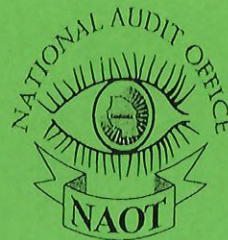


THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE



REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON
THE FINANCIAL STATEMENTS OF NATIONAL HOUSING
CORPORATION FOR THE YEAR ENDED
30TH JUNE, 2017

The Controller and Auditor General,
National Audit Office,
16 Samora Machel Avenue,
P. O. Box 9080,
11101 Dar es Salaam.

Telegram: "Ukaguzi"
Telephone: 255 22 2115157/8
Fax: 255 22 2117527
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Website: www.nao.go.tz

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



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THE FINANCIAL STATEMENTS OF NATIONAL HOUSING
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January 2018

AR/NHC/2017

NATIONAL HOUSING CORPORATION

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NATIONAL HOUSING CORPORATION

ACRONYMS

AO	Accounting Officer
CFPS	Corruption and Fraud Prevention Strategy
GDE	Government Departments and Embassies
IFRSs	International Financial Reporting Standards
ILO	International Labour Organisation
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
SACCOS	Savings and Credit Cooperative Societies
SHIB	Social Health Insurance Benefit
TFRS	Tanzania Financial Reporting Standards
TUICO	Tanzania Union of Industrial and Commercial Workers
TPCC	Tanzania Portland Cement Company Limited
TRA	Tanzania Revenue Authority
TTCL	Tanzania Telecommunications Company Limited
TZS	Tanzania Shillings
UDOM	University of Dodoma
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 YEAR ENDED 30 JUNE 2017

The directors submit their report together with the audited financial statements for the year ended 30 June 2017, 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 402,544 million (2016: TZS 458,960 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 1,000 million (2016: TZS 975 million) for the year ended 30 June 2017 as per the Treasury directives.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

6. DIRECTORS AND SECRETARY

The directors who held office since 1 July 2016 to February and March 2017 when the board's tenure lapsed 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 in 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 Mwitondi 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 YEAR ENDED 30 JUNE 2017 (CONTINUED)

6. DIRECTORS AND SECRETARY (CONTINUED)

Name	Position	Nationality	Age (Years)	Qualification	Remarks
Mr. Samson M. Kassala	Director	Tanzanian	67	<p>Diploma in Hostage interrogation and other crimes, (Louisiana State University, United States of America);</p> <p>Law pertaining to Human Rights, Humanity and Refugee (Raul Rund Sweden);</p> <p>Financial crimes, prevention and detentions for Crime Prevention (Africa Centre for Crime Prevention Academy); and</p> <p>Certificate of Laws (University of Dar es Salaam).</p>	Term ended in March 2017
Ms. Irene Isaka	Director	Tanzanian	48	<p>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.</p>	Term ended in March 2017
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 YEAR ENDED 30 JUNE 2017 (CONTINUED)

6. DIRECTORS AND SECRETARY (CONTINUED)

Name	Position	Nationality	Age (Years)	Qualification	Remarks
Mr. Diotrephes 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 YEAR ENDED 30 JUNE 2017 (CONTINUED)

6. DIRECTORS AND SECRETARY (CONTINUED)

The following directors were appointed to the board in February and 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; Certified Public Accountant, CPA (T), National Board of Accountants and Auditors, Tanzania; Certified Government Financial Manager (CGFM), Association of Government Accountants USA; Certificate in Financial Management, Algonquin College, Ottawa, Canada; Society of Management Accountants of Ontario, Canada (Ottawa University) CMA Level IV; and Advanced Diploma in Accountancy from Institute of Development Management, Tanzania;	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 YEAR ENDED 30 JUNE 2017 (CONTINUED)

7. 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 YEAR ENDED 30 JUNE 2017 (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 Stanislaus 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

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2017 (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 3,148 billion from TZS 2,746 billion recorded in the prior year. This increase is attributable to the following:

- Increase in fair value of investment properties of TZS 551 billion;
- Additions to investment properties of TZS 3 billion;
- Additions to property and equipment of TZS 1 billion.

b) Profitability

During the year ended 30 June 2017, the Corporation made a profit before tax of TZS 570,258 million (2016: TZS 622,610 million). Included in this profit is a fair value of TZS 550,716 million (2016: TZS 609,793 million) relating to the investment properties.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2017 (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 35 of these financial statements.

10. PERFORMANCE INDICATORS

Key performance indicator	Definition and Formula	Ratios	
		2016/2017 (12 Months)	2015/2016 (18 Months)
Current Ratio	Current Assets	1.67	1.36
	Current Liabilities		
Quick Ratio	Current Assets-Inventories	0.24	0.19
	Current Liabilities		
Return on Assets	Profit Before Tax (PBT)	11.75%	14.62%
	Total Assets		
Debt to Equity Ratio	Total Debt	8.98%	9.18%
	Equity		
Profit Margin	Profit	20.45%	9.20%
	Revenue		

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).

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 year ended 30 June 2017, the Corporation continued implementing the following projects:

• **CRDB HQ -Dar es salaam**

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

• **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 at a completion stage

• **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.

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). This project is currently completed

• **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.

• **Igunga Affordable Housing scheme**

This project comprises 30 residential units within 85 square metre three bedroom each. The project is in progress.

• **Kawe-Plot no 711/1**

This project is G+M+18floors. It comprises of 422 units as follows: Retail space of approximately 3000m squares, Gym, Swimming pool, Kids playing stands and other facilities. 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.

• **Iyumbu Affordable Housing Project - Dodoma**

The project comprises of 300 affordable housing units of 79, 85 and 115 square meters, three bedroom each. The project is in progress.

11. BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (continued)

(i) Houses for Sale (continued)

• **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.

• **Chato Affordable Housing Scheme**

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

• **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 at completion stage

• **Makete Affordable Housing Project-Iringa**

The project comprises of 50 units of three bedrooms semidetached, 1 shop, dispensary and nursery school. The project is at completion stage

• **Inyonga Affordable Housing Project - Katavi**

The project comprises of 24 units of three bedrooms semidetached. 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 at completion stage.

• **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.

• **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 at completion stage.

11. BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (continued)

(i) Houses for Sale (continued)

• **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.

• **Mpanda Paradise**

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

• **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.

11. BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (continued)

(ii) Investment projects (continued)

- **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.

- **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.

- **Kakuni Affordable Houses - Katavi**

This project comprises of 18 units of affordable housed for Teachers houses. The project is in progress

- **Msalato Secondary School - Dodoma**

This project involve execution of rehabilitation and remodeling of Msalato Secondary School. The project is in progress.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

11. BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (continued)

(iv) Construction contracts projects (continued)

- **Mwenge Secondary School - Singida**

This project involve execution of rehabilitation and remodeling of Mwenge Secondary School. The project is in progress

- **Pugu Secondary School - Dar es salaam**

This project involve execution of rehabilitation and remodeling of Pugu Secondary School. The project is in progress

- **Kilakala Secondary School - Morogoro**

This project involve execution of rehabilitation and remodeling of Kilakala Secondary School. The project is in progress

- **Mzumbe Secondary School - Morogoro**

This project involve execution of rehabilitation and remodeling of Mzumbe Secondary School. The project is in progress

(v) Joint venture projects

During the year ended 30 June 2017, the Corporation had a total of 182 (2016:71) projects under joint arrangements. Out of these, 71 (2016:5) were completed, 32 (2016:30) are still under construction and 39 (2016:36) projects have been stalled. Most of these projects are located in Dar es Salaam, Mwanza and Arusha.

