



**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 30 JUNE, 2018**

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

Telephone: 255(026)2321759,
Fax: 255(026)2117527,
E-mail: ocag@nao.go.tz,
Website: www.nao.go.tz

September, 2019

AR/NHC/2018

NATIONAL HOUSING CORPORATION
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

TABLE OF CONTENTS	Page
Abbreviations	i
General Information	ii-iii
Corporate Information	1
Report of the Directors	2 - 27
Statement of Directors' Responsibilities	28
Declaration of Head of Finance	29
Independent Report of the Controller and Auditor General	30 - 31
Financial statements:	
Statement of Profit or Loss and other Comprehensive Income	32
Statement of Financial Position	33
Statement of Changes in Equity	34
Statement of Cash Flows	35
Notes to the Financial Statements	36 - 87

NATIONAL HOUSING CORPORATION
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

ABBREVIATIONS

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	PPF Pensions 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
PPP	Private-Public- Partnership
PhD	Doctor of Philosophy
TEA	Tanzania Education Agency
NHIF	National Health Insurance Fund
Sect.	Section
No.	Number

NATIONAL HOUSING CORPORATION
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

GENERAL INFORMATION

1.1. Mandate

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the URT of 1977 (revised 2005) and in Sect. 10 (1) of the Public Audit Act No.11 of 2008.

1.2. Vision, Mission and Core Values

Vision

To be a highly regarded Institution that excels in Public Sector Auditing.

Mission

To provide high quality audit services that improves public sector performance, accountability and transparency in the management of public resources.

Core Values

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

- ✓ **Objectivity:** We are an impartial public institution, offering audit services to our clients in unbiased manner.
- ✓ **Excellence:** We are professionals providing high quality audit services based on standards and best practices.
- ✓ **Integrity:** We observe and maintain high standards of ethical behaviour, rule of law and a strong sense of purpose.
- ✓ **People focus:** We value, respect and recognize interest of our stakeholders.
- ✓ **Innovation:** We are a learning and creative public institution that promotes value added ideas within and outside the institution.
- ✓ **Results Oriented:** We are an organization that focuses on achievement based on performance targets.
- ✓ **Team work Spirit:** We work together as a team, interact professionally, and share knowledge, ideas and experiences.

We do this by:-

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

© This audit report is intended to be used by Government Authorities. However, upon receipt of the report by the Speaker and once tabled in Parliament, it becomes a public record and its distribution may not be limited.

NATIONAL HOUSING CORPORATION

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.3. Audit Objectives

To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and are prepared in accordance with an applicable financial reporting framework; and whether laws and regulations have been complied with.

1.4. Audit Scope

The audit was carried out in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and other audit procedures as were deemed appropriate under the circumstances. This covered the evaluation of the effectiveness of the financial accounting system and internal control over various activities of the National Housing Company.

The audit was conducted on a sample basis; therefore, the findings are confined to the extent that records, documents and information requested for the purpose of the audit were made available to me. Audit findings and recommendations arising from the examination of the accounting records, appraisal of the activities as well as evaluation of the Internal Control System which requires management's attention and actions, are set out in the management letter issued separately to the National Housing Company.

As auditor, I am not required to specifically search for fraud and therefore, my audit cannot be relied upon to disclose all such matters. However, my audit was planned in such a way that I would have reasonable expectations of detecting material errors and misstatement in the financial statements resulting from irregularities including fraud. The responsibility for detection, prevention of irregularities and the maintenance of an effective and adequate system of internal control rests with the management of the National Housing Company.

1.5. Audit Methodology

My audit approach included tests of the accounting records and other procedures in order to satisfy the audit objectives. My audit procedures included the following:

- Planning the audit to identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the entity and its environment, including the entity's internal controls.
- Obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks.
- Form an opinion on the financial statements based on conclusions drawn from the audit evidence obtained.
- Follow up on the implementation of the previous year's audit findings and recommendations and directives issued by PAC/LAAC to ensure that proper action has been taken in respect of all matters raised.

NATIONAL HOUSING CORPORATION

CORPORATE INFORMATION

REGISTERED OFFICE

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

BANKERS

CRDB Bank Plc
Azikiwe Street
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
Kaunda Drive
P.O. Box 16666
Dar es Salaam

African Banking Corporation (T) Limited
Barclays House
P.O. Box 31
Dar es Salaam

NMB Bank Plc
NMB House
P.O. Box 9213
Dar es Salaam

Citi Tanzania 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 Tanzania
Limited
International House
P.O. Box 9011
Dar es Salaam

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

Ecobank Tanzania Limited
Sokoine Drive
P.O. Box 20500
Dar es Salaam

COMPANY SECRETARY

Sarah Thomas Massamu
National Housing Corporation
P.O. Box 2977
Dar es Salaam.

