44 units as follows: - two bedrooms semidetached 10 units and three bedrooms semidetached 34 units. The project is complete.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

11 BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (continued)

(i) Houses for Sale (continued)

- **Mkuzo Affordable Housing Project - Songea**

The project comprises of 18 units as follows: - two bedrooms semidetached 4 units and three bedrooms semidetached 14 units. The project is complete.

- **Mlote Affordable Housing Project - Kigoma**

The project comprises of 36 units as follows: - two bedrooms semi-detached 10 units and three bedrooms semidetached 26 units. The project is complete.

- **Mkinga -Tanga Affordable Housing Project - Tanga**

The project comprises of 40 units as follows: - two bedrooms semi-detached 10 units and three bedrooms semidetached 30 units. The project is complete.

- **Mrara Affordable Housing Project - Babati**

The project comprises of 40 units as follows: - two bedrooms semidetached 6 units and three bedrooms semidetached 34 units. The project is complete.

- **Mtanda Affordable Housing Project - Lindi**

The project comprises of 30 units as follows: - two bedrooms semidetached 6 units and three bedrooms semidetached 24 units. The project is complete.

- **Unyankumi Affordable Housing Project - Singida**

The project comprises of 20 units as follows: - two bedrooms semidetached 10 units and three bedrooms semidetached 10 units. The project is complete.

- **Chato Affordable Housing Scheme**

The project comprises of 20 units of three bedrooms semidetached. The project is in progress.

- **Mvomero Affordable Housing Project - Morogoro**

The project comprises of 42 units as follows: - two bedrooms semidetached 10 units and three bedrooms semidetached 32 units. The project is complete.

- **Ilembo Affordable Housing Project - Mpanda**

The project comprises of 70 units as follows: - two bedrooms semidetached 36 units and three bedrooms semidetached 34 units. The project is complete.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

11 BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (continued)

(i) Houses for Sale (continued)

- **Zongomela Affordable Housing Project - Kahama**

The project comprises of 50 units of three bedrooms semidetached and 1 shop. The project is in progress.

- **Mbarali Affordable Housing Project - Mbeya**

The project comprises of 20 units of three bedrooms semidetached. The project is in progress.

- **Makete Affordable Housing Project-Iringa**

The project comprises of 50 units of three bedrooms semidetached, 1 shop, dispensary and nursery school. The project is in progress.

- **Inyonga Affordable Housing Project - Katavi**

The project comprises of 24 units of three bedrooms semidetached. The project is in progress.

- **Muleba Affordable Housing Project - Bukoba**

The project comprises of 20 units of three bedrooms semidetached and 1 shop. The project is completed.

- **Longido Affordable Housing Project - Arusha**

The project comprises of 20 units of three bedrooms semidetached. The project is complete.

- **Kibaoni Affordable Housing Project - Mpanda**

The project comprises of 3 blocks of three bedrooms semidetached (6 units). The project is in progress.

- **Jangwani Affordable Housing Project - Mpanda**

The project comprises of 10 blocks of flats G+1 floor (20 units). The project is in progress.

- **Buhare Affordable Housing Project - Musoma**

The project comprises of 50 units of three bedrooms semidetached. The project is in progress.

- **Masasi Affordable Housing Project - Mtwara**

The project comprises of 54 units of three bedrooms semidetached and 3 shops. The project is in progress.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

11 BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (continued)

(i) Houses for Sale (continued)

- **Buswelu Affordable Housing Project - Mwanza**

The project comprises of 30 units of three bedrooms semidetached and 32 units, three bedrooms (double storey type two). The project is in progress.

- **Chato Street Plot 274 - DSM Residential Apartments - Dar es Salaam**

This project comprises of construction of 1 Block of flat -G+M+8 floors. The block comprises 26 residential units, shops, parking, swimming pool, kids playing ground and other facilities to support the residences. The project is in progress.

- **Safari City -Burka Mateves Housing Project**

The project comprises of 10 units of three bedrooms stand alone. The project is in progress.

(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.

- **NHC House, Dar es Salaam (executed on BOT basis)**

This project has been undertaken on Build, Operate Transfer (BOT) basis. Currently it is completed. NHC has financed 50% of the cost of construction by loan from CBA and own sources. The remaining 50% has been financed by the investor SEM (T) Limited. The investor will recover its investment at 13% internal rate of return (IRR) by receiving 50% of the leasing income over a period of 10 years. NHC House Company (T) Ltd is responsible for managing the building.

- **Mpanda Paradise**

The project comprises of construction of 1 block of flat - G + 4 floors commercial building for renting. The project is in progress.

- **Lupaway-Mbeya**

The project comprises of construction of 1 block of flat - G + 4 floors commercial building for renting. The project is complete.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

11 BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (continued)

(ii) Investment projects (continued)

- **Morogoro 2D**

The project comprises of construction of 1 block of flat - G + 4 floors commercial building for renting. The project is at the completion stage.

- **Mkendo phase II - Musoma**

The project comprises of construction of 1 block of flat - G + 4 floor commercial building for renting. The project is in progress.

- **Mutukula-Bukoba**

The project comprises of construction of 1 block of flat - G + 4 floor commercial building for renting. The project is in progress.

- **Singidani Plot 3G - Singida**

The project comprises construction of 1 block of flat - G + 4 floor commercial building for renting. The project is in progress.

- **Singida Shops**

The project comprises construction of 1 block of flat - G + 1 floor commercial building for renting. The project is in progress.

(iii) Projects for own use

- **Plot 1 Ufukoni (iconic building)**

This is a 9 floors commercial building for office use. This property is used for administrative purposes. As a result of this decision by the directors, the property has been moved from investment property to property and equipment.

(iv) Construction contracts projects

- **Monduli Affordable Housing Project - Arusha**

This project comprises of construction of 6 blocks flats - G+1 floor. The project comprises of 20 units of three bedrooms. The project is at a completion stage.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

11 BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (continued)

(iv) Construction contracts projects (continued)

- **Busokelo Affordable Housing Project - Mbeya**

The project comprises of 14 units as follows: 13 units of three bedrooms and 1 unit of four bedrooms all units are stand alone. The project is at the completion stage.

- **Momba Affordable Housing Project - Mbeya**

The project comprises of 20 units as follows: 19 units of three bedrooms and 1 unit of four bedrooms all units are stand alone. The project is in progress.

- **Mlele Affordable Housing Project - Katavi**

The project comprises of 5 units of three bedrooms all are stand alone. The project is in progress.

(v) Joint venture projects

During the 18 months period ended 30 June 2016, the Corporation had a total of 71 (2014:175) projects under joint arrangements. Out of these, 5 (2014:65) were completed, 30 (2014:49) are still under construction and 36 (2014:61) 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 18 months period ended 30 June 2016, rental revenue increased to TZS 126 billion from TZS 108 billion recorded during the period ended 31 December 2014. This increase is attributed to the following factors:

- Rent increase for tenants who renewed their contracts during the year; and
- Additional rental units from completed investment buildings.

(d) Property maintenance

During the period, the Corporation's expenditure on property maintenance decreased to TZS 9.74 billion compared to TZS 11.1 billion in the prior period.

The Corporation has set aside a special fund to cover losses that may arise due to disasters on investment properties. As at 30 June, 2016 the fund amounted to TZS 1,738 million (2014: TZS1, 428 million).

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

12 EMPLOYEES WELFARE

(a) Staff disposition

The total number of staff as at 30 June 2016 was 603 (2014: 564).

(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 period, the Corporation's workforce comprised 387 male and 216 female employees (2014: 361 male and 203 female employees). On the other hand, the Corporation continued to promote female employees to senior level positions. As at 30 June, 2016 the composition of female employees in various senior positions was as follows:

	30 June 2016	31 December 2014
Management team	2 out of 13	2 out of 13
Headquarters managers	4 out of 27	6 out of 27
Regional managers	2 out of 23	2 out of 23
Senior officers	18 out of 47	12 out of 45
Middle level officers	82 out of 159	82 out of 172

(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 2016, the Corporation had no employee with physical disabilities (2014: Nil).

(d) Management - employee's relations

During the period management has 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. For senior management staffs who are employed on a contract basis there is an additional gratuity equal to 25% of their annual salaries at the end of their contract periods.

(f) Training

During the period a total of TZS 1,324 million was used in staff training (2014: TZS 1,434 million). Training efforts were focused on short-term and long-term training geared towards enhancing professional competence as well as improving customer care skills. The training activities are guided by the training policy. The implementation of this policy is entrusted to the Training Committee that has a wide representation of staff.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

12 EMPLOYEES WELFARE (CONTINUED)

(g) Medical facilities

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

(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 and ICT equipment (Laptop) loans.

13 CORPORATE GOVERNANCE

The Corporation confirms its commitment to the principles of good governance, openness, integrity and accountability.

Board of directors

The board positions currently are comprised of eight directors including the Chairperson and one Executive Director who is also the Director General and Chief Executive Officer. All other directors are non-executive. All of the non-executive 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.

Board Committees

The board is comprised of three (3) ordinary board committees namely Business Development Committee, Audit Risk and Compliance Committee and Finance and Human Resources Committee. The composition of the committees during the period ended 30 June 2016 was as follows:

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

13 CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

Business Development Committee

This Committee is composed of six (6) members. The main responsibility of the Committee is to advise the Board on all business development matters which need consideration of the Board. The Committee held seven meetings during the period ended 30 June 2016.