(c) Rental Buildings Activities

Rental revenue

During the year ended 30 June 2017, rental revenue decreased to TZS 92 billion from TZS 126 billion recorded during 18 months period ended 30 June 2016. This decrease is attributed to the following factors:

- 12 months rental revenue compared to 18 months rental revenue

During the year ended 30 June 2017 an average monthly rental increased to TZS 7.7 billion from TZS 7 billion recorded during 18 months period ended 30 June 2016. 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.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

11. BUSINESS PROFILE (CONTINUED)

(d) Property maintenance

During the year the Corporation's expenditure on property maintenance decreased to TZS 6 billion compared to TZS 10 billion in the 18 month period ended 30 June 2016.

The Corporation has set aside a special fund to cover losses that may arise due to disasters on investment properties. As at 30 June, 2017 the fund amounted to TZS 525 million (2016: TZS 1,738 million).

12. EMPLOYEES WELFARE

(a) Staff disposition

The total number of staff as at 30 June 2017 was 567 (2016: 603).

(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 353 male and 214 female employees (2016: 387 male and 216 female employees). On the other hand, the Corporation continued to promote female employees to senior level positions. As at 30 June, 2017 the composition of female employees in various senior positions was as follows:

	30 June 2017	30 June 2016
Management team	2 out of 13	2 out of 13
Headquarters managers	5 out of 27	4 out of 27
Regional managers	2 out of 23	2 out of 23
Senior officers	23 out of 47	18 out of 47
Middle level officers	56 out of 159	82 out of 159

(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 2017, the Corporation had no employee with physical disabilities (2016: 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.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

12. EMPLOYEES WELFARE (CONTINUED)

(f) Training

During the period a total of TZS 534 million was used in staff training (2016: TZS 1,324 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.

(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 Chairman 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.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

13. CORPORATE GOVERNANCE (CONTINUED)

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 year ended 30 June 2017 was as follows:

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 year ended 30 June 2017.

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
Mrs. Susan Omari	Secretary (from August, 2016)	Tanzanian	3/7

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

Name	Position	Nationality	Number of Meetings Attended
Ms. Subira Ali Mchumo	Chairperson	Tanzanian	1/1
Mr. Kesogukwele M. I.M Msita	Member	Tanzanian	1/1
Prof. John Modestus Lupala	Member	Tanzanian	1/1
Mr. Gabriel Pascal Malata	Member	Tanzanian	0/1
Mr. Nehemia K. Mchechu	Member	Tanzanian	1/1
Mrs. Susan Omari	Secretary	Tanzania	1/1

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 year ended 30 June 2017.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

14. CORPORATE GOVERNANCE (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	1/2
Arch. Subira Ali Mchumo	Member	Tanzanian	2/2
Ms. Irene Isaka	Member	Tanzanian	2/2
Mr. Nehemiah K. Mchechu	Member	Tanzanian	2/2
Mr. Martin Mdoe	Secretary	Tanzanian	1/1
Mrs. Susan Omari	Secretary (from August, 2016)	Tanzanian	1/1

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

Name	Position	Nationality	Number of Meetings Attended
Mr. Pius Aloysius Maneno	Chairman	Tanzanian	1/1
Ms. Mary Stanslaus Mlay	Member	Tanzanian	1/1
Mr. Ally Hussein Laay	Member	Tanzanian	1/1
Prof. John Modestus Lupala	Member	Tanzanian	1/1
Mr. Nehemia K. Mchechu	Member	Tanzanian	1/1
Mrs. Susan Omari	Secretary	Tanzanian	1/1

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 year ended 30 June 2017.

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	3/3
Mr. Diotrephe Mmari	Member	Tanzanian	3/3
Mr. Martin Mdoe	Secretary	Tanzanian	1/1
Mrs. Susan Omari	Secretary (From August, 2016)	Tanzanian	2/2

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

13. CORPORATE GOVERNANCE (CONTINUED)

Board committees (continued)

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

Name	Position	Nationality	Number of Meetings Attended
Mr. Ally Hussein Laay	Chairman	Tanzanian	1/1
Ms. Subira Ali Mchumo	Member	Tanzanian	1/1
Mr. Gabriel Pascal Malata	Member	Tanzanian	0/1
Mr. Kesogukwele M. I.M Msita	Member	Tanzanian	1/1
Mrs. Susan Omari	Secretary	Tanzanian	0/1

Overall meeting attendance

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

Name	Position	Number of meetings attended
Mrs. Blandina Nyoni	Chairperson	2/2
Mr. Kesogukewele Msita	Vice Chairperson	2/2
Mr. Ally H. Laay	Director	2/2
Prof. John Lupala	Director	2/2
Mr. Pius A. Maneno	Director	1/2
Ms. Subira Ali Mchumo	Director	2/2
Mr. Gabriel Malata	Director	1/2
Ms. Mary Mlay	Director	2/2
Mr. Nehemiah Mchechu	Member	2/2

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.

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

13. CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

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

(ii) Cash flow and fair value interest rate risk

The Corporation'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.

14. 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.

15. 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.

16. CORPORATE SOCIAL RESPONSIBILITY

During the period the Corporation made donations as follows:

- TZS 216, million towards the education sector and professional training;
- TZS 18 million towards health support to institutions;
- TZS 8 million to support youth initiatives; and
- TZS 88 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.
- Continued to roll out rebranding journey which will take up to 5 years to complete countrywide.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2017 (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.

18. FIDUCIARY RESPONSIBILITIES

The Corporation's board members as stewards of public trust always acted for the good of the organization, rather than for the benefit of themselves throughout the year ended 30 June 2017. Reasonable care was exercised in all decisions taken by the Corporation, without placing the Corporation under unnecessary risk.

19. RELATED PARTY TRANSACTIONS AND BALANCES

All related party transactions and balances are disclosed in Note 33 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.

20. 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.

21. POLITICAL DONATIONS

There were no political donations during the period.

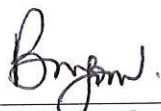
22. SERIOUSLY PREJUDICIAL

No impending new developments are under consideration by the Corporation.

23. 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 Corporation'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

.....13 December..... 2017

NATIONAL HOUSING CORPORATION

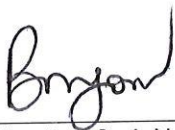
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

..13 December..... 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 year ended 30 June 2017 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

14 DECEMBER 2017

INDEPENDENT AUDITORS' REPORT

Board Chairman
National Housing Corporation
P.O. Box 2977
Dar es Salaam, Tanzania

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NATIONAL HOUSING CORPORATION FOR THE YEAR ENDED 30 JUNE 2017

Introduction

I have audited the financial statements of National Housing Corporation (the "Corporation"), set out on pages 31 to 81, which comprise of the statement of financial position at 30 June 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Opinion

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 30 June 2017 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs"), and comply with the requirements of the National Housing Corporation Act, 1990.

Basis for Opinion

I conducted my audit in accordance with International Standards of Auditing (ISA). My responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of my report. I am independent of the National Housing Corporation in accordance with the International Ethics Standard Board for Accountants' code of Ethics for Professional Accountant (IESBA Code) together with the National Board of Accountant and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

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

Other Information

The Directors are responsible for the other information, including the Directors report. The other information does not include the financial statements and auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Responsibilities of the Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the National Housing Corporation Act, 1990 and for such internal controls as Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Corporation or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Responsibilities of the Controller and Auditor General on the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

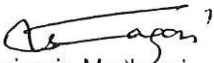
In addition, Section 10 (2) of the Public Audit Act No. 11 of 2008 requires me to satisfy myself that the financial statements have been prepared in accordance with the appropriate accounting standards and that; reasonable precautions have been taken to safeguard the collection of revenue, receipt, custody, 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.

Further, Section 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 Act and its Regulations.

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.