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 2018

The Directors submit their report together with the audited financial statements for the year ended 30 June 2018, 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 loss for the period of TZS 143,690 million (2017: profit of TZS 402,885 million) has been transferred retained earnings. The Corporation did not pay any dividend to its shareholder but contributed to the Government Consolidated fund an amount of TZS 1,200 million (2017: TZS 1,000 million) for the year ended 30 June 2018 as per the Treasury directives.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

6. DIRECTORS AND SECRETARY

The Directors who held office since July 2017 to March 2018 when the Board was dissolved by His Excellence, The President of United Republic of Tanzania :

Mrs. Blandina Sallome Joseph Nyoni	Chairperson	Tanzanian	63	<ul style="list-style-type: none"> - Masters of Business Administration in Accounting & Finance from Algonquin College of Applied Arts & Technology - Manchester University; - Advanced Diploma in Accountancy from Institute of Development Management, Tanzania; - Certified Government Financial Manager (CGFM), Association of Government Accountants USA; - Certified Public Accountant, CPA (T), National Board of Accountants and Auditors, Tanzania; and - Society of Management Accountants of Ontario, Canada (Ottawa University) CMA Level IV. - Certificate in Financial Management, Algonquin College, Ottawa, Canada. 	Tenure ended on March 2018

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

6. DIRECTORS AND SECRETARY (CONTINUED)

Mr. Kesogukwele M. I.M Msita	Board Member	Tanzanian	66	<ul style="list-style-type: none"> - 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. 	Tenure ended on March 2018
Mr. Pius Abysius Maneno	Board Member	Tanzanian	52	<ul style="list-style-type: none"> - 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). 	Tenure ended on March 2018

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

6. DIRECTORS AND SECRETARY (CONTINUED)

Ms. Subira A. Mchumo	Board Member	Tanzanian	45	<ul style="list-style-type: none"> - 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). 	Tenure ended on March 2018
Ms. Mary Stanslaus Mlay	Board Member	Tanzanian	38	<ul style="list-style-type: none"> - Master's degree in Human Resource Development, Mzumbe University, Dar es salaam Campus (2011) - Bachelor of Arts in Political Science and Public Administration, University of Dar es Salaam (2002 - 2005). 	Tenure ended on March 2018
Prof. John Lupala	Board Member	Tanzanian	58	<ul style="list-style-type: none"> - 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, the Netherlands, (August-December 1993); and - Advanced Diploma in Urban and Rural Planning, Ardhi Institute, Dar es Salaam, (1984 - 1987). 	Tenure ended on March 2018

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

6. DIRECTORS AND SECRETARY (CONTINUED)

Mr. Ally Hussein Laay	Board Member	Tanzanian	62	<ul style="list-style-type: none"> - Masters of Business Administration (MBA - Finance and Marketing) - UK (1996/1997); - Fellow Certified Public Accountant (FCPA - (T) NBAA (1983 - 1987); - Postgraduate Diploma in Accountancy (PGDA) - IFM Tanzania (1982/1983); and - Advanced Diploma in Accountancy (ADA) - IFM Tanzania (1979 - 1981). 	Tenure ended on March 2018
Mr. Gabriel Pascal Malata	Board Member	Tanzanian	45	<ul style="list-style-type: none"> - Masters of Laws Degree in Corporate and Commercial Relations, University of Bagamoyo (2011-2013). - Bachelor of Laws Degree with Honors, University of Dar es Salaam (1997-2000). 	Tenure ended on March 2018
Mr. Nehemiah K. Mchechu	Board Member/Director General	Tanzanian	45	<ul style="list-style-type: none"> - Bachelor Degree in Commerce and Management (B.Com. Hons) in Finance from the University of Dar es Salaam. ACI - Financial Market Association. 	Tenure ended on March 2018