The following directors served in the Business Development Committee during the period up to March 2017:

Name	Position	Nationality	Number of meetings attended
Arch. Subira Ali Mchumo	Chairperson	Tanzanian	7/7
Mr. Charles Mwitondi Mafuru	Member	Tanzanian	6/7
Ms. Irene Isaka	Member	Tanzanian	4/7
Mr. Patrick Rutabanzibwa	Member	Tanzanian	1/7
Mr. Nehemiah K. Mchechu	Member	Tanzanian	7/7
Mr. Martin Mdoe	Secretary	Tanzanian	7/7

The following directors served in the Business Development Committee effectively from March 2017:

Name	Position	Nationality
Ms. Subira Ali Mchumo	Chairperson	Tanzanian
Mr. Kesogukwele M. I.M Msita	Member	Tanzanian
Prof. John Modestus Lupala	Member	Tanzanian
Mr. Gabriel Pascal Malata	Member	Tanzanian

Finance and Human Resources Committee

This Committee is composed of four (4) members. The main responsibility of the Committee is to advise the Board on all financial and personnel related matters which need consideration of the Board. The Committee held seven meetings during the 18 months period ended 30 June 2016.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

13 CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

Finance and Human Resources Committee (continued)

The following directors served in the Finance and Human Resources Committee during the period up to March 2017:

Name	Position	Nationality	Number of meetings attended
Mr. Patrick Rutabanzibwa	Chairman	Tanzanian	4/7
Arch. Subira Ali Mchumo	Member	Tanzanian	7/7
Ms. Irene Isaka	Member	Tanzanian	4/7
Mr. Nehemiah K. Mchechu	Member	Tanzanian	7/7
Mr. Martin Mdoe	Secretary	Tanzanian	7/7

The following directors served in the Finance and Human Resources Committee effectively from March 2017:

Name	Position	Nationality
Mr. Pius Aloysius Maneno	Chairman	Tanzanian
Ms. Mary Stanslaus Mlay	Member	Tanzanian
Mr. Ally Hussein Laay	Member	Tanzanian
Prof. John Modestus Lupala	Member	Tanzanian

Audit, Risk and Compliance Committee

This Committee is currently composed of only two (2) members following the resignation of Mr. Bedason Shallanda from the Board of Directors in March 2016. The Director General was also removed from the Audit Committee in November 2015 as per the auditors' recommendation. The main responsibility of the Committee is to advise the Board on all audit, risk and compliance matters which need consideration of the Board. The Committee held six (6) meetings during the period ended 30 June 2016.

The following directors served in the Audit, Risk and Compliance Committee during the period up to March 2017:

Name	Position	Nationality	Number of meetings attended
Mr. Samson M. Kassala	Chairman	Tanzanian	5/6
Mr. Bedason A. Shallanda	Member	Tanzanian	3/6
Mr. Diotrephes Mmari	Member	Tanzanian	6/6
Mr. Martin Mdoe	Secretary	Tanzanian	6/6

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

13 CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

Audit, Risk and Compliance Committee (continued)

The following directors served in the Audit, Risk and Compliance Committee effectively from March 2017:

Name	Position	Nationality
Mr. Ally Hussein Laay	Chairman	Tanzanian
Ms. Subira Ali Mchumo	Member	Tanzanian
Mr. Gabriel Pascal Malata	Member	Tanzanian
Mr. Kesogukwele M. I.M Msita	Member	Tanzanian

Overall meeting attendance

Below is the summary indicating the number of meetings attended by each board member.

Name	Position	Number of meetings attended
Hon. Zakia Hamdani Meghji	Chairperson	14/16
Arch. Subira Ali Mchumo	Director	16/16
Mr. Charles Mwitondi Mafuru	Director	14/16
Mr. Samson M. Kassala	Director	14/16
Ms. Irene Isaka	Director	05/16
Mr. Bedason Anthony Shallanda	Director	05/16
Mr. Patrick Rutabanzibwa	Director	04/16
Mr. Diotrephes Mmari	Director	16/16
Mr. Nehemiah Mchechu	Secretary	15/16

14 RISK MANAGEMENT AND CONTROL

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.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

14 RISK MANAGEMENT AND CONTROL (CONTINUED)

Risk management is carried out by the finance department under policies approved by the board of directors.

The most important types of risks are:

a) Credit risk management

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 finance director. The credit controller assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.

b) Liquidity risk management

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.

c) 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.

d) Market risk management

(i) Foreign exchange risk

The Corporation's exposure to foreign exchange risks is managed by limiting the Corporations 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's interest bearing financial assets are the term deposits, (Note 20) which are held at fixed interest rates, and on which it is therefore exposed to fair value interest rate risk. The Corporation also has borrowings from banks which carry fixed and variable interest rates. The Corporation regularly monitors financing options available to ensure optimum interest rates are obtained whenever the facilities are being rolled forward.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

15 ACCOUNTING POLICIES

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 critical to an understanding of the performance and financial position of the Corporation.

16 CORPORATE SOCIAL RESPONSIBILITY

The Corporation continued with its principle of corporate social responsibility and committed itself to active participation in environment protection, and promotion of socio-economic development of the society through extension of financial support towards implementation of community development projects.

During the period, the Corporation contributed largely towards the education sector by contributing to the school desk campaigns and construction of classrooms, contributed to reduce health challenges by supporting initiatives of strengthening health support systems, participated well in youth development initiatives through continuous monitoring of the use of interlocking brick making machines that were distributed to youth groups in all district councils in 2016 and lastly participated well through support to community initiatives to create a bigger impact.

During the period the Corporation made donations as follows:

- TZS 221 million towards the education sector and professional training;
- TZS 90 million towards health support to institutions and individuals;
- TZS 13 million to support youth initiatives; and
- TZS 206 million to support community initiatives.

17 CORPORATE IMAGE

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

- Improved government and stakeholders relations;
- Improved trust in the Corporation and its management by dealing honestly with stakeholders;
- Promoting public awareness on real estate matters and on NHC corporate activities and future; direction through our TV programme named "Maisha ni Nyumba";
- Increased staff awareness on our core values and corporate culture;
- Imparting employees with customer care skills; and
- Embarking on rebranding journey which will take up to 5 years to complete countrywide.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

18 FUTURE DEVELOPMENTS

The market oriented economic policies pursued by the Government, have led to intense competition for both property development and property management activities. The Corporation has continued to maintain the competitive position at the market place through timely product delivery and quality assurance to the intended market. These strategies include the following:

- Taking an active role in promoting mortgage market together with banks and enhancing communication on availability of property to be built in order to make sure that the Corporation attains committed buyers before the project is completed on pre-sale arrangements; To date, we have entered into Memorandum of Understanding (MOU) with over 15 Commercial Bank for them to offer competitive financing to National Housing Corporation (NHC) clients. Furthermore, we are embarking on joint product awareness of mortgage products to ensure customers have a wide choice of the best and appropriate products available at the market place;
- Improving the Corporation's financial position through increased profitability, costs optimization, sales of houses and rent collection and upward rent adjustments; and
- Improving efficiency and performance by implementing International Organization Standards, which will enable the Corporation to benchmark itself against world-class organizations and increase its speed in delivery of its projects by using world-class technology in construction and management of its projects.

The Corporation will use various approaches in ensuring each and every project financial and execution matters are evaluated. This includes project coding and numbering, specific project accounts, dedicated project manager for all projects and dedicated cost center per project.

The Corporation has continued to strengthen rapport with various institutions especially municipal authorities and utility providers in order to draw them in contributing towards housing development projects.

19 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 18 months period to 30 June 2016. Reasonable care was exercised in all decisions taken by the Corporation, without placing the Corporation under unnecessary risk.

20 RELATED PARTY TRANSACTIONS AND BALANCES

All related party transactions and balances are disclosed in Note 32 to these Financial Statements. Directors' remuneration is determined by the Minister upon recommendation of the board and key management remuneration is determined by the board of directors.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016 (CONTINUED)

21 ENVIRONMENTAL CONTROL PROGRAMME

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.

22 POLITICAL DONATIONS

There were no political donations during the period.

23 SERIOUSLY PREJUDICIAL

No impending new developments are under consideration by the Corporation.

24 AUDITOR

The Controller and Auditor General (CAG) is the statutory auditor for National Housing Corporation. Deloitte & Touche, Certified Public Accountants (Tanzania) were appointed by the CAG to audit the Corporations's financial statements on his behalf, pursuant to Section 33 of the Public Audit Act, No 11 of 2008.

By order of the Board



Mrs. Blandina S.J. Nyoni
Chairperson

3rd July 2017

NATIONAL HOUSING CORPORATION

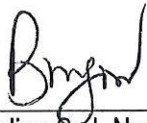
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the National Housing Corporation Act, 1990 to prepare financial statements for each financial period that give 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 and the National Board of Accountants and Auditors Technical Pronouncements. 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 profit. 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 financial 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



Mrs. Blandina S. J. Nyoni
Chairperson

3rd July 2017

NATIONAL HOUSING CORPORATION

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 directors' responsibility statement on an earlier page.

I, Felix M. Maagi, being head of Finance/Accounting of National Housing Corporation hereby acknowledge my responsibility of ensuring that financial statements for the 18 months period ended 30 June 2016 have been prepared in compliance with applicable accounting standards 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.



Felix M. Maagi (ACPA 2119)
DIRECTOR OF FINANCE

3rd July 2017

INDEPENDENT AUDITORS' REPORT

To: Board Chairman
National Housing Corporation
Plot No. 1, Ali Hassan Mwinyi/Ufukoni Road
P.O. Box 2977
Dar es Salaam, Tanzania

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NATIONAL HOUSING CORPORATION FOR 18 MONTHS PERIOD ENDED 30 JUNE 2016

I have audited the accompanying financial statements of the National Housing Corporation set out on page 31 to 82 which comprise the statement of financial position as at 30 June 2016, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the 18 months period then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the financial statements

The Board of Directors of the National Housing Corporation is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and the requirements of the National Board of Accountants and Auditors Technical Pronouncements, and the National Housing Act, 1990. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Responsibilities of the Controller and Auditor General

My responsibility as auditor is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with International Standards on Auditing ("ISA") and such other audit procedures I considered necessary in the circumstances. These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the National Housing Corporation preparation and fair presentation of the financial statements that give a true and fair view 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 National Housing Corporation internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In addition, Sect. 10 (2) of the Public Audit Act No. 11 of 2008 requires me to satisfy myself that the accounts have been prepared in accordance with the appropriate accounting standards and that reasonable precautions have been taken to safeguard the collection of revenue, receipt, custody, disposal, issue and proper use of public property, and that the law, directions and instructions applicable thereto have been duly observed and expenditures of public monies have been properly authorised.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Further, Sect 48(3) of the Public Procurement Act No. 9 of 2011 requires me to state in my annual audit report whether or not the auditee has complied with the provisions of the Law and Regulations.

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

Unqualified Opinion

In my opinion, the financial statements give a true and fair view of the financial position of National Housing Corporation as at 30 June 2016 and its financial performance and its cash flows for the 18 months period then ended in accordance with International Financial Reporting Standards, and comply with requirements of the National Board of Accountants and Auditors Technical Pronouncements and National Housing Act, 1990.

Report on Other Legal and Regulatory Requirements

Compliance with Public Procurement Act

In view of my responsibility on the procurement legislation, and taking into consideration the procurement transactions and processes I reviewed as part of this audit, I state that I did not find any material divergences by Management from the requirement of Public Procurement Act No. 9 of 2011 and its related Regulations of 2013.