Benjamin Mashauri
Ag.CONTROLLER AND AUDITOR GENERAL

National Audit Office
Dar es Salaam, Tanzania

5th January, 2018



NATIONAL HOUSING CORPORATION

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Notes	30 June 2017 (12 months) TZS '000	31 Dec 2016 (18 months) (Restated) TZS '000
Revenue	6	154,225,947	136,485,340
Net gain from fair value adjustment on investment properties	14	550,716,442	609,792,611
Other gain and losses-net	7	(5,120,466)	(20,796,252)
Cost of sales - inventory properties	8(a)	(58,751,599)	(8,339,883)
Property management costs	8(b)	(11,584,715)	(17,014,294)
Depreciation of property and equipment	15	(2,510,909)	(4,188,200)
Amortisation of intangible assets	16	(18,313)	(296,661)
Impairment provision of accounts receivables	19	(2,808,419)	(2,297,868)
Administrative expenses	9	(13,626,757)	(32,139,842)
Sales and marketing expenses	10	(1,650,908)	(3,430,056)
Staff costs	11	(26,620,872)	(35,417,425)
Operating profit		582,249,431	622,357,470
Dividend received		14,859	-
Finance income	12	1,297,508	1,369,023
Finance costs	12	(15,256,387)	(10,240,480)
Share of profit of joint ventures	17(a)	1,953,583	9,124,291
Profit before tax		570,258,994	622,610,304
Income tax expense	13	(167,601,926)	(163,650,254)
Profit for the period		402,657,068	458,960,050
Share of other comprehensive income/(loss)from joint ventures	17(a)	57,883	(171,549)
Actuarial gains from defined benefit obligation	26	170,461	55,567
Total comprehensive income for the period		402,885,412	458,844,068


NATIONAL HOUSING CORPORATION

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Notes	30 June 2017 TZS '000	30 June 2016 (Restated) TZS '000	31 Dec 2014 (Restated) TZS '000
ASSETS				
Non-current assets				
Investment property	14	4,403,895,075	3,931,839,922	3,291,652,304
Property and equipment	15	27,097,279	28,468,716	27,088,183
Intangible assets	16	-	18,313	314,974
Investment in joint venture	17(a)	19,257,256	19,217,044	14,967,689
Advances toward shares	17(b)	55,477,379	7,739,851	1,159,019
		<u>4,505,726,989</u>	<u>3,987,283,846</u>	<u>3,335,182,169</u>
Current assets				
Inventories	18	297,817,954	232,976,937	98,032,547
Trade and other receivables	19	27,604,237	30,955,764	42,437,851
Bank term deposits	20	295,323	2,365,189	1,979,949
Cash and bank balances	21	21,400,973	4,773,581	24,784,367
Current tax assets		-	-	332,389
		<u>347,118,487</u>	<u>271,071,471</u>	<u>167,567,103</u>
TOTAL ASSETS		<u>4,852,845,476</u>	<u>4,258,355,317</u>	<u>3,502,749,272</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		383,995	155,651	271,633
Retained earnings		3,145,138,501	2,742,481,433	2,283,521,383
		<u>3,148,403,494</u>	<u>2,745,518,082</u>	<u>2,286,674,014</u>
Non-current liabilities				
Deferred tax liability	24	1,244,101,964	1,081,083,096	925,839,901
Borrowings	25	226,981,598	214,303,949	177,175,290
Gratuity payable		967,318	740,586	256,986
Rental deposits		10,102,333	8,754,668	6,679,480
Defined benefit obligation	26	9,622,593	8,452,048	8,262,582
		<u>1,491,775,806</u>	<u>1,313,334,347</u>	<u>1,118,214,239</u>
Current liabilities				
Borrowings	25	45,887,402	26,563,699	27,640,118
Bank overdraft	25	9,583,485	10,927,638	7,885,022
Current tax liability	13(c)	5,129,471	4,140,255	-
Trade and other payables	27	127,397,381	143,327,121	55,051,356
Accrued expenses	28	15,265,794	7,159,972	3,055,958
Provisions	29	9,402,643	7,384,203	4,228,565
		<u>212,666,176</u>	<u>199,502,888</u>	<u>97,861,019</u>
TOTAL EQUITY AND LIABILITIES		<u>4,852,845,476</u>	<u>4,258,355,317</u>	<u>3,502,749,272</u>

The financial statements on pages 31 to 81 were approved and authorised for issue by the Board of Directors on.....13. December.....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 YEAR ENDED 30 JUNE 2017

	Capital fund TZS '000	Capital reserve TZS '000	Retained earnings TZS '000	Revaluation Reserve TZS '000	Total TZS '000
30 June 2017					
At beginning of the year	485,554	2,395,444	2,742,481,433	155,651	2,745,518,082
<i>Comprehensive income:</i>					
Profit for the period	-	-	402,657,068	-	402,657,068
<i>Other Comprehensive income:</i>					
Share of other comprehensive income from Joint Venture	-	-	-	57,883	57,883
Actuarial gains from defined benefit obligation	-	-	-	170,461	170,461
At end of year	485,554	2,395,444	3,145,138,501	383,995	3,148,403,494
30 June 2016					
At beginning of the period as previously reported	485,554	2,395,444	2,289,430,545	271,633	2,292,583,176
Restatement to correct prior year errors (Note 32)	-	-	(5,909,162)	-	(5,909,162)
At start of year as restated	485,554	2,395,444	2,283,521,383	271,633	2,286,674,014
<i>Comprehensive income:</i>					
Profit for the period (restated)	-	-	458,960,050	-	458,960,050
<i>Other Comprehensive income:</i>					
Share of other comprehensive loss from joint venture	-	-	-	(171,549)	(171,549)
Actuarial gains from defined benefit obligation	-	-	-	55,567	55,567
At end of period (restated)	485,554	2,395,444	2,742,481,433	155,651	2,745,518,082

NATIONAL HOUSING CORPORATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Notes	30 June 2017 (12 months) TZS '000	30 June 2016 (18 months) TZS '000
Cash flows from operating activities			
Cash receipts from customers		164,131,390	147,792,684
Cash receipt in respect of interest earned		1,282,926	1,369,023
Cash paid to suppliers		(136,054,748)	(106,151,581)
Cash paid in respect of staff cost		(25,698,658)	(33,405,954)
Finance cost paid		(10,064,749)	(10,240,480)
Tax paid	13 (c)	(3,593,842)	(3,934,415)
Net cash used in operating activities		(9,997,681)	(4,570,723)
Cash flows from investing activities			
Purchase of property and equipment	15	(1,139,472)	(4,599,959)
Additions to the investment property	14	(3,148,543)	(32,019,904)
Advances toward shares	17(b)	(2,530,130)	(5,730,832)
Dividend received from joint ventures	17(a)	1,971,253	6,736,722
Additional investment in joint venture and other securities	17(a)	-	(2,033,335)
Investment in fixed deposits	20	2,069,866	(385,240)
Net cash used in investing activities		(2,777,026)	(38,032,548)
Cash flows from financing activities			
Proceeds from borrowings	25	59,383,684	69,401,821
Repayments of borrowings	25	(28,637,432)	(50,651,965)
Net cash generated from financing activities		30,746,252	18,749,856
Net decrease in cash and cash equivalent		17,971,545	(23,853,415)
Cash and cash equivalent at start of period		(6,154,057)	16,899,346
Net foreign exchange on cash and bank balances		-	800,012
Cash and cash equivalent at end of period	21	11,817,488	(6,154,057)

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 2017

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.

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.

The application of these amendments did not have impact on Corporation's financial statements.

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.

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 2017 (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.

The application of this standard did not have impacts on Corporation's financial statements.