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

6. DIRECTORS AND SECRETARY (CONTINUED)

The Directors who held office from October 2018 to date

Dr. Sophia Kongela	Chairperson	Tanzanian	44	<ul style="list-style-type: none"> - PhD (Real Estate Development), International Real Estate Business School (IREBS), Regensburg University, Germany, 2009-2013; - MBA (Finance), University of Dar Es Salaam, 2003-2005; and - B.Sc. (Land Management and Valuation), University of Dar Es Salaam, (1999-2003). 	Appointed on October 2018
Dr. Maulidi Abdallah Banyani	Board Member/Director General	Tanzanian	46	<ul style="list-style-type: none"> - PhD, (Facilities Planning and Management) from the HK Polytechnic University, Hong Kong.(2013); - Masters of Land Management from University of Dar es Salaam, Tanzania, (2008); and - Bachelor of Science in Land Management and Valuation from UCLAS (UDSM), Tanzania (2001). 	Appointed in October 2018
Mr. Abdallah Mwinyimvua Shamte	Board Member	Tanzanian	63	<ul style="list-style-type: none"> - Post Graduate Diploma In Management from Research Institute for Management Science-RVB Delft-The Netherlands, (1987); - Association of Chartered Certified Accountants (ACCA) from Kilburn Polytechnic-priory Park Road, N.W. London UK, (1978); and - Government Accounting Certificate from Civil Service Training Centre, (1970). 	Appointed in May 2019

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

Mr. Charles Gamageu Singili	Board Member	Tanzanian	61	<ul style="list-style-type: none"> - Bachelor of Commerce (Accounting) from University of Dar es Salaam, Tanzania, (1988); - Diploma in Business Administration from College of Business Education, Tanzania, (1983); and - CPA (T) - (Certified Public Accountant) from National Board of Accountants and Auditors (NBAA), (1991). 	Appointed in May 2019
Mrs. Immaculata Mwanja Senje	Board Member	Tanzanian	54	<ul style="list-style-type: none"> - Master of Science in Urban Planning and Management from University of Dar es Salaam, Tanzania, (2006-2008); and - Advanced Diploma in Urban and Rural Planning from Ardhi Institute, Dar es Salaam, Tanzania (1987-1990). 	Appointed in May 2019
Eng. Marwa Mwita Rubirya	Board Member	Tanzanian	61	<ul style="list-style-type: none"> - Masters of Science in International Highway; Engineering from University of Birmingham, United Kingdom, (1993); and - Bachelor of Science in Engineering from University of Dar es salaam, Tanzania, (1986). 	Appointed in May 2019
Ms. Sauda K. Msemu	Board Member	Tanzanian	47	<ul style="list-style-type: none"> - Master of Science in Finance with Distinction from University of Strathclyde, Glasgow, United Kingdom (2002); and - Bachelor of Account from International Islamic University Malaysia (1999). 	Appointed in May 2019

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

Mr. Martin Ginedi Madekwe	Board Member	Tanzanian	71	<ul style="list-style-type: none"> - Postgraduate Diploma in Housing, Building and Planning from Bowcentrum Centre of Housing, Rotterdam, Holanda (1981); - Diploma in State Management, RICS Part II Willesden College of Technology, N. W. London, England (1973-1976); and - Royal Institution of Chartered Surveyors (RICS) Part 1. N. E. London Polytechnic, Walthamstow, London. 	Appointed in May 2019
Mr. Humphrey Hesron Polepole	Board Member	Tanzanian	38	<ul style="list-style-type: none"> - Student, Masters of Arts in Development Studies, University of Dar es Salaam (2019); - Bachelor of Arts in Development Studies Kimmage Development Studies Centre, Ireland (2010). 	Appointed in May 2019

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (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 year, the total value of the Corporation's net assets decreased to TZS 3,005 billion from TZS 3,148 billion recorded in the prior year. This decrease is attributable to net loss incurred during the year which is mainly due to a decrease in fair value of investment properties by TZS 354 billion.

b) Profitability

During the year ended 30 June 2018, the Corporation made a loss before tax of TZS 334,106 million (2017: profit of TZS 570,259 million). The loss incurred is mainly due to the decrease in fair value of investment properties by TZS 353,917 million (2017: increase by TZS 550,716 million). The actual profit before tax excluding investment property fair value is TZS 19,811 million (2017: 19,543 million).

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (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 33 of these financial statements.

10. PERFORMANCE INDICATORS

Key performance indicator	Definition and Formula	Ratios	
		2017/2018	2016/2017
Current Ratio	Current assets	1.62	1.63
	Current liabilities		
Quick Ratio	Current assets-inventories	0.19	0.23
	Current liabilities		
Return on Assets	Profit before tax**	-7.34%	11.75%
	Total assets		
Debt to Equity Ratio	Total debt*	9.04%	8.67%
	Equity		
Profit before tax margin	Profit before tax**	17.07%	12.67%
	Revenue		

*Total debt includes total principal of borrowings and accrued interests outstanding as at end of reporting period but excludes bank overdrafts.