Prof. Mussa J. Assad

CONTROLLER AND AUDITOR GENERAL

National Audit Office
Dar es Salaam, Tanzania

14th August, 2017



NATIONAL HOUSING CORPORATION

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016

	Notes	30 June 2016 (18 months) TZS '000	31 Dec 2014 (18 months) (Restated) TZS '000
Revenue	6	136,485,340	129,709,920
Net gain from fair value adjustment on investment properties	14	611,901,362	324,823,325
Other gains and losses (net)	7	(20,796,252)	(2,882,838)
Cost of sales - inventory properties	8(a)	(8,339,883)	(19,689,408)
Property management costs	8(b)	(17,014,294)	(15,049,142)
Depreciation of property and equipment	15	(4,188,200)	(2,460,247)
Amortisation of intangible assets	16	(296,661)	(217,432)
Impairment provision of accounts receivables	19	(2,297,868)	(3,313,037)
Administrative expenses	9	(32,139,842)	(24,400,352)
Sales and marketing expenses	10	(3,430,057)	(3,319,001)
Staff costs	11	(34,592,695)	(32,021,023)
Operating profit		625,290,950	351,180,765
Finance income	12	1,369,023	1,097,924
Finance costs	12	(10,240,480)	(12,760,061)
Share of profit of joint ventures	17(a)	9,124,291	4,142,499
Profit before tax		625,543,784	343,661,127
Income tax expense	13	(163,650,254)	(89,729,973)
Profit for the period		461,893,530	253,931,154
Share of other comprehensive (loss)/ income from joint ventures	17(a)	(171,549)	170,143
Total comprehensive income for the period		461,721,981	254,101,297

NATIONAL HOUSING CORPORATION

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Notes	30 June 2016 TZS '000	31 Dec 2014 (Restated) TZS '000	30 June 2013 (Restated) TZS '000
ASSETS				
Non-current assets				
Investment property	14	3,928,463,924	3,288,276,306	2,955,380,813
Property and equipment	15	28,468,716	27,088,183	13,273,785
Intangible assets	16	18,313	314,974	75,465
Investment in joint venture	17(a)	19,217,044	14,967,689	10,655,047
Advances toward shares	17(b)	7,739,851	1,159,019	-
		<u>3,983,907,848</u>	<u>3,331,806,171</u>	<u>2,979,385,110</u>
Current assets				
Inventories	18	236,108,266	99,055,125	47,038,773
Trade and other receivables	19	30,955,764	42,437,851	6,651,707
Current tax assets	13(c)	-	332,389	-
Bank term deposits	20	2,365,189	1,979,949	1,660,229
Cash and bank balances	21	4,773,581	24,784,367	26,903,497
		<u>274,202,800</u>	<u>168,589,681</u>	<u>82,254,206</u>
TOTAL ASSETS		<u>4,258,110,648</u>	<u>3,500,395,852</u>	<u>3,061,639,316</u>
EQUITY AND LIABILITIES				
Equity				
Capital fund	22	485,554	485,554	485,554
Capital reserve	23	2,395,444	2,395,444	2,395,444
Revaluation reserve		100,084	271,633	101,490
Retained earnings		<u>2,751,324,075</u>	<u>2,289,430,545</u>	<u>2,035,499,391</u>
		<u>2,754,305,157</u>	<u>2,292,583,176</u>	<u>2,038,481,879</u>
Non-current liabilities				
Deferred tax liability	24	1,081,083,096	925,839,901	843,241,586
Borrowings	25	214,303,949	177,175,290	112,861,597
Gratuity payable		740,586	256,986	886,268
Rental deposits		<u>8,754,668</u>	<u>6,679,480</u>	<u>4,625,452</u>
		<u>1,304,882,299</u>	<u>1,109,951,657</u>	<u>961,614,903</u>
Current liabilities				
Borrowings	25	26,563,699	27,640,118	13,780,373
Bank overdraft	25	10,927,638	7,885,022	5,332,402
Current tax liability	13(c)	4,140,255	-	570,497
Trade and other payables	26	143,327,121	55,051,356	41,859,262
Accrued expenses	27	7,159,972	3,055,958	-
Provisions	28	6,804,507	4,228,565	-
		<u>198,923,192</u>	<u>97,861,019</u>	<u>61,542,534</u>
TOTAL EQUITY AND LIABILITIES		<u>4,258,110,648</u>	<u>3,500,395,852</u>	<u>3,061,639,316</u>

The financial statements on pages 31 to 82 were approved and authorised for issue by the Board of Directors on 3 July 2017 and signed on its behalf by:

Mrs. Blandina S.J. Nyoni
CHAIRPERSON

Nehemiah K. Mchechu
DIRECTOR GENERAL

NATIONAL HOUSING CORPORATION

STATEMENT OF CHANGES IN EQUITY FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016

	Capital fund TZS '000	Capital reserve TZS '000	Retained earnings TZS '000	Revaluation reserve TZS '000	Total TZS '000
30 June 2016					
At beginning of the period	485,554	2,395,444	2,289,430,545	271,633	2,292,583,176
Comprehensive income:					
Profit for the period	-	-	461,893,530	-	461,893,530
Other comprehensive income:					
Share of other comprehensive loss of an associate	-	-	-	(171,549)	(171,549)
At end of period	485,554	2,395,444	2,751,324,075	100,084	2,754,305,157
31 December 2014					
At beginning of the period as previously reported	485,554	2,395,444	2,004,782,503	101,490	2,007,764,991
Restatement to correct prior year errors (Note 31)	-	-	30,716,888	-	30,716,888
At the beginning of the period as restated	485,554	2,395,444	2,035,499,391	101,490	2,038,481,879
Comprehensive income:					
Profit for the period (Restated)	-	-	253,931,154	-	253,931,154
Other comprehensive income:					
Share of other comprehensive income of an associate	-	-	-	170,143	170,143
At end of period	485,554	2,395,444	2,289,430,545	271,633	2,292,583,176

NATIONAL HOUSING CORPORATION

STATEMENT OF CASH FLOWS FOR THE 18 MONTHS PERIOD ENDED 30 JUNE 2016

	Notes	30 June 2016 (18 months) TZS '000	31 Dec 2014 (18 months) TZS '000
Cash flows from operating activities			
Cash receipts from customers		147,792,684	90,492,606
Cash receipt in respect of interest earned		1,369,023	1,097,924
Cash paid to suppliers		(78,633,688)	(72,819,968)
Cash paid in respect of staff cost		(33,405,954)	(31,337,061)
Cash paid for other operating expenses		(27,517,893)	(19,664,439)
Finance cost paid		(10,240,480)	(12,760,061)
Tax paid	13 (c)	(3,934,415)	(8,034,544)
Net cash used in operating activities		(4,570,723)	(53,025,543)
Cash flows from investing activities			
Purchase of property and equipment	15	(4,599,959)	(16,354,320)
Purchase of intangible assets	16	-	(456,941)
Additions to the investment property	14	(32,019,904)	(8,072,168)
Proceeds from disposal of property and equipment		-	131,630
Advances toward shares	17(b)	(5,730,832)	(1,159,019)
Dividend received from joint ventures	17(a)	6,736,722	-
Additional investment in joint ventures and other securities	17(a)	(2,033,335)	-
Investment in fixed deposits	20	(385,240)	(319,720)
Net cash used in investing activities		(38,032,548)	(26,230,538)
Cash flows from financing activities			
Proceeds from borrowings	25	69,401,821	101,400,712
Repayments of borrowings	25	(50,651,965)	(26,820,380)
Net cash generated from financing activities		18,749,856	74,580,332
Net decrease in cash and cash equivalent		(23,853,415)	(4,675,749)
Cash and cash equivalent at start of period		16,899,346	21,575,095
Net foreign exchange on cash and bank balances		800,012	-
Cash and cash equivalent at end of period	21	(6,154,057)	16,899,346

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The National Housing 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.

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

(i) New standards and amendments to published standards effective for the period ended 30 June 2016

The following new and revised IFRSs were effective in the current period and had no material impact on the amounts reported in these financial statements.

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	Amendments to IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contribution, can, but are not required, to be recognized as a reduction in the service cost in the period in which the related service is rendered.
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The application of these amendments to IAS 19 did not have impact on the Corporation's financial statements as the Corporation did not have defined benefit plans.

Annual Improvements 2010 - 2012 Cycle	The annual improvements 2010-2012 cycle make amendments to the following standards:
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- IFRS 2 - Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition';
- IFRS 3 - Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date;
- IFRS 8 - Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly;
- IFRS 13 - Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only);
- IAS 16 and IAS 38 - Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.
- IAS 24 - Clarify how payments to entities providing management services are to be disclosed.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(i) New standards and amendments to published standards effective for the period ended 30 June 2016 (continued)

Annual Improvements 2011-2013 Cycle The improvements make amendments to the following standards:

- IFRS 1 - Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only);
- IFRS 3 - Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself;
- IFRS 13 - Clarify the scope of the portfolio exception in paragraph 52;
- IAS 40 - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

The application of these improvements to IFRSs did not have impact on the Corporation's financial statements.

(ii) New and amended standards in issue but not yet effective in the period ended 30 June 2016

	Effective for annual periods beginning on or after
<i>New and Amendments to standards</i>	
IFRS 16 Leases	1 January 2019
IFRS 9 Financial Instruments	1 January 2018
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016
Annual Improvements 2012-2014 Cycle	1 January 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
IAS 1 Presentation of Financial Statements (Amendments resulting from the disclosure initiative)	1 January 2016

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(iii) Impact of new and amended standards and interpretations in issue but not yet effective in the period ended 30 June 2016

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Directors anticipate that IFRS 16 will be adopted in the Corporation's financial statements for the annual period beginning 1 January 2019 and that the application of IFRS 16 may have a significant impact on amounts reported in respect of the Corporation's leases.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments (2014) is the finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures
- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 9 is effective for accounting periods beginning on or after 1 January 2018.

The directors anticipate that IFRS 9 will be adopted in the Corporation's financial statements for the annual period beginning 1 January 2018 and that the application of IFRS 9 may have a significant impact on amounts reported in respect of the Corporation's financial assets and financial liabilities.