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 application of these amendments did not have impact on Corporation's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(ii) New standards and amendments to published standards effective for the period ended 30 June 2017 (continued)

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 a 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 application of these amendments did not have impact on 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 application of these amendments did not have impact on Corporation's financial statements

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(ii) **New and amended standards in issue but not yet effective in the period ended 30 June 2017.**

	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 15 Revenue from Contracts with Customers	1 January 2018
IFRS 17 Insurance Contracts	1 January 2021

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize 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 recognized.
- **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 recognition of financial assets and liabilities are carried forward from IAS 39.

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 2017

IFRS 9 Financial Instruments (continued)

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.

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 2018 and is expected to impact on the Corporation's financial statements. The directors are yet to assess the magnitude of the impact.

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

Some contracts meet the definition of an insurance contract but have as their primary purpose the provision of services for a fixed fee. Such issued contracts are in the scope of the standard, unless an entity chooses to apply to them IFRS 15 Revenue from Contracts with Customers and provided the following conditions are met:

- (a) the entity does not reflect an assessment of the risk associated with an individual customer in setting the price of the contract with that customer;

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 2017 (continued)

- (b) the contract compensates the customer by providing a service, rather than by making cash payments to the customer; and
- (c) the insurance risk transferred by the contract arises primarily from the customer's use of services rather than from uncertainty over the cost of those services.

The amendments to IFRS 17 are effective for accounting periods beginning on or after 1 January 2021 and are expected to impact on the Corporation's financial statements. The directors are yet to assess the magnitude of the impact.

(iv) Early adoption of standards

The Corporation did not early-adopt any new or amended standards during the year period ended 30 June 2017.

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 5.

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:

- (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;

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Revenue recognition (continued)

- (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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Investment property (continued)

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.

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Property and equipment (continued)

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.

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 recognized 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 recognized in profit or loss.

3.9 Payables

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

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

3.10 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.

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 recognized as an employee benefit expense when they fall due. The Corporation has no further payment obligations once the contributions have been paid.

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

(ii) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the statement of financial position is recognized as an expense accrual.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Employee benefits (continued)

(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.

(iv) Defined benefit plan

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses is reflected in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

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

The Company presents the first two components of defined benefit cost in profit or loss in the line item Staff costs.

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial assets (continued)

(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 recognized in arriving at the profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity respectively.

Current tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Tanzania Income Tax Act. The current tax charge is calculated on the basis of the tax enacted or substantively enacted at the statement of financial position date

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of profit or loss of the investee after the date of acquisition.

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

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

The Corporation determines at 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 recognized 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 recognized as income on a straight line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognized 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.

The Corporation's activities expose it to a variety of financial risks including credit risk, market risk (foreign exchange risk and interest rate risk) and liquidity risk. The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance, but the Corporation does not hedge any risks.

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

4. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

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 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 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.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 17 TZS '000	30 June 16 TZS '000
Cash at bank	21,384,473	4,768,581
Bank term deposits	295,323	2,365,189
Trade receivables (gross)	23,103,471	23,660,363
Staff debtors	5,890,625	4,484,361
	<u>50,673,892</u>	<u>35,278,494</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 17 TZS '000	30 Jun 16 TZS '000
Past due but not impaired:		
Up to 90 days	2,288,587	6,029,105
Above 90 days but less than 1 year	4,673,651	3,846,979
Total past due but not impaired	<u>8,511,530</u>	<u>9,876,084</u>
Impaired	<u>14,591,941</u>	<u>13,784,279</u>
	<u>23,103,471</u>	<u>23,660,363</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 2017 was TZS 8,520 million (30 June 2016: TZS 5,820 million).

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.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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	Total TZS'000
30 June 2017				
Trade and other payables	23,666,094	-	-	23,66,094
Borrowings	45,887,402	17,168,252	209,813,346	272,869,000
Gratuity payable	-	967,318	-	967,318
Bank overdraft	9,583,485	-	-	9,583,485
Rental deposits	-	-	10,102,333	10,102,333
	79,136,981	18,135,570	219,915,679	317,188,230
30 June 2016				
Trade and other payables	42,265,628	-	-	42,265,628
Borrowings	26,563,699	33,219,079	181,084,870	240,867,648
Gratuity payable	-	740,586	-	740,586
Bank overdraft	10,927,638	-	-	10,927,638
Rental deposits	-	-	8,754,668	8,754,668
	79,756,965	33,959,665	189,839,538	303,556,168

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.

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 2017 were as follows:

	30 June 17 TZS '000	30 June 16 TZS '000
Total borrowings (Note 25)	(282,452,485)	(251,795,286)
Less: cash and cash equivalents excluding overdraft (Note 21)	21,400,973	4,773,581
Net borrowings	(261,051,512)	(247,021,705)
Total equity	3,148,290,701	2,745,578,082
Gearing ratio	8%	9%

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

	30 June 2017 (12 months) TZS '000	31 Dec 2016 (18 months) TZS '000
6. REVENUE		
Rental income	92,500,920	126,137,833
Sales of inventory properties	60,058,927	7,582,586
Contracts income	1,666,100	2,764,921
	154,225,947	136,485,340

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2017 (12 months) TZS '000	31 Dec 2016 (18 months) TZS '000
7. OTHER GAINS AND LOSSES (NET)		
Gain on disposal of property and equipment	28,500 ✓	-
Loss on demolition of investment properties	(1,924,340) ✓	(1,914,875)
Reversal of gain from advance towards shares	(8,000) ✓	-
Inventory property write down	(3,678,864) ✓	(3,572,371)
Net foreign exchange losses	(1,750,312) ✓	(16,502,371)
Miscellaneous income	2,212,550	1,193,365
	<u>(5,120,466)</u>	<u>(20,796,252)</u>
8(a) CONSTRUCTION COSTS		
(i) Own Projects		
Kibada project	5,950,002	700,252
Kibla project	3,001,052	175,314
Medeli project	1,407,969	449,909
Mindu project	2,751,727	1,179,312
Ubungo project	1,212,565	820,460
Levolosi project	1,877,542	373,648
Longido project	48,491	48,491
Mbweni project	-	113,676
Mchikichini project	3,554,597	1,522,031
Mkinga project	43,153	172,611
Mkuzo project	-	195,978
Mlole project	194,400	189,500
Mrara project	128,430	44,095
Unyankumi project	92,893	46,446
Kongwa project	-	37,801
Ilembo project	85,413	-
ECO project	26,264,753	-
Mvomero project	439,548	-
Bombambili project	560,943	-
Shangani project	2,165,643	-
Rahaleo project	7,150,883	-
Mtand project	401,180	-
	<u>57,331,184</u>	<u>6,069,524</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2017 (12 months) TZS '000	31 Dec 2016 (18 months) TZS '000
8(a) CONSTRUCTION COSTS (Continued)		
(ii) Third Party Projects		
Busokelo project	17,230	817,842
Monduli project	139,464	1,177,456
Momba project	501,121	96,018
Mlele project	64,470	179,043
Uyui secondary school project	38,367	-
Msalato secondary school project	99,283	-
Mzumbe secondary school project	15,952	-
Kilakala secondary school project	14,676	-
Mwenge secondary school project	69,007	-
Pugu secondary school project	62,526	-
Kakuni secondary school project	398,319	-
	<u>1,420,415</u>	<u>2,270,359</u>
	<u>58,751,599</u>	<u>8,339,883</u>
8(b) PROPERTY MANAGEMENT COSTS		
Repair and maintenance rental houses	5,891,630 ✓	9,735,093
Estate management expenses	1,643,657	1,615,179
Land rent and property tax	3,170,249 ✓	4,978,242
Property valuation fees	419,882	229,863
City service levy	459,297 ✓	455,917
	<u>11,584,715</u> ✓	<u>17,014,294</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2017 (12 months) TZS '000	30 June 2016 (18 months) TZS '000
9. ADMINISTRATIVE EXPENSES		
Training and seminar costs	534,275	1,323,847
Security and insurance services	1,164,738	1,946,842
Printing and stationery	517,713	906,591
Computer expenses and software maintenance cost	475,552	357,604
Auditors remuneration	330,000	377,643
Other audit costs	157,571	-
Repair and maintenance office buildings	160,845	256,580
Internet costs and network	706,177	1,143,805
Consultancy fee	509,607	1,555,346
Water and electricity	387,923	587,576
Postage and telephone	526,017	775,708
Travelling on duty	1,476,050	2,128,491
Directors' fees and board expenses	275,688	557,810
Motor vehicle fuel and maintenance	1,840,110	3,080,494
VAT write off, penalties and fines	1,140,817	9,815,617
Donation	401,553	1,166,953
Repairs and maintenance office equipment	207,720	170,349
Legal fees	480,925	587,285
Bank charges	223,138	165,377
Provision for legal cases	-	1,822,600
Office expenses	311,320	756,145
National festivals	24,080	107,760
Procurement expenses	98,249	187,837
Contribution to exchequer	1,000,000	975,000
Other administrative expenses	676,689	1,386,582
	<u>13,626,757</u>	<u>32,139,842</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2017 (12 months) TZS '000	30 June 2016 (18 months) TZS '000
10. SALES AND MARKETING EXPENSES		
Business promotion	603,279	958,826
Sales expenses and marketing expenses	578,030	1,612,951
Advertising and publicity	469,599	858,279
	<u>1,650,908</u>	<u>3,430,056</u>
11. STAFF COSTS		
Salaries and wages	13,425,331	18,303,120
Housing allowance	3,170,727	4,346,439
Terminal benefits	317,927	395,927
Defined benefit obligation expense	2,302,126	1,920,945
Staff welfare	1,016,578	764,814
Pension contributions	1,758,550	2,560,100
Medical costs	1,305,157	2,192,968
Master workers council	63,990	73,882
Leave travel allowance	1,499,331	1,385,025
Transfer and disturbance allowance	183,233	509,823
Skills and development levy	879,920	1,327,888
Extra duty payments	99,771	151,620
Gratuity provision expense	411,899	590,869
Workers' compensation	86,466	84,778
Annual incentive and service award	99,866	809,227
	<u>26,620,872</u>	<u>35,417,425</u>
12. FINANCE INCOME AND COSTS		
Finance income		
Interest on bank term deposits	787,109	595,533
Interest on rental receivables	510,399	773,490
	<u>1,297,508</u>	<u>1,369,023</u>
Finance costs		
Interest on borrowings	(14,239,980)	(9,353,746)
Loan-related charges	(1,016,407)	(886,734)
	<u>(15,256,387)</u>	<u>(10,240,480)</u>
Net finance cost	<u>(13,958,879)</u>	<u>(8,871,457)</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. TAXATION