However, it is not practicable to provide a reasonable estimate of that effect until a detailed review is done.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(iii) Impact of new and amended standards and interpretations in issue but not yet effective in the period ended 30 June 2016 (continued)

IFRS 14 Regulatory Deferral Accounts

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

Note: Entities which are eligible to apply IFRS 14 are not required to do so, and so can choose to apply only the requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards when first applying IFRSs. However, an entity that elects to apply IFRS 14 in its first IFRS financial statements must continue to apply it in subsequent financial statements. IFRS 14 cannot be applied by entities that have already adopted IFRSs.

IFRS 14 is effective for accounting periods beginning on or after 1 January 2016 and is not expected to have an impact on the Corporation's financial reporting.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

IFRS 15 is effective for accounting periods beginning on or after 1 January 2017 and is expected to impact on the Corporation's financial statements. The directors are yet to assess the magnitude of the impact.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(iii) Impact of new and amended standards and interpretations in issue but not yet effective in the period ended 30 June 2016 (continued)

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

Amends IAS 12 Income Taxes to clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments to IAS 12 are effective for accounting periods beginning on or after 1 January 2017 and are expected to impact on the Corporation's financial statements. The directors are yet to assess the magnitude of the impact.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

Amendments to IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

The amendments to IFRS 11 are effective for accounting periods beginning on or after 1 January 2016 and directors do not anticipate that the application of these amendments will have a significant impact on the Corporation's financial statements.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(iii) Impact of new and amended standards and interpretations in issue but not yet effective in the period ended 30 June 2016 (continued)

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
- introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

The amendments to IAS 16 and IAS 38 are effective for accounting periods beginning on or after 1 January 2016 and are expected to impact on the Corporation's financial statements. The directors are yet to assess the magnitude of the impact.

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

Amends IAS 16 Property, Plant and Equipment and IAS 41 Agriculture to:

- include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for as property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16.
- introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.
- clarify that produce growing on bearer plants remains within the scope of IAS 41.

The amendments to IAS 16 and IAS 41 are effective for accounting periods beginning on or after 1 January 2016 and are not expected to impact on the Corporation's financial statements.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(iii) Impact of new and amended standards and interpretations in issue but not yet effective in the period ended 30 June 2016 (continued)

Annual Improvements 2012 - 2014 Cycle

The annual improvements to 2012 - 2014 cycle makes amendments to the following standards:

- IFRS 5 - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued;
- IFRS 7 - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements;
- IAS 9 - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid;
- IAS 34 - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

These IFRS improvements are effective for accounting periods beginning on or after 1 January 2016. The directors of the Corporation's do not anticipate that the application of these improvements to IFRSs will have a significant impact on the Corporation's financial statements.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The directors of the Corporation do not anticipate that the application of these amendments will have a significant impact on the Corporation's financial statements as the Corporation does not have investment entities.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(iii) Impact of new and amended standards and interpretations in issue but not yet effective in the period ended 30 June 2016 (continued)

IAS 1 Presentation of Financial Statements (Amendments resulting from the disclosure initiative)

The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports.

The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

The directors of the Corporation do not anticipate that the application of these amendments will have a significant impact on the Corporation's financial statements.

(iv) Early adoption of standards

The Corporation did not early-adopt any new or amended standards in the 18 months period ended 30 June 2016.

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.

3.1 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards, some Tanzania Financial Reporting Standards where no IFRS equivalent is available and the National Housing Corporation Act, 1990.

3.2 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 the revaluation of investment property. 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 4.

3.3 Revenue recognition

Revenue comprises the fair value of consideration received and receivable for the lease of the Corporation's property, the sale of buildings and from contracted construction projects in the ordinary course of the Corporation's activities. Revenue is shown net of value-added tax (VAT), rebates and discounts. Revenue is recognized as follows:

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Revenue recognition (continued)

- (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 hands over the building to the customer, the customer has accepted the building and collectability of the related receivable is reasonably assured;
- (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) Interest income is recognised on a time proportion basis using the effective interest method; and
- (v) Contracts incomes are recognised as percentage of completion of contracted construction projects during the period.

3.4 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.

(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.

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 its 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.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Investment property (continued)

After initial recognition, investment property is carried 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.

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.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised 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 derecognised.

Changes in fair values are recognised in the statement of comprehensive income. Investment properties are derecognised 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 recognised in profit or loss in the period of disposal.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Investment property (continued)

The fair value of an investment property does not include future expenditure that will improve or enhance the property and does reflect the related future benefits from this future expenditure other than those a rational market participant will take into account when determining the value of the property.

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.

3.6 Property and equipment

All categories of property and equipment are stated at historical cost less 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. All other repairs and maintenance are charged to the statement of comprehensive income 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
Workshop buildings	40 years
Machinery	10 years
Motor vehicles	5 years
Tricycle and motor cycle	5 years
Office equipment	5 years
Furniture and fittings	4 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.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost 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.

3.8 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Corporation will not be able to collect all the amounts due according to the original terms of a sale. The amount of the provision is the difference between the carrying amount and the present value of expected cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

3.9 Payables

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

3.10 Borrowings and borrowings cost

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and then subsequently stated at amortised cost; any differences between proceeds and the redemption value are recognised 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

3.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, 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.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 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 makes pension contributions to Parastatal Pension Fund (PPF), National Social Security Fund (NSSF), Public Service Pension Fund (PSPF), Local Authorities Pensions Fund contributions (LAPF) and Government Employees Pension Fund (GEPF).

The Corporation's contributions to the defined contribution schemes are recognised 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 statement of financial position is recognised as an expense accrual.

(iii) Service gratuity

The Corporation operates an employee service gratuity plan for senior management staff who are 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.

3.13 Financial assets

(i) Classification

All financial assets of the Corporation are classified as loans and receivables, based on the purpose for which the financial assets were acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Corporation's loans and receivables comprise 'trade and other receivables', 'bank fixed deposits' and cash at bank in the statement of financial position.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Corporation commits to purchase or sell the asset. Loans and receivables are initially measured at fair value and subsequently carried at amortised cost using the effective interest method.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial assets (continued)

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(iv) Impairment

The Corporation assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of impairment is measured difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

3.14 Current and deferred tax

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

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Current and deferred income tax (continued)

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 recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

3.15 Joint arrangements

The Corporation enters into joint agreements with various stakeholders to develop properties which are then used as investment properties. 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.

3.16 Provision

Provisions are recognised 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

3.17 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.

Investments in associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise 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 recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Corporation's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised 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 recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Investment in associates and joint ventures (continued)

The Corporation determines at each reporting date 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.

3.18 Finance income and expense

Finance income from finance leases is recognised in income on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

Operating Lease Income

Lease income from operating leases is recognised as income on a straight line basis over the lease term.

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.

3.20 Dividend

Dividend payable is recognised as a liability in the Corporation's financial statements in the period in which the dividends payable amount is established.

3.21 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.

4 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

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 minimise potential adverse effects on its financial performance, but the Corporation does not hedge any risks.

Risk management is carried out by the finance department under policies approved by the board of directors.

4.1. Market risk

(i) Foreign exchange risk

The Corporation's exposure to foreign exchange risks is managed by limiting the Corporations transactions in foreign currencies. Foreign exchange risk that could arise from future commercial transactions, and recognised 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.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.1. Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Corporation's interest bearing financial assets are the fixed deposits, (Note 20) which are held at fixed interest rates, and on which it is therefore exposed to fair value interest rate risk. The Corporation also 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.

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 finance director. 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 16 TZS '000	31 Dec 14 TZS '000
Cash at bank	4,768,581	24,781,384
Bank term deposits	2,365,189	1,979,949
Trade receivables (gross)	23,660,363	18,288,225
Staff debtors	4,484,361	4,323,129
	<u>35,278,494</u>	<u>49,372,687</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 Jun 16 TZS '000	31 Dec 14 TZS '000
Past due but not impaired:		
- Up to 90 days	6,029,105	2,920,056
- Above 90 days but less than 1 year	3,846,979	3,416,877
Total past due but not impaired	<u>9,876,084</u>	<u>6,336,933</u>
Impaired	<u>13,784,279</u>	<u>11,951,292</u>
	<u>23,660,363</u>	<u>18,288,225</u>

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 to be fully impaired. The value of these receivables as at 30 June 2016 was TZS 5,820 million (31 December 2014: TZS 3,871 million).

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.2 *Credit risk (continued)*

Bank balances

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

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 groupings 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
30 June 2016			
Trade and other payables	41,719,782	-	-
Borrowings	26,563,699	-	214,303,949
Gratuity payable	-	740,586	-
Bank overdraft	10,927,638	-	-
Key deposits	-	-	8,754,668
31 December 2014			
Trade and other payables	9,217,954	-	-
Borrowings	27,640,118	-	177,175,290
Gratuity payable	-	-	256,986
Bank overdraft	7,885,022	-	-
Key deposits	-	-	6,679,480

4.4. *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.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.4. *Capital risk management (continued)*

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 2016 were as follows:

	30 June 16 TZS '000	31 Dec 14 TZS '000
Total borrowings (Note 25)	(251,795,286)	(212,700,430)
Less: cash and cash equivalents excluding overdraft (Note 21)	4,773,581	24,784,367
Net borrowings	<u>(247,021,705)</u>	<u>(187,916,063)</u>
Total equity	<u>2,754,305,157</u>	<u>2,292,583,176</u>
Gearing ratio	<u>9%</u>	<u>8%</u>

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

Critical estimates are made by the directors in determining the recoverable amount of impaired receivables.

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.

Property and equipment

Critical estimates are made by the directors in determining depreciation rates for plant, property and equipment and their residual values. The rates applied are set out in note 3.6.

Taxation

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 Company 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 2016 (18 months)	31 Dec 2014 (18 months) (Restated)
	TZS '000	TZS '000
6 REVENUE		
Rental income	126,137,833	108,020,079
Sales of inventory properties	7,582,586	21,689,841
Contracts income	2,764,921	-
	<u>136,485,340</u>	<u>129,709,920</u>
7 OTHER GAINS AND LOSSES (NET)		
Gain on disposal of property and equipment	-	51,956
Loss on demolition of investment properties	(1,914,875)	-
Inventory property write down	(3,572,371)	(39,021)
Net foreign exchange losses	(16,502,371)	(3,593,106)
Miscellaneous income	1,193,365	697,333
	<u>(20,796,252)</u>	<u>(2,882,838)</u>
8(a) CONSTRUCTION COSTS		
(i) Own projects		
Kibada project	700,252	2,049,990
Kibla project	175,314	526,114
Medeli project	449,909	5,585,926
Mindu project	1,179,312	7,863,917
Ubungo project	820,460	3,663,461
Kongwa project	37,801	-
Levolosi project	373,648	-
Longido project	48,491	-
Mbweni project	113,676	-
Mchikichini project	1,522,031	-
Mkinga project	172,611	-
Mkuzo project	195,978	-
Mlole project	189,500	-
Mrara project	44,095	-
Unyankumi project	46,446	-
	<u>6,069,524</u>	<u>19,689,408</u>
(ii) Third party projects		
Busokelo project	817,842	-
Monduli project	1,177,456	-
Momba project	96,018	-
Mlele project	179,043	-
	<u>2,270,359</u>	<u>-</u>
	<u>8,339,883</u>	<u>19,689,408</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2016 (18 months) TZS '000	31 Dec 2014 (18 months) TZS '000
8(b) PROPERTY MANAGEMENT COSTS		
Repair and maintenance rental houses	9,735,093	11,099,110
Estate management expenses	1,615,179	938,325
Land rent and property tax	4,978,242	2,695,098
Property valuation fees	229,863	109,264
City service levy	455,917	207,345
	<u>17,014,294</u>	<u>15,049,142</u>
9 ADMINISTRATIVE EXPENSES		
Training and seminar costs	1,323,847	3,430,016
Security and insurance services	1,946,842	1,688,372
Printing and stationery	906,591	726,904
Computer expenses and software maintenance cost	357,604	384,349
Auditors remuneration	377,643	330,773
Repair & maintenance office buildings	256,580	258,085
Internet costs and network	1,143,805	1,064,492
Consultancy fee	1,555,346	957,483
Water and electricity	587,576	644,334
Postage and telephone	775,708	560,138
Travelling on duty	2,128,491	2,884,195
Directors' fees and board expenses	557,810	389,496
Motor vehicle fuel and maintenance	3,080,494	2,389,630
VAT write off, penalties and fines	9,815,617	2,112,309
Donation	1,166,953	1,624,010
Repairs and maintenance office equipment	170,349	208,938
Legal fees	587,285	1,004,646
Bank charges	165,377	290,316
Provision for legal cases	1,822,600	915,183
Office expenses	756,145	492,904
National festivals	107,760	26,217
Procurement expenses	187,837	485,231
Contribution to exchequer	975,000	650,000
Other administrative expenses	1,386,582	882,331
	<u>32,139,842</u>	<u>24,400,352</u>
10 SALES AND MARKETING EXPENSES		
Business promotion	958,826	946,983
Sales expenses and marketing expenses	1,612,952	1,325,550
Advertising and publicity	858,279	1,046,468
	<u>3,430,057</u>	<u>3,319,001</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2016 (18 months) TZS'000	31 Dec 2014 (18 months) TZS'000
11 STAFF COSTS		
Salaries and wages	18,303,120	16,045,533
Housing allowance	4,346,439	2,354,788
Terminal benefits	1,352,198	3,290,838
Staff welfare	764,814	1,859,892
Pension contributions	2,560,100	2,262,308
Medical costs	2,192,968	1,043,141
Master workers council	73,882	351,838
Leave travel allowance	1,385,025	855,721
House servant allowance	-	39,600
Transfer and disturbance allowance	509,822	551,915
Skills and development levy	1,327,888	1,867,105
Extra duty payments	151,620	-
Gratuity provision expense	590,869	683,962
Workers' compensation	84,778	3,938
Annual incentive and service award	949,172	810,444
	<u>34,592,695</u>	<u>32,021,023</u>
12 FINANCE INCOME AND COSTS		
Finance income		
Interest on bank term deposits	595,533	358,483
Interest on rental receivables	773,490	739,441
	<u>1,369,023</u>	<u>1,097,924</u>
Finance costs		
Interest on borrowings	(9,353,746)	(12,199,746)
Loan-related charges	(886,734)	(560,315)
	<u>(10,240,480)</u>	<u>(12,760,061)</u>
Net finance cost	<u>(8,871,457)</u>	<u>(11,662,137)</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2016 (18 months) TZS '000	31 Dec 2014 (18 months) (Restated) TZS '000
13 TAXATION		
(a) Income tax expense		
Current tax-current period	8,407,059	5,774,831
Current tax-prior period	-	1,356,827
	<u>8,407,059</u>	<u>7,131,658</u>
Deferred tax charge-current period	179,073,534	96,360,125
Deferred tax-prior period	(23,830,339)	(13,761,810)
	<u>155,243,195</u>	<u>82,598,315</u>
	<u>163,650,254</u>	<u>89,729,973</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 2016 (18 months) TZS'000	31 Dec 2014 (18 months) (Restated) TZS'000
Profit before tax	<u>625,543,784</u>	<u>343,661,127</u>
Tax calculated at the statutory income tax rate of 30%	187,663,135	103,098,338
Tax effect of:		
Non taxable income	(2,737,287)	(2,503,539)
Expenditure permanently disallowed for tax purpose	2,554,745	1,540,156
Over provision of deferred tax for prior years	(23,830,339)	(13,761,810)
Under provision of corporate tax for prior years	-	1,356,828
	<u>163,650,254</u>	<u>89,729,973</u>
(c) Tax movement		
Balance at beginning of the period	(332,389)	570,497
Current tax charge for the period	8,407,059	7,131,658
Tax paid during the period	(3,934,415)	(8,034,544)
Balance as at period end	<u>4,140,255</u>	<u>(332,389)</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 INVESTMENT PROPERTIES

	Land and rental buildings TZS'000	Joint venture land and rental buildings TZS'000	Work in progress and undeveloped land TZS'000	Total TZS'000
30 June 2016				
Opening balance	2,710,597,592	98,127,966	479,550,748	3,288,276,306
Additions	-	-	32,019,904	32,019,904
Transfer in/(out)	10,998,070	77,546,000	(88,544,070)	-
Transfer to property and equipment	(968,774)	-	-	(968,774)
Transfer to other investments	-	-	(842,000)	(842,000)
Demolished buildings	(1,922,874)	-	-	(1,922,874)
Revaluation gain/(loss)	263,274,753	(2,197,548)	350,824,157	611,901,362
	2,981,978,767	173,476,418	773,008,739	3,928,463,924
31 December 2014				
Opening balance as previously reported	2,536,539,968	106,638,402	268,321,174	2,911,499,544
Prior period adjustment (Note 31)	-	-	43,881,269	43,881,269
Opening balance as restated	2,536,539,968	106,638,402	312,202,443	2,955,380,813
Additions	-	-	8,072,168	8,072,168
Transfers (out)/in	(61,515,791)	(17,769,343)	79,285,134	-
Revaluation gain	228,588,335	9,258,907	79,991,003	317,838,245
Prior period adjustment Note 31)	6,985,080	-	-	6,985,080
	2,710,597,592	98,127,966	479,550,748	3,288,276,306

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 INVESTMENT PROPERTIES (CONTINUED)

The Corporation is satisfied that the fair value of all its investment properties under construction at 30 June 2016 were reliably determinable on continuing basis. The Corporation investment properties were revalued at 30 June 2016 through a desktop 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 property were valued at TZS 773 billion (2014: TZS 480 billion) as follows:

30 June 2016	Total value of the investment property TZS'000	NHC percentage share %	NHC share of ownership TZS'000
Investment properties under construction (Joint venture properties)*	101,656,709	100	101,656,709
Investment properties under construction (NHC owned properties)	140,961,613	100	140,961,613
Undeveloped plots	530,390,417	100	530,390,417
	773,008,739		773,008,739
31 December 2014			
Investment properties under construction (Joint venture properties)*	194,912,000	100	194,912,000
Investment properties under construction (NHC owned properties)	120,650,600	100	120,650,600
Undeveloped plots	163,988,148	100	163,988,148
	479,550,748		479,550,748

As at the end of the period, investment properties with value of TZS 433,711 million (31 December 2014: TZS 348,744 million), were pledged as security on bank borrowings as detailed in note 25.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 PROPERTY AND EQUIPMENT

	Buildings TZS'000	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
30 June 2016								
Opening net book value	235,342	1,476,399	2,533,990	652,973	27,993	652,347	21,509,139	27,088,183
Additions	-	3,848	-	126,152	3,319	198,738	4,267,902	4,599,959
Transfer from investment properties	968,774	-	-	-	-	-	-	968,774
Transfer in/(out)	17,635,532	285,120	-	3,432,123	-	-	(21,352,775)	-
Depreciation charge	(517,820)	(332,768)	(1,374,921)	(1,473,946)	(15,121)	(473,624)	-	(4,188,200)
Closing net book value	18,321,828	1,432,599	1,159,069	2,737,302	16,191	377,461	4,424,266	28,468,716
Cost	18,918,612	2,454,256	6,057,934	5,338,463	52,061	2,554,122	4,424,266	39,799,714
Accumulated depreciation	(596,784)	(1,021,657)	(4,898,865)	(2,601,161)	(35,870)	(2,176,661)	-	(11,330,998)
Net book value	18,321,828	1,432,599	1,159,069	2,737,302	16,191	377,461	4,424,266	28,468,716

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 PROPERTY AND EQUIPMENT (CONTINUED)

31 December 2014	Buildings TZS'000	Plant and 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
Opening net book value	244,737	1,291,446	2,883,528	419,041	42,616	242,576	8,149,841	13,273,785
Additions	-	471,502	1,154,640	515,881	-	852,998	13,359,299	16,354,320
Disposals	-	-	(49,867)	(29,808)	-	-	-	(79,675)
Depreciation charge	(9,395)	(286,549)	(1,454,311)	(252,141)	(14,623)	(443,228)	-	(2,460,247)
Closing net book value	235,342	1,476,399	2,533,990	652,973	27,993	652,346	21,509,140	27,088,183
Cost	314,306	2,165,288	6,057,934	1,780,188	48,742	2,355,383	21,509,140	34,230,981
Accumulated depreciation	(78,964)	(688,889)	(3,523,944)	(1,127,215)	(20,749)	(1,703,037)	-	(7,142,798)
Net book value	235,342	1,476,399	2,533,990	652,973	27,993	652,346	21,509,140	27,088,183