	30 June 2017 (12 months) TZS '000	30 June 2016 (18 months) TZS '000
(a) Income tax expense		
Current tax-current period	<u>4,583,058</u>	<u>8,407,059</u>
Deferred tax charge-current period	166,389,446	179,073,534
Deferred tax-prior period	<u>(3,370,578)</u>	<u>(23,830,339)</u>
	<u>163,018,868</u>	<u>155,243,195</u>
	<u>167,601,926</u>	<u>163,650,254</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 2017 (12 months) TZS '000	30 June 2016 (18 months) TZS '000
Profit before tax	<u>570,266,995</u>	<u>622,610,304</u>
Tax calculated at the statutory income tax rate of 30%	171,080,099	186,783,091
Tax effect of:		
Non taxable income	(586,075)	(2,737,287)
Expenditure permanently disallowed for tax purpose	480,881	3,434,789
Over provision of deferred tax from prior year	<u>(3,370,578)</u>	<u>(23,830,339)</u>
	<u>167,601,926</u>	<u>163,650,254</u>

(c) Tax movement

Balance at beginning of the period	4,140,255	(332,389)
Current tax charge for the period	4,583,058	8,407,059
Tax paid during the period	<u>(3,593,842)</u>	<u>(3,934,415)</u>
Balance as at period end	<u>5,129,471</u>	<u>4,140,255</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 2017				
Opening balance restated	2,985,354,765	173,476,418	773,008,739	3,931,839,922
Additions	-	-	3,148,543	3,148,543
Transfer in/(out)	132,101,020	20,838,485	(152,939,505)	-
Transfer to other investments	(22,415,398)	-	(22,800,000)	(45,215,398)
Demolished buildings	(1,924,340)	-	-	(1,924,340)
Disposal	-	-	(1,507,416)	(1,507,416)
Transfer to stock of building	(23,039,275)	-	(10,123,403)	(33,162,678)
Revaluation gain/(loss)	472,948,682	(28,266,802)	106,034,562	550,716,442
	3,543,025,454	166,048,101	694,821,520	4,403,895,075
30 June 2016				
Opening balance as previously reported	2,710,597,592	98,127,966	479,550,748	3,288,276,306
Prior period adjustment (Note 32)	3,375,998	-	-	3,375,998
Opening balance as restated	2,713,973,590	98,127,966	479,550,748	3,291,652,304
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
	2,985,354,765	173,476,418	773,008,739	3,931,839,922

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 2017 were reliably determinable on continuing basis. The Corporation investment properties were revalued at 30 June 2017 through a physical 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 586 billion (2016: TZS 773 billion) as follows:

30 June 2017	Total value of the investment property TZS'000	NHC percentage share %	NHC share of ownership TZS'000
Investment properties under construction (Joint venture properties)	72,849,130	100	72,849,130
Investment properties under construction (NHC owned properties)	11,187,410	100	11,187,410
Undeveloped plots	<u>610,784,981</u>	100	<u>610,784,981</u>
	<u>694,821,521</u>		<u>694,821,521</u>
30 June 2016			
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	<u>530,390,417</u>	100	<u>530,390,417</u>
	<u>773,008,739</u>		<u>773,008,739</u>

As at the end of the period, investment properties with value of TZS 433,711 million (30 June 2016: TZS 433,711 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 2017								
Opening 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
Additions	-	21,453	360,338	98,262	-	26,193	633,226	1,139,472
Disposals	-	-	(33,701)	-	-	-	-	(33,701)
Depreciation relating to disposals	-	-	33,701	-	-	-	-	33,701
Depreciation charge	(378,319)	(217,300)	(690,887)	(946,002)	(10,412)	(267,989)	-	(2,510,909)
Closing net book value	17,943,509	1,236,752	828,520	1,889,562	5,779	135,665	5,057,492	27,097,279
Cost	18,918,612	2,475,709	6,384,571	5,436,725	52,061	2,580,315	5,057,492	40,905,485
Accumulated depreciation	(975,103)	(1,238,957)	(5,556,051)	(3,547,163)	(46,282)	(2,444,650)	-	(13,808,206)
Net book value	17,943,509	1,236,752	828,520	1,889,562	5,779	135,665	5,057,492	27,097,279

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. PROPERTY AND EQUIPMENT (CONTINUED)

	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)

	30 June 2017 TZS'000	30 June 2016 TZS'000
16. INTANGIBLE ASSETS		
Net book value at the beginning of the period	18,313	314,974
Amortisation charge	<u>(18,313)</u>	<u>(296,661)</u>
Netbook value at the end of the period	<u>-</u>	<u>18,313</u>
Cost	1,140,181	1,140,181
Accumulated amortisation	<u>(1,140,181)</u>	<u>(1,121,868)</u>
Net book value	<u>-</u>	<u>18,313</u>
17(a) INVESTMENT IN JOINT VENTURES		
At the beginning of the period	19,217,044	14,967,689
Share of profit from joint ventures	1,953,583	9,124,291
Additional investment during the period	-	2,033,335
Dividend received from NHC House Limited	<u>(1,971,254)</u>	<u>(6,736,722)</u>
Share of other comprehensive income	<u>57,883</u>	<u>(171,549)</u>
At the end of the period	<u>19,257,256</u>	<u>19,217,044</u>