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2016 TZS'000	31 Dec 2014 TZS'000
16 INTANGIBLE ASSETS		
Net book value at the beginning of the period	314,974	75,465
Additions	-	456,941
Amortisation charge	(296,661)	(217,432)
Netbook value at the end of the period	18,313	314,974
Cost	1,140,181	1,140,181
Accumulated amortisation	(1,121,868)	(825,207)
Net book value	18,313	314,974
17(a) INVESTMENT IN JOINT VENTURES		
At the beginning of the period	14,967,689	10,655,047
Share of profit from joint ventures	9,124,291	4,142,499
Additional investment during the period	2,033,335	-
Dividend received from NHC House Limited	(6,736,722)	-
Share of other comprehensive income	(171,549)	170,143
At the end of the period	19,217,044	14,967,689

The table below summarizes details of assets and liabilities as at 30 June 2016, and financial results for the 18 months period then ended accruing to the Corporation:

	Country of incorporation	% interest held	Assets TZS '000	Liabilities TZS '000	Revenue TZS '000	Profit TZS '000
30 June 2016						
NHC/PPF - IPS Building Company Limited	Tanzania	50	18,769,280	(630,176)	1,914,580	3,342,963
NHC House Company Limited	Tanzania	50	1,077,940	-	9,040,094	5,781,328
			<u>19,847,220</u>	<u>(630,176)</u>	<u>10,954,674</u>	<u>9,124,291</u>
31 December 2014						
NHC/PPF - IPS Building Company Limited	Tanzania	50	15,923,197	(955,508)	1,506,862	4,142,499

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2016 TZS'000	31 Dec 2014 TZS'000
17(b) ADVANCES TOWARD SHARES		
At the beginning of the period	1,159,019	-
Additional cash investment during the period	5,730,832	1,159,019
Investments in form of properties	850,000	-
At the end of the period	<u>7,739,851</u>	<u>1,159,019</u>
Below is the summary of advances held as at the period end:		
30 June 2016	Country of incorporation	TZS '000
Kawe Special Purpose Vehicle	Tanzania	4,649,459
USA River project Special Purpose Vehicle	Tanzania	29,885
Kunduchi Riffle Range Special Purpose Vehicle	Tanzania	72,786
Tanzania Mortgage Refinancing Company Limited	Tanzania	1,640,177
Watumishi Housing Company Limited	Tanzania	1,347,544
		<u>7,739,851</u>
31 December 2014		
Kawe Special Purpose Vehicle	Tanzania	521,298
Watumishi Housing Company Limited	Tanzania	637,721
		<u>1,159,019</u>
	30 June 2016	31 Dec 2014 (Restated)
	TZS '000	TZS '000
18 INVENTORIES		
(i) Inventory properties (Completed houses)		
Kibada Project - Dar es Salaam at cost	6,705,602	7,405,854
Kibla Project - Arusha Phase II at cost	2,826,738	3,002,052
Less: Excess of cost over net realisable value	(5,686)	-
Net realisable value over cost	<u>2,821,052</u>	<u>3,002,052</u>
Levolosi Project - Arusha at cost	<u>2,188,915</u>	<u>2,433,306</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 INVENTORIES (CONTINUED)

(i) Inventory properties (completed houses) (continued)

	30 June 2016	31 Dec 2014 (Restated)
	TZS'000	TZS'000
Mbweni JKT - Dar es Salaam at cost	1,202,578	1,316,254
Mindu Project - Dar es Salaam at cost	2,751,727	3,931,039
Ubungo Project - Dar es Salaam at cost	1,774,870	2,595,329
Mkuzo Project - Ruvuma at cost	483,000	-
Medeli Project - Dodoma at cost	3,599,275	-
Mchikichini Project - Dar es Salaam at cost	3,554,597	-
Muleba Project - Kagera at cost	779,141	-
Mrara Project - Manyara at cost	1,641,888	-
Less: Excess of cost over net realisable value	(15,401)	-
Net realisable value over cost	1,626,487	-
Mkinga Project - Tanga at cost	1,370,738	-
Longido Project - Arusha at cost	921,330	-
Bombambili Project - Geita at cost	1,729,966	-
Mlote Project - Kigoma at cost	1,327,614	-
Less: Excess of cost over net realisable value	(128,104)	-
Net realisable value over cost	1,199,510	-
Mvomero Project - Morogoro at cost	1,923,330	-
Less: Excess of cost over net realisable value	(310,095)	-
Net realisable value over cost	1,613,235	-
Uyui Project - Tabora at cost	1,918,327	-
Kongwa Project - Dodoma at cost	1,465,340	-
Unyankumi Project - Singida at cost	794,608	-
Ilembo Project - Katavi at cost	2,354,397	-
	40,854,695	20,683,834

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 INVENTORIES (CONTINUED)

	30 June 2016	31 Dec 2014
	TZS'000	(Restated) TZS'000
(ii) Inventory properties (Ongoing projects)		
Ushindi Residential Plot 36&37 Victoria	26,112,312	11,689,610
Wakulima Residential - Plot 67 Ngano	31,160,725	8,889,669
Plot 1 - 3 & 44 Morocco (Mixed Use)	66,529,206	7,741,788
Mwongozo	10,539,486	3,575,805
Shaghani Affordable Project	5,037,941	2,461,989
Victoria (Mixed Use)	5,026,132	1,252,353
Mtanda - Lindi	1,162,541	1,065,225
Plot 1 - 46 Jangwani Sumbawanga	882,392	549,221
Golden Premier	10,891,567	837,154
Monduli -Township Project(Town Houses)	-	465,714
Zongomela-Kahama Affordable Housing Scheme	1,216,166	377,551
Makete Affordable Housing Scheme	1,009,426	368,143
Inyonga Affordable Housing Scheme	551,781	137,633
Busokelo Affordable Housing Scheme	-	241,389
Buhare Affordable Housing Scheme	1,068,969	159,634
Igunga Affordable Housing Scheme	916,863	139,885
Mbarali Affordable Housing Scheme	726,729	89,636
Rahaleo (Residential Apartments)	8,679,565	46,357
Busweru Ilemela - Mwanza	2,370,177	497,610
Manyoni - Singida Affordable Housing Project	15,675	13,907
Monduli Affordable Housing Scheme II	15,628	7,726
Luguruni Low costing Houses Project	5,568	-
Chato Affordable Housing Scheme	612,981	-
Kawe 711	19,865,292	-
Safari City -Burka Mateves Housing Project	31,779	-
Chato street plot 274 -DSM Residential Apartments	1,589,108	-
Masasi Affordable Housing Scheme	1,170,152	-
Burka	270,550	-
Ipogolo Affordable Housing Scheme	11,734	-
Plot 270,288 & 289 Magore - Vijibweni Alykhan - Upanga	14,065	14,065
Luguruni	-	128,220
Medeli li	-	16,348,607
Plot. I Block C - Uvumba	-	681,818
Plot 63-67 Mchikichini	-	4,721,138
Mpanda/Ilembo - Katavi	-	2,133,800
Mnyakongo/Kongwa-Dodoma	-	1,480,060
Uyuwi-Affordable Housing Scheme	-	1,514,296
Mwanza Project - Bombambili - Geita	-	1,414,575
Mvomero - Morogoro	-	1,380,186
Mlote Project - Kigoma	-	1,329,027
Babat I -Mrara	-	1,306,824

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2016	31 Dec 2014
	TZS'000	(Restated) TZS'000
18 INVENTORIES (CONTINUED)		
(ii) Inventory properties (Ongoing projects) (continued)		
Mkinga Project - Tanga	-	1,461,361
Mkuzo - Ruvuma- Songea	-	623,748
Unyankumi Project - Singida	-	641,957
Longido Housing Scheme	-	626,526
Muleba Affordable Housing Scheme	-	554,478
Plot 246/6-9 Chang'ombe	-	76,146
Plot 556 Kalenga	-	53,638
Plot no. 1 Ufukoni	-	33,025
Plot 331 Msasani (6 - High End Villas)	-	31,346
Plot 134 Kurasini (70 Units)	-	24,318
Plot 105 Uganda - High End Villas (6nr)	-	24,318
Plot 81,83,88/89, & 47/48 Regent Estate	-	24,318
Uhuru Street, Commercial/Retail Facilities	-	24,318
Plot 122-124 Samora Project	-	18,656
Plot 141 Haile Sellasie Road High End Villas (6nr)	-	14,198
Kibaoni Housing Project	-	11,278
Midizini - Morogoro Project	-	4,461
Uporoto Residential-Plot 56&58/14-2	-	1,459
Usa River Arusha Plot 61/6/3, etc	-	671
	197,484,510	77,310,835
Less: Inventory properties write down	(3,113,085)	(39,021)
	194,371,425	77,271,814
Other inventories		
Building materials	743,347	885,436
Motor vehicles spare parts	-	1,868
Stationeries	198,191	271,565
	941,538	1,158,869
Allowance for obsolete inventories	(59,392)	(59,392)
	882,146	1,099,477
Total	236,108,266	99,055,125

Inventory property refers to completed houses or ongoing construction projects for the purpose of resale.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2016 TZS '000	31 Dec 2014 TZS '000
19 TRADE AND OTHER RECEIVABLES		
Rental receivables - current tenants	14,811,084	13,604,698
Rental receivables - ex tenants	5,820,277	3,871,030
Tenant purchase receivables	5,580	5,580
Receivables from the sale of buildings	3,023,422	806,917
	23,660,363	18,288,225
Less: Allowances for doubtful debts	(13,784,279)	(11,951,292)
	9,876,084	6,336,933
Staff receivables	4,484,361	4,323,129
Advance to contractors	14,922,040	31,045,694
Other receivables	1,673,279	732,095
	30,955,764	42,437,851

Movements in the allowance for doubtful debts:

	Rental receivables TZS'000	Receivables from sale of buildings TZS'000	Other receivables TZS'000	Total TZS'000
30 June 2016				
At beginning of the period	11,324,451	621,735	5,106	11,951,292
Charge for the period	2,297,868	-	-	2,297,868
Recoveries	-	(459,775)	(5,106)	(464,881)
At end of the period	13,622,319	161,960	-	13,784,279
31 December 2014				
At beginning of the period	8,260,395	372,754	5,106	8,638,255
Charge for the period	3,064,056	248,981	-	3,313,037
At end of period	11,324,451	621,735	5,106	11,951,292

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 BANK TERM DEPOSITS

These comprise of fixed deposits maturing over periods ranging from six months to one year, at a weighted effective interest rate of 15%. The table below summarises details of fixed deposits held as at the period end:

	30 June 2016 TZS '000	31 Dec 2014 TZS '000
Investment - sinking funds	1,737,737	1,428,496
Other fixed deposits	627,452	551,453
	<u>2,365,189</u>	<u>1,979,949</u>
The movement of sinking fund deposits in the period is shown below:		
At beginning of the period	1,428,496	1,193,949
Invested during the period	309,241	234,547
At the end of the period	<u>1,737,737</u>	<u>1,428,496</u>

*Sinking fund represents fixed deposits maintained by the Corporation as self-insurance against losses that may arise on investment property due to events such as fire, floods, accidents and natural calamities as the investment properties of the Corporation are not insured.

21 CASH AND BANK BALANCES

	30 June 2016 TZS '000	31 Dec 2014 TZS '000
Bank balances	4,768,581	24,781,384
Cash on hand	5,000	2,983
Cash and bank balances (excluding bank overdrafts)	4,773,581	24,784,367
Bank overdrafts	(10,927,638)	(7,885,022)
Cash and bank balances (including bank overdrafts)	<u>(6,154,057)</u>	<u>16,899,346</u>

22 CAPITAL FUND

The Capital fund of TZS 486 million represents the initial amount of funds received from the Treasury of TZS 416 million and grants of TZS 70 million received from several donors for financing construction of houses.

23 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.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 DEFERRED TAX

Deferred tax is calculated using balance sheet approach at the enacted income tax rate of 30% (31 December 2014: 30%). The movement on the deferred tax account is as follows:

	30 June 2016	31 Dec 2014 (Restated)
	TZS '000	TZS '000
At the beginning of the year	925,839,901	843,241,586
Deferred tax charge -current period	179,073,534	96,360,125
Deferred tax charge- prior period	(23,830,339)	(13,761,810)
	155,243,195	82,598,315
At the end of the year	1,081,083,096	925,839,901

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

	Opening balance TZS'000	Charge TZS'000	Closing balance TZS'000
30 June 2016			
Deferred tax liabilities			
Fair value of investment properties	930,936,337	162,428,954	1,093,365,291
Deferred tax assets			
Other deductible temporary differences	(5,096,436)	(7,185,759)	(12,282,195)
Net deferred income tax liability	925,839,901	155,243,195	1,081,083,096
31 December 2014			
Deferred tax liabilities			
Fair value of investment properties	847,027,414	83,908,923	930,936,337
Deferred tax assets			
Other deductible temporary differences	(3,785,828)	(1,310,608)	(5,096,436)
Net deferred income tax liability	843,241,586	82,598,315	925,839,901

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2016 TZS '000	31 Dec 2014 TZS '000
25 BORROWINGS		
Bank and other borrowings	240,867,648	204,815,408
Bank overdrafts	10,927,638	7,885,022
	<u>251,795,286</u>	<u>212,700,430</u>
Current		
Bank overdraft	10,927,638	7,885,022
Bank and other borrowings	26,563,699	27,640,118
	<u>37,491,337</u>	<u>35,525,140</u>
Non-current		
Bank and other borrowings	214,303,949	177,175,290
	<u>251,795,286</u>	<u>212,700,430</u>
Movement in bank and other borrowings:		
At the beginning of the period	204,815,408	126,641,970
Additional borrowings	69,401,821	101,400,712
Repayments	(50,651,965)	(26,820,380)
Unrealized foreign exchange losses	17,302,384	3,593,106
	<u>240,867,648</u>	<u>204,815,408</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 BORROWINGS (CONTINUED)

The details of bank and other borrowings are summarised in the table below:

	30 June 2016 TZS '000	31 Dec 2014 TZS '000	Effective interest rate %	Tenor Years
Loan from KCB Bank Tanzania Limited	147,840	2,567,357	16%	3
Loan from Shelter Afrique	24,194,634	23,609,412	Libor+3.7%	10
Loan I from CRDB Bank Plc	-	202,860	14%	6
Car loan from NBC Bank Limited	-	53,184	11%	3.5
Loan from Commercial Bank of Africa (T) Limited	15,334,730	17,866,537	7%	7
Loan II from CRDB Bank Plc	30,961,842	33,798,777	15%	10
Loan from Local Authority Pensions Fund (LAPF)	11,938,890	14,739,414	15.30%	11
Loan from African Banking Corporation (T) Limited	7,591,035	2,337,610	15%	5
Loan from TIB TIB Development Bank	26,615,170	27,356,997	15%	4
Loan from Azania Bank Limited	3,757,998	5,261,197	14%	7
Loan from National Microfinance Bank Plc	49,665,135	49,000,000	15.36%	7
Loan from SEM (T) Limited	33,574,282	28,022,063	13%	10
Loan III from CRDB Bank Plc	28,887,962	-	16.5%	7
Loan from Bank M (T) Limited	8,198,130	-	16%	6
	<u>240,867,648</u>	<u>204,815,408</u>		

Bank and other borrowings are secured on investment property to the value of TZS 433,711 million (2014: TZS 348,744 million).

Loan from KCB Bank Tanzania Limited

The loan was acquired for the purpose of financing construction and development of five residential apartment blocks on plot No.457 along Levulosi Street in Arusha. The loan is secured by first priority legal mortgage over two properties located in Dar es Salaam.

The loan carries interest of 16% per annum. The loan is repayable over a period of 36 months effective from August, 2013.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 BORROWINGS (CONTINUED)

Loan from Shelter Afrique

The loan was acquired for the purpose of financing pipeline of projects estimated at a total cost of USD 186 million which 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 four properties located in Dar es Salaam.

The loan carries interest at a 18 month LIBOR + 3.7% per annum spread/margin. The 18 month LIBOR rate has been agreed at 0.3384%. The loan is repayable over a period of 10 years (inclusive of a period of 2 years grace period) effective from March, 2015.

Loan I from CRDB Bank Plc

The loan was acquired from CRDB Bank Limited in 2008 for the purpose of financing the construction of six (6) property blocks consisting of 48 prime apartments located on plot 565/1 Kibla Area, Arusha Municipality. The loan is secured by a first charge legal mortgage on the six property blocks.

The loan carries interest at 14% per annum, charged monthly on the outstanding balance. The loan is repayable in seventy two (72) monthly instalments effective from June 2009. The loan was fully repaid in June 2015.

Car loan from NBC Bank Limited

The loan was acquired for the purpose of financing the purchase of 24 motor vehicles for the Corporation's official usage and for its senior staff. The loan is secured by a chattel mortgage over the 24 vehicles registered at purchasing price.

The loan carries interest at 11% per annum, charged monthly on the outstanding balance. The loan had a grace period of 18 months from the date of first disbursement and is repayable in 42 equal instalments commencing from August 2011. It was fully repaid by December 2014.

Loan from Commercial Bank of Africa (T) Limited

The loan was acquired for the purpose of refinancing the construction of NHC House project together with Southern Economic Management (SEM). The loan is secured by a first charge legal mortgage on landed properties of TZS 14 billion.

The loan carries interest at 7% 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 equal instalments effective from September 2013.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 BORROWINGS (CONTINUED)

Loan II from CRDB Bank Plc

The Corporation acquired this for the purpose of 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. The loan is secured by a first charge legal mortgage on eleven landed properties in Dar es Salaam. Interest is charged at the 10 year Treasury bond rate plus margin of 2%, with minimum of 15% per annum, accrued daily on outstanding balance and paid semi-annually effective from July 2013. The loan is repayable in 10 years (including a grace period of twenty four months).

Loan from Local Authority Pensions Fund (LAPF)

The loan was acquired for the purpose of financing the construction of 14 blocks comprising 290 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.

Loan from African Banking Corporation (T) Limited

The first loan of TZS 4.2 billion was acquired for the purpose of financing the construction of 4 blocks comprising 80 residential apartments (Ubungo Project), located in Dar es Salaam. A second loan of TZS 7 billion for which was issued for construction of Rahao and Shangani projects in Mtwara. The loans are secured by legal mortgage on five landed properties in Dar es Salaam.

The first loan carries interest at 15% per annum. Whereas the second carries interest at 17.5% per annum the loan is repayable over a period of 60 months (inclusive of a grace period of twelve months) effective from January, 2013.

Loan from TIB Development Bank

The loan was acquired for the purpose of financing the acquisition of 296 acres of land from Hortanzia Limited located in Usa river, Arusha and construction of infrastructure to develop serviced plots for a satellite town. The loan is secured by a first charge legal mortgage on eleven land plots in Dar es Salaam and a deed of assignment over rental proceeds from the financed NHC project located on those plots.

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.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 BORROWINGS (CONTINUED)

Loan from Azania Bank Limited

The loan was acquired for the purpose of financing the construction of 60 residential apartments located on plot 574, Mindu Street, Upanga West, Ilala Municipality, Dar es Salaam. The loan is secured by a first charge legal mortgage on six landed properties in Dar es Salaam.

The loan carries a floating interest rate (Treasury bills 182 days plus 200 bps) 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 84 monthly instalments effective from March 2013.

Loan from National Microfinance Bank Plc

The loan was acquired for the purpose meeting the cost of the projects. The loan is secured over:

- a. Legal mortgage of landed properties of 12 titles
- b. A positive pledge over the following projects
 - i. Iconic building located on plot no 1 Ali Hassan Mwinyi/Ufukweni Road, Dar es Salaam city;
 - ii. Levelosi apartment located on plot no 457 Levelosi Road, Arusha.

Provided that the forced sale value of the landed properties issued as security under item a and b shall at least secure 140% of the loan.

- a. An assignment of all of the rental proceeds from the houses/projects to be financed by the loan and
- b. Further mortgages over the houses to be constructed as part of the project.

The term of the loan shall be eight four (84) months from the date of the signing agreement 29 November 2012 including grace period of twenty four (24) months on the principal amount of the loan. The interest rate on the loan shall be pegged on the last auction 182 days T- bills (weighted average yield (WAY)) plus 250 bases subject to the floor rate of 11% per annum.

Loan from Southern Economic Management (SEM) Tanzania Limited

The loan was acquired for the purpose of financing 50% construction cost of NHC House which is located on Samora Avenue, Dar es Salaam. The loan carries interest at 13% per annum. Interest starts to accrue on completion of the project. The loan is repayable over a period of 10 years after completion of the project.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 BORROWINGS (CONTINUED)

Loan III from CRDB Bank Plc

The loan was acquired for the purpose of financing construction of Morroco Square Project. The loan is secured by a first charge legal mortgage on twenty landed properties in Dar es Salaam. The loan carries interest at 16.5% per annum accrued daily on outstanding balance and paid semi-annually effective from March 2016. The loan is repayable in 7 years (including a grace period of twenty four months).