The table below summarizes details of assets and liabilities as at 30 June 2017, 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 2017						
NHC/PPF - IPS Building Company Limited	Tanzania	50	18,950,917	-	-	753,930
NHC House Company Limited	Tanzania	50	<u>306,339</u>	<u>-</u>	<u>3,203,665</u>	<u>1,199,653</u>
			<u>19,257,256</u>	<u>-</u>	<u>3,203,665</u>	<u>1,953,583</u>
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	<u>1,077,940</u>	<u>-</u>	<u>9,040,094</u>	<u>5,781,328</u>
			<u>19,847,220</u>	<u>(630,176)</u>	<u>10,954,674</u>	<u>9,124,291</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2017	30 June 2016
	TZS'000	TZS'000
17(b) ADVANCES TOWARD SHARES		
At the beginning of the period	7,739,851	1,159,019
Additional cash investment during the period	2,530,130	5,730,832
Reversal of profit from investment	(8,000)	-
Investments in form of properties	45,215,398	850,000
At the end of the period	<u>55,477,379</u>	<u>7,739,851</u>

Below is the summary of advances held as at the period end:

30 June 2017	Country of incorporation	TZS '000
Kawe Special Purpose Vehicle	Tanzania	6,538,340
USA River project Special Purpose Vehicle	Tanzania	29,885
Kunduchi Riffle Range Special Purpose Vehicle	Tanzania	23,075,213
Tanzania Mortgage Refinancing Company Limited	Tanzania	1,100,000
NHC/PPF Company Limited	Tanzania	22,800,177
Watumishi Housing Company Limited	Tanzania	1,933,764
		<u>55,477,379</u>

30 June 2016		
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	1,100,000
Watumishi Housing Company Limited	Tanzania	1,887,721
		<u>7,739,851</u>

	30 June 2017	30 June 2016
	TZS'000	(Restated) TZS'000
18. INVENTORIES		
(i) Inventory properties (Completed houses)		
Kibada Project-Dar es Salaam at cost	746,426	6,696,428
Kibla Project -Arusha Phase II at cost	-	3,006,738
Less: Excess of cost over net realisable value	-	(5,686)
Net realisable value over cost	-	<u>3,001,052</u>
Levolosi Project- Arusha at cost	311,373	2,188,915
Mindu Project- Dar es Salaam at cost	-	2,751,727
Ubungu Project- Dar es Salaam at cost	318,130	1,774,870
Mkuzo Project- Ruvuma at cost	<u>483,000</u>	<u>483,000</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. INVENTORIES (CONTINUED)

	30 June 2017 TZS '000	30 June 2016 TZS '000
i) Inventory properties (Completed houses) (Continued)		
Medeli Project- Dodoma at cost	8,007,824	1,499,698
Mchikichini Project- Dar es Salaam at cost	-	3,554,597
Muleba Project- Kagera at cost	779,141	779,141
Mrara Project- Manyara at cost	1,600,160	1,641,888
Less: Excess of cost over net realisable value	<u>(102,104)</u>	<u>(15,401)</u>
Net realisable value over cost	1,498,056	1,626,487
Mkinga Project- Tanga at cost	1,327,583	1,370,736
Longido Project- Arusha at cost	874,170	921,330
Bombambili Project- Geita at cost	1,169,024	1,729,966
Mlole Project- Kigoma at cost	1,005,110	1,327,614
Less: Excess of cost over net realisable value	-	<u>(128,104)</u>
Net realisable value over cost	<u>1,005,110</u>	<u>1,199,510</u>
Mvomero Project- Morogoro at cost	1,179,712	1,923,330
Less: Excess of cost over net realisable value	<u>(6,025)</u>	<u>(310,095)</u>
Net realisable value over cost	1,173,687	1,613,235
Uyui Project- Tabora at cost	1,879,962	1,918,329
Kongwa Project- Dodoma at cost	1,465,340	1,465,340
Unyankumi Project- Singida at cost	701,716	794,608
Ilembo Project- Katavi at cost	2,268,983	2,354,397
Mtanda Project-Lindi at cost	728,494	-
Less: Excess of cost over net realisable value	<u>(322)</u>	-
Net realisable value over cost	<u>728,172</u>	-
Buswelu Project	1,805,916	-
Shangani Project-Mtwara at cost	4,443,122	-
Less: Excess of cost over net realisable value	<u>(639,182)</u>	-
Net realisable value over cost	<u>3,803,940</u>	-
ECO Project-Dar es Salaam at cost	4,949,152	-
Less: Excess of cost over net realisable value	<u>(2,931,232)</u>	-
Net realisable value over cost	<u>2,017,920</u>	-
	<u>32,365,474</u>	<u>37,723,366</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. INVENTORIES (CONTINUED)

	30 June 2017 TZS '000	30 June 2016 TZS '000
(ii) Inventory properties (Ongoing projects)		
Ushindi Residential-Plot 36&37 Victoria	38,155,231	26,112,312
ECO Project -Plot 67 Ngano-At Cost	-	31,160,725
Less: Excess of cost over net realisable value	-	(3,074,047)
Net realisable value over cost	-	28,086,678
Morocco square-Plot 1-3 & 44 Morocco	114,082,882	66,529,209
Mwongozo-Plot 44/2 Block 6	11,805,410	10,539,486
Shangani- Plot no 26/A	22,412	5,037,941
Victoria- Plot 300	7,007,053	5,026,132
Mtanda Afforbale Housing Scheme-At Cost	-	1,162,541
Less: Excess of cost over net realisable value	-	(39,038)
Net realisable value over cost	-	1,123,503
Jangwani-Plot 149/1, 3-13 Block H	873,167	882,392
Golden Premier Residential-Plot no 711/2 Kawe	25,638,983	10,891,567
Zongomela Affordable Housing Scheme	1,218,952	1,216,166
Makete Affordable Housing Scheme	1,066,094	1,009,426
Inyonga Affordable Housing Scheme	556,066	551,781
Buhare Affordable Housing Scheme	1,078,139	1,068,969
Igunga Affordable Housing Scheme	948,257	916,863
Mbarali Affordable Housing Scheme	736,463	726,729
Rahaleo Residential-Plot 170 Block K	5,446,717	8,679,565
Buswelu-Plot no.151-176, 242-270 Block A	1,506,893	2,370,177
Manyoni Affordable Housing Scheme	15,675	15,675
Monduli affordable Housing Scheme	15,628	15,628
Luguruni Low costing Houses Project	19,710	5,568
Chato Affordable Housing Scheme	707,060	612,981
Kawe-Plot no. 711/1	16,387,247	19,865,292
Safari City-Mateves Housing Project	674,167	31,779
Chato Residential-Plot 274 Chato	3,058,147	1,589,108
Masasi Affordable Housing Scheme	1,179,664	1,170,152
Burka	542,522	270,550
Ipogolo Affordable Housing Scheme	11,734	11,734
Vijibweni Alykhan-Plot 270,288 & 289 Magore	14,062	14,062
Iyumbu Affordable Housing Scheme	6,445,244	-
CRDB head office-Plot 25&26 A.H Mwinyi Road & Obama Drive	15,281,976	-
	254,495,555	194,371,425

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2017 TZS '000	30 June 2016 TZS '000
18. INVENTORIES (CONTINUED)		
(iii) Plots for sale		
Safari city project	8,999,338	-
Luguruni project	728,433	-
	<u>9,727,771</u>	-
(iv) Other inventories		
Building materials	940,096	743,347
Stationery	352,178	198,191
	<u>1,292,274</u>	<u>941,538</u>
Allowance for obsolete other inventories	(63,120)	(59,392)
	<u>1,229,154</u>	<u>882,146</u>
Total	<u>297,817,954</u>	<u>232,976,937</u>