Loan from Bank M (T) Limited

The loan was acquired for the purpose of 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 16.0% per annum 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).

The fair value of borrowings approximates their carrying amounts as at the financial position date.

Overdraft facilities

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

Bank	Balance as at 30 June 2016	Limit	Interest	Effective date	Limit time
	TZS'000	TZS'000			
Ecobank Tanzania Limited	2,104,471	2,100,000	Interest charged will equal to the rate per annum equal to the most recent 182 day treasury bills rate issued by BOT plus a fixed margin of 3%	15 Jan 2013	One year renewable
CRDB Bank Plc	4,522,668	5,000,000	17% per annum	2 Nov 2012	One year renewable
NMB Microfinance Bank Plc	3,905,652	4,000,000	16.8% per annum	15 Nov 2013	One year renewable
Commercial Bank of Africa (T) Limited	394,847	1,000,000	16% per annum	1 Jan 2016	One year renewable

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2016 TZS '000	31 Dec 2014 TZS '000
26 TRADE AND OTHER PAYABLES		
Trade payables	38,486,125	4,938,523
Construction deposits	91,669,709	43,566,096
Rent advance	4,216,842	2,175,354
Value Added Tax payable/(recoverable)	5,172,942	(102,834)
Security and retention	2,122,535	3,467,980
Other payables	547,846	194,786
Employees related payables	1,111,122	811,451
	<u>143,327,121</u>	<u>55,051,356</u>
27 ACCRUED EXPENSES		
Interest payable	4,957,472	-
Accrued administrative expenses	1,877,500	2,765,958
Audit fee	325,000	290,000
	<u>7,159,972</u>	<u>3,055,958</u>
28 PROVISIONS		
Legal cases	5,728,226	3,905,626
Salary related expenses	703,141	-
Property tax	167,613	138,240
Land rent	53,664	96,556
Service fee	151,863	88,143
	<u>6,804,507</u>	<u>4,228,565</u>
29 CONTINGENT LIABILITIES		
As at 30 June 2016, the Corporation was a defendant in several lawsuits. The total amount claimed in the various lawsuits approximates to TZS 43,426 million. (2014: TZS 86,312 million), of which the Corporation has made a provision of TZS 5,728 million. In the opinion of the directors, after taking appropriate legal advice, no material additional liabilities are expected to crystallize from these lawsuits.		
30 COMMITMENTS		
Capital expenditure contracted for as at 30 June 2016 but not recognized in the financial statements is as follows:		
	30 June 2016 TZS'000	31 Dec 2014 TZS'000
Construction property for rental (ongoing projects)	4,521,640	78,215,543
Construction property for sale (ongoing projects)	290,897,355	168,990,087
Property and equipment	844,778	6,769,982
	<u>296,263,773</u>	<u>253,975,612</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 PRIOR PERIOD ADJUSTMENTS

Opening retained earnings and comparative amounts have been restated to correct prior period errors as follows:

Impact on statement of financial position:

	As previously reported 31 Dec 2014 TZS '000	Prior year adjustment TZS '000	As Restated 31 Dec 2014 TZS '000
Investment properties (i)	3,281,291,226	6,985,080	3,288,276,306
Inventories (ii)	100,040,574	(985,449)	99,055,125
Deferred tax	(923,744,377)	(2,095,524)	(925,839,901)
Current tax asset	36,754	295,635	332,389
Retained earnings	<u>2,285,230,803</u>	<u>4,199,742</u>	<u>2,289,430,545</u>

	As previous reported 30 June 2013 TZS '000	Prior year adjustment TZS '000	Restated 30 June 2013 TZS '000
Investment properties (iii)	2,911,499,544	43,881,269	2,955,380,813
Deferred tax	(830,077,205)	(13,164,381)	(843,241,586)
Retained earnings	<u>2,004,782,503</u>	<u>30,716,888</u>	<u>2,035,499,391</u>

Impact on total comprehensive income for the year:

	31 Dec 2014 TZS '000	30 June 2013 TZS '000
Increase in gain from fair valuation of investment properties	6,985,080	43,881,269
Increase in cost of sales-inventory properties	985,449	-
Decrease in income tax expense	<u>11,364,492</u>	<u>13,164,381</u>

- (i) Net value of investment properties that were not included in the Corporation's investment register and therefore were not valued. This resulted in understatement in the fair values of the investment properties as at the reporting dates.
- (ii) Master plan costs which were supposed to be expensed but were capitalised as work in progress for non-existing project in two previous years, and the inventory of houses which were supposed to be expensed as cost of sale for Ubungu project. This resulted in overstatement of inventory properties.
- (iii) Correction of valuation errors which resulted from omission of land under joint venture investment properties.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32 RELATED PARTY TRANSACTIONS AND BALANCES

The Corporation is controlled by the Government of the United Republic of Tanzania, the sole shareholder. There are other Corporations and companies that are related to National Housing Corporation through common shareholdings.

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.

Key management personnel short term benefits which were paid during the period under review included salaries, annual leave pay, house allowances and social security contributions (PPF and NSSF) as outlined below:

	30 June 2016 (18 months) TZS '000	31 Dec 2014 (18 months) TZS '000
i) Key management compensation		
Salaries and other short-term employment benefits	3,156,444	2,135,748
Annual leave	142,119	185,450
House allowance	590,869	302,567
Contributions to post-employment benefit plans (PPF and NSSF)	117,589	298,021
Loans to key management	942,524	922,732
	4,949,545	3,844,518

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

30 June 2016

Types of Loan	Amount TZS '000	Terms of Payments	Interest Rate
House loan	512,583	Repayable Monthly for 15 years	Nil
Car loan	324,095	Repayable Monthly for 6 years	Nil
Cash advance	105,846	Repayable Monthly for 12 months	Nil
	942,524		

31 December 2014

Types of Loan	Amount TZS '000	Terms of Payments	Interest Rate
House loan	262,996	Repayable Monthly for 15 years	Nil
Car loan	643,426	Repayable Monthly for 6 years	Nil
Cash advance	16,310	Repayable Monthly for 12 months	Nil
	922,732		

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	30 June 2016 (18 months) TZS '000	31 Dec 2014 (18 months) TZS '000
ii) Directors' remuneration		
Fees for services as director	191,420	45,000
Other emoluments	237,910	247,835
	<u>429,330</u>	<u>292,835</u>

33 FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2016	Loans and receivables TZS '000	Held to maturity TZS '000	Total TZS '000
FINANCIAL ASSETS			
Investments			
Bank term deposits (note 20)	-	2,365,189	2,365,189
Other Assets			
Trade and other receivables (note 19)	14,360,445	-	14,360,445
Cash and bank balances (note 21)	4,773,581	-	4,773,581
Total	<u>19,134,026</u>	<u>2,365,189</u>	<u>21,499,215</u>

	Other Financial liabilities at amortised cost TZS '000	Total TZS '000
FINANCIAL LIABILITIES		
Long term financial liabilities		
Borrowings (note 25)	214,303,949	214,303,949
Gratuity payable	740,586	740,586
Rental deposits	8,754,668	8,754,668
Current financial liabilities		
Borrowings (note 25)	26,563,699	26,563,699
Bank overdraft (note 25)	10,927,638	10,927,638
Trade and other payables (note 26)	41,719,782	41,719,782
	<u>303,010,322</u>	<u>303,010,322</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

31 December 2014	Loans and receivables TZS '000	Held to maturity TZS '000	Total TZS '000
FINANCIAL ASSETS			
Investments			
Bank term deposits (note 20)	-	1,979,949	1,979,949
Other Assets			
Trade and other receivables (note 19)	10,660,062	-	10,660,062
Cash and bank balances (note 21)	24,784,367	-	24,784,367
Total	35,444,429	1,979,949	37,424,378
FINANCIAL LIABILITIES		Other Financial liabilities at amortised cost TZS '000	Total TZS '000
Long term financial liabilities			
Borrowings (note 25)		177,175,290	177,175,290
Gratuity payable		256,986	256,986
Rental deposits		6,679,480	6,679,480
Current financial liabilities			
Borrowings (note 25)		27,640,118	27,640,118
Bank overdraft (note 25)		7,885,022	7,885,022
Trade and other payables (note 26)		9,217,954	9,217,954
		228,854,850	228,854,850

34 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:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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
- 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).

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

30 June 2016	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>	<u>TZS '000</u>	<u>TZS '000</u>	<u>TZS '000</u>	<u>TZS '000</u>
Bank term deposits	-	2,365,189	-	2,365,189
Trade and other receivables	-	14,360,445	-	14,360,445
Cash and bank balances	4,773,581	-	-	4,773,581
Total	4,773,581	16,725,634	-	21,499,215
<u>Financial liabilities</u>				
Borrowings	-	214,303,949	-	214,303,949
Gratuity payable	-	740,586	-	740,586
Rental deposits	-	8,754,668	-	8,754,668
<u>Current financial liabilities</u>				
Borrowings	-	26,563,699	-	26,563,699
Bank overdraft	-	10,927,638	-	10,927,638
Trade and other payables	-	41,719,782	-	41,719,782
Total	-	303,010,322	-	303,010,322
31 December 2014	Level 1	Level 2	Level 3	Total
<u>Financial Assets</u>	<u>TZS '000</u>	<u>TZS '000</u>	<u>TZS '000</u>	<u>TZS '000</u>
Bank term deposits	-	1,979,949	-	1,979,949
Trade and other receivables	-	10,660,062	-	10,660,062
Cash and bank balances	24,784,367	-	-	24,784,367
Total	24,784,367	12,640,011	-	37,424,378
<u>Financial Liabilities</u>				
Borrowings	-	177,175,290	-	177,175,290
Gratuity payable	-	256,986	-	256,986
Rental deposits	-	6,679,480	-	6,679,480
<u>Current Financial Liabilities</u>				
Borrowings	-	27,640,118	-	27,640,118
Bank overdraft	-	7,885,022	-	7,885,022
Trade and other Payables	-	9,217,954	-	9,217,954
Total	-	228,854,850	-	228,854,850

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 EVENTS AFTER REPORTING PERIOD

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

36 COMPARATIVES

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