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

	30 June 2017 TZS '000	30 June 2016 TZS '000
19. TRADE AND OTHER RECEIVABLES		
Rental receivables - current tenants	9,557,674	14,811,084
Rental receivables - ex tenants	8,520,457	5,820,277
Tenant purchase receivables	5,580	5,580
Receivables from the sale of buildings	<u>5,019,760</u>	<u>3,023,422</u>
	23,103,471	23,660,363
Other receivables	3,211,249	1,673,279
Less: Allowances for doubtful debts	<u>(16,590,261)</u>	<u>(13,784,279)</u>
	9,724,459	11,549,363
Staff receivables	5,890,625	4,484,361
Advance to contractors	<u>11,989,153</u>	<u>14,922,040</u>
	<u>27,604,237</u>	<u>30,955,764</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. TRADE AND OTHER RECEIVABLES

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 2017				
At beginning of the period	13,622,319	161,960	-	13,784,279
Charge for the period	810,099	-	1,998,320	2,808,419
Recoveries	-	(2,437)	-	(2,437)
At end of the period	14,432,418	159,523	1,998,320	16,590,261
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

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 summarizes details of fixed deposits held as at the period end:

	30 June 2017 TZS '000	30 June 2016 TZS '000
Investment - sinking funds	524,562	1,737,737
Other fixed deposits	754,498	627,452
Transfer to other receivables	(983,737)	-
	295,323	2,365,189

The movement of sinking fund deposits during the period is shown below:

	30 June 2017 TZS '000	30 June 2016 TZS '000
At beginning of the period	1,737,737	1,428,496
Withdrawn/invested during the period	(1,213,175)	309,241
At the end of the period	524,562	1,737,737

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. Transfer to other receivables relates to fixed deposits held at Twiga Bancorp Limited that was put under administration of Bank of Tanzania.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. CASH AND BANK BALANCES

	30 June 2017	30 June 2016
	TZS '000	TZS '000
Bank balances	21,384,473	4,768,581
Cash on hand	16,500	5,000
Cash and bank balances (excluding bank overdrafts)	21,400,973	4,773,581
Bank overdrafts	(9,583,485)	(10,927,638)
Cash and bank balances (including bank overdrafts)	11,817,488	(6,154,057)

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.

24. DEFERRED TAX

Deferred tax is calculated using balance sheet approach at the enacted income tax rate of 30% (30 June 2016: 30%). The movement on the deferred tax account is as follows:

	30 June 2017	30 June 2016
	TZS '000	TZS '000
At the beginning of the year	1,081,083,096	925,839,901
Deferred tax charge -current period	164,405,228	179,073,534
Deferred tax charge- prior period	(1,386,360)	(23,830,339)
	163,018,868	155,243,195
At the end of the year	1,244,101,964	1,081,083,096

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. DEFERRED TAX (Continued)

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 2017			
Deferred tax liabilities			
Fair value of investment properties	1,093,365,291	167,184,855	1,260,550,146
Deferred tax assets			
Other deductible temporary differences	(12,282,195)	(4,165,987)	(16,448,182)
Net deferred income tax liability	<u>1,081,083,096</u>	<u>163,018,868</u>	<u>1,244,101,964</u>
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	<u>925,839,901</u>	<u>155,243,195</u>	<u>1,081,083,096</u>
		30 June 2017	30 June 2016
		TZS '000	TZS '000
25. BORROWINGS			
Bank and other borrowings		272,869,000	240,867,648
Bank overdrafts		9,583,485	10,927,638
		<u>282,452,485</u>	<u>251,795,286</u>
Current			
Bank overdraft		9,583,485	10,927,638
Bank and other borrowings		45,887,402	26,563,699
		55,470,887	37,491,337
Non-current			
Bank and other borrowings		226,981,598	214,303,949
		<u>282,452,485</u>	<u>251,795,286</u>
Movement in bank and other borrowings:			
At the beginning of the period		240,867,648	204,815,408
Additional borrowings		59,383,684	69,401,821
Repayments		(28,637,432)	(50,651,965)
Unrealized foreign exchange losses		1,255,100	17,302,384
At the end of the period		<u>272,869,000</u>	<u>240,867,648</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:

	12 months ended 30 June 2017 TZS '000	18 months ended 30 June 2016 TZS '000	Effective interest rate %	Tenor years
Loan from KCB (T) Limited	-	147,840	16% LIBOR+3.7	3 10
Loan from Shelter Afrique	20,912,352	24,194,634	%	7
Loan from CBA (T) Limited	11,114,598	15,334,730	7%	10
Loan II from CRDB Bank Plc	28,742,877	30,961,842	15%	11
Loan from Local Authority Pension Funds(LAPF)	10,613,890	11,938,890	15.3%	5
Loan from ABC (T) Limited	4,701,097	7,591,035	15%	4
Loan from TIB Development Bank	23,219,545	26,615,170	15%	7
Loan from Azania Bank Limited	2,839,376	3,757,998	14%	7
Loan from NMB Bank Plc	42,517,039	49,665,135	15.36%	10
Loan from SEM (T) Limited	32,467,120	33,574,282	13%	7
Loan III from CRDB Bank Plc	39,997,645	28,887,960	16.5%	6
Loan from Bank M (T) Limited	11,163,461	8,198,132	16.0%	7
Loan from East African Development Bank(EADB)	44,580,000	-	LIBOR+5.5 %	-
	272,869,000	240,867,648		

Bank and other borrowings are secured on investment property to the value of TZS 521,443 million (2016: TZS 433,711 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. As at 30 June 2017 the loan was fully paid.

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 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 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.

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 Rahaeo and Shangani projects in Mtwara. The loans are secured by legal mortgage on five landed properties in Dar es Salaam.

25. BORROWINGS (CONTINUED)

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.

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, Dare 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.

25. BORROWINGS (CONTINUED)

Loan from National Microfinance Bank Plc (continued)

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.

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.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. BORROWINGS (CONTINUED)

Overdraft facilities

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

Bank	Balance as at 30 June 2017	Limit	Interest	Effective date	Limit time
	TZS'000	TZS'000			
Ecobank Tanzania Limited	790,001	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	4,888,865	5,000,000	17% per annum	2 Nov 2012	One year renewable
NMB Microfinance Bank Plc	3,904,619	4,000,000	16.8% per annum	15 Nov 2013	One year renewable

26. DEFINED BENEFIT OBLIGATION

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

The Corporation provides for defined benefit obligation cost based on assessments made by independent actuaries. The Corporation is recognizing the obligation for the first time in current year and thus resulted in to a prior year adjustments as disclosed in note 32. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. DEFINED BENEFIT OBLIGATION (CONTINUED)

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

	30 June 2017	30 June 2016
Discount rate	16.46%	17.82%
Salary inflation	14.46%	15.82%

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

	30 June 2017	30 June 2016
	TZS '000	TZS '000
Recognised in profit or loss	2,302,126	1,920,945
- Service cost	809,482	692,379
- Interest cost	1,492,644	1,228,566
Recognised in other comprehensive income		
- Actuarial loss/(gain) recognised in other comprehensive income	(170,461)	(55,567)
Net cost for the year	<u>2,131,665</u>	<u>1,865,375</u>

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

Opening balance	8,452,048	8,262,582
Service cost	809,482	692,379
Interest cost	1,492,644	1,228,566
Benefit paid during the year	(961,120)	(1,675,912)
Actuarial loss/(gain) recognised in other comprehensive income	(170,461)	(55,567)
	<u>9,622,593</u>	<u>8,452,048</u>

27. TRADE AND OTHER PAYABLES

Trade payables	19,630,550	38,486,125
Construction deposits	98,768,310	91,669,709
Rent advance	4,083,408	4,216,842
Value Added Tax payable	881,569	5,172,942
Security and retention	2,922,650	2,122,535
Other payables	145,481	547,846
Employees related payables	965,413	1,111,122
	<u>127,397,381</u>	<u>143,327,121</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>30 June 2017</u> TZS '000	<u>30 June 2016</u> TZS '000
28. ACCRUED EXPENSES		
Interest payable	11,952,747	4,957,472
Accrued administrative expenses	2,983,047	1,877,500
Audit fee	330,000	325,000
	<u>15,265,794</u>	<u>7,159,972</u>
29. PROVISIONS		
Legal cases	5,728,226	5,728,226
Salary related expenses	1,681,630	1,282,837
Property tax	1,532,589	167,613
Land rent	140,379	53,664
Service fee	319,819	151,863
	<u>9,402,643</u>	<u>7,384,203</u>

30. CONTINGENT LIABILITIES

As at 30 June 2017, the Corporation was a defendant in several lawsuits. The total amount claimed in the various lawsuits approximates to TZS 43,426 million. (2016: TZS 43,426 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.

31. COMMITMENTS

Capital expenditure contracted for as at 30 June 2017 but not recognized in the financial statements is as follows:

	<u>30 June 2017</u> TZS'000	<u>30 June 2016</u> TZS'000
Construction property for rental (ongoing projects)	3,526,370	4,521,640
Construction property for sale (ongoing projects)	278,921,365	290,897,355
Property and equipment	383,023	844,778
	<u>282,830,758</u>	<u>296,263,773</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. 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 30 June 2016 TZS '000	Prior year adjustment TZS '000	As Restated 30 June 2016 TZS '000
Inventories (i)	235,085,688	(2,108,751)	232,976,937
Defined benefit obligation (ii)	(8,262,582)	(189,466)	(8,452,048)
Accrued expenses (iii)	(6,804,507)	(579,696)	(7,384,203)
Retained earnings	(2,745,414,914)	2,933,481	(2,742,481,433)
Revaluation reserves	(100,084)	(55,567)	(155,651)

	As previous reported 31 Dec 2014 TZS '000	Prior year adjustment TZS '000	Restated 31 Dec 2014 TZS '000
Investment properties (iv)	3,288,276,306	3,375,998	3,291,652,304
Inventories (v)	99,055,125	(1,022,578)	98,032,547
Defined benefit obligation (ii)	-	(8,262,582)	(8,262,582)
Retained earnings	(2,289,430,545)	5,909,162	(2,283,521,383)

Impact on the profit or loss and other comprehensive income for the year:

	30 June 2016 TZS '000	31 December 2014 TZS '000
<i>Impact on the profit or loss;</i>		
Increase in loss/(gain) from fair valuation of investment properties	2,108,751	(3,375,998)
Net increase in cost of sales – Inventory properties	-	1,022,578
Increase in defined benefit obligation expense	824,730	8,262,582
	<u>2,933,481</u>	<u>5,909,162</u>
<i>Impact on the other comprehensive income;</i>		
Increase in actuarial gains from defined benefit obligation	<u>(55,567)</u>	<u>-</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. PRIOR PERIOD ADJUSTMENTS (CONTINUED)

- (i) Net value of investment properties that were included in the valuation report but were not transferred from inventory balance to investment properties balance. Resulted in overstatement of inventory balance.
- (ii) Initial recognition of the defined benefit obligation arising from the collective bargaining agreement with Tanzania mines, Energy, Construction and Allied Workers Union (TAMICO) of 22 October 2013.
- (iii) Transfer of terminal benefit and long services award provisions relating to defined benefit obligation previously included in provision of salary related expenses.
- (iv) 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.
- (v) Cost of sales relating to Mbweni project houses were not recognized in to profit or loss account when they were sold, and cost of sales for one house from Kibla project that was expensed with no actual sale. This resulted in to a net overstatement of inventory balance.

33. 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 2017 (12 months) TZS '000	30 June 2016 (18 months) TZS '000
i) Key management compensation		
Salaries and other short-term employment benefits	2,625,237	3,156,444
Annual leave	128,073	142,119
House allowance	349,644	590,869
Contributions to post-employment benefit plans (PPF and NSSF)	40,830	117,589
Loans to key management	915,755	942,524
	<u>4,059,539</u>	<u>4,949,545</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

30 June 2017

Types of Loan	Amount TZS '000	Terms of Payments	Interest Rate
House loan	644,984	Repayable Monthly for 15 years	Nil
Car loan	193,506	Repayable Monthly for 6 years	Nil
Cash advance	77,265	Repayable Monthly for 12 months	Nil
	915,755		

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		

	30 June 2017 (12 months) TZS '000	30 June 2016 (18 months) TZS '000
ii) Directors' remuneration		
Fees for services as director	200,035	191,420
Other emoluments	11,880	237,910
	211,915	429,330

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34. FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2017	Loans and receivables TZS '000	Held to maturity TZS '000	Total TZS '000
FINANCIAL ASSETS			
Investments			
Bank term deposits (note 20)	-	295,323	295,323
Other Assets			
Trade and other receivables (note 19)	32,205,345	-	32,205,345
Cash and bank balances (note 21)	21,400,973	-	21,400,973
Total	53,606,318	295,323	53,901,641
FINANCIAL LIABILITIES			
Long term financial liabilities			
Borrowings (note 25)		226,981,598	226,981,598
Gratuity payable		967,318	967,318
Rental deposits		10,102,333	10,102,333
Current financial liabilities			
Borrowings (note 25)		45,887,402	45,887,402
Bank overdraft (note 25)		9,583,485	9,583,485
Trade and other payables (note 27)		23,66,094	23,518,613
		317,188,230	317,188,230
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)	29,818,003	-	29,818,003
Cash and bank balances (note 21)	4,773,581	-	4,773,581
Total	34,591,584	2,365,189	36,956,773

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

FINANCIAL LIABILITIES	Other Financial liabilities at amortised cost	Total
	TZS '000	TZS '000
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 27)	42,265,628	41,719,782
	<u>303,010,322</u>	<u>303,556,168</u>

35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

30 June 2017	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>	TZS '000	TZS '000	TZS '000	TZS '000
Bank term deposits	-	295,323	-	1,259,524
Trade and other receivables	-	32,205,345	-	32,205,345
Cash and bank balances	21,400,973	-	-	21,400,973
Total	<u>21,400,973</u>	<u>14,661,679</u>	<u>-</u>	<u>53,901,641</u>
<u>Financial liabilities</u>				
Borrowings	-	226,981,598	-	226,981,598
Gratuity payable	-	967,318	-	967,318
Rental deposits	-	10,102,333	-	10,102,333
Current financial liabilities				
Borrowings	-	45,887,402	-	45,887,402
Bank overdraft	-	9,583,485	-	9,583,485
Trade and other payables	-	23,666,094	-	23,666,094
Total	<u>-</u>	<u>317,188,230</u>	<u>-</u>	<u>317,188,230</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

30 June 2016	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>	TZS '000	TZS '000	TZS '000	TZS '000
Bank term deposits	-	2,365,189	-	2,65,189
Trade and other receivables	-	29,818,003	-	29,818,003
Cash and bank balances	4,773,581	-	-	4,773,
Total	<u>4,773,581</u>	<u>32,183,192</u>	<u>-</u>	<u>36,956,773</u>
 <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	-	42,265,628	-	42,265.628
Total	<u>-</u>	<u>303,556,168</u>	<u>-</u>	<u>303,556,168</u>

36. EVENTS AFTER REPORTING PERIOD

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

37. COMPARATIVES

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