** Profit before tax excludes the losses/gains from fair value movements of investment properties.

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;

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

11. BUSINESS PROFILE (CONTINUED)

(a) Investment Policy (continued)

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

Revenue Sharing Model (RSM) - under this model NHC invites the strategic investors to invest in the Corporation's land and in return the Corporation receives the share of revenue as percentage of the total revenues from sales of properties developed 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 2018, the Corporation continued implementing the following projects:

- **Raha Leo - Mtwara**

The project involves construction of 3 Blocks; 2 apartments blocks with 48 units each making a total of 96 residential apartments and 1 commercial block of 4 storeys (G + M + 2 floors). The project was completed during the year.

- **Shangani - Mtwara**

The project comprises of construction of 3 blocks of flats with 5 storeys (G + 4 floors). These blocks comprise of 30 residential units. The project was completed during the year.

- **Chato Affordable Housing Scheme**

The project comprises of 20 units of three bedrooms semidetached. The project was completed during the year.

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

This project comprises construction of CRDB Headquarters building. The building will be having a gross floor area of approximately twenty thousand (20,000) square meters and approximately ten thousand eight hundred (10,800) square meters parking area. The project is in progress as of 30 June 2018.

- **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 as of 30 June 2018.

11. BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (continued)

(i) Houses for Sale (continued)

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

This project is of 16 floors (G + M +15 floors). It comprises of 184 residential units as follows: two bed room-8 units, three bed rooms (normal)-144 units, four bedrooms (normal) - 8 units, four bedroom (duplex) - 16 units, pent house duplex-8 units, shops, gym, swimming pool, kids playing ground and other facilities to support the residences. The project is in progress as of 30 June 2018.

- **EWURA Head office-Dodoma**

This project comprises of construction of 1 block flat with 5 floors (G+4 floors). This project was still in preliminary stages at 30 June 2018.

- **Victoria Place Ushindi - Dar es Salaam**

This project comprises of construction of 2 blocks flats with 16 floors (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 was in progress as of 30 June 2018.

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

This project comprises of 4 towers; Two office towers; office tower 1 with 20 floors (G + 19 floors), office tower 2 with 17 floors (G + 16 floors). It also consists of 1 apartments tower with 22 floors (G + 21 floors) which comprise of 100 residential units (64 units of three bedrooms normal, 32 units of three bedrooms duplex and 4 units of 4 bedrooms) and 1 hotel tower with 13 floors (G + 12 floors). The project also include commercial space retail shops, food courts, restaurants, conference facilities, pubs, coffee lounges and supermarket. The project was in progress as of 30 June 2018.

- **Igunga Affordable Housing scheme**

This project comprises construction of 15 semidetached buildings equivalent to 30 residential units with 85 square meter three bedroom each. The project was in progress as of 30 June 2018.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

11. BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (continued)

(i) Houses for Sale (continued)

• **Kawe-Plot no 711/1**

This project involves construction of 8 apartment blocks of B + G + 17 floors each making a total of 422 residential units. The project also include retail space, gym, swimming pool, kids' playing stands and other facilities. The project is dormant.

• **Mwongozo Affordable Housing Project - Dar es Salaam**

The project comprises of 208 units as follows; two bedrooms semi-detached - 20 units, three bedrooms semi-detached - 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 was at a completion stage as at 30 June 2018.

• **Iyumbu Affordable Housing Project - Dodoma**

The project comprises of 300 affordable housing units of 79, 85 and 115 square meters, three bedroom each. This project has been constructed in two phases of 151 and 149 units each. Phase one was completed during the year whereas phase two was still in progress as of 30 June 2018.

• **Muheza Affordable Housing Project – Tanga**

The project comprises of 20 houses/units stand-alone for residential purposes. The project was in progress as of 30 June 2018.

• **Zongomela Affordable Housing Project - Kahama**

The project comprises of 50 units of three bedrooms semidetached, 1 shop, hospital and nursery. The project was in progress as of 30 June 2018.

• **Mbarali Affordable Housing Project - Mbeya**

The project comprises of 20 units of three bedrooms semidetached. The project was at a completion stage as at 30 June 2018.

• **Makete Affordable Housing Project-Iringa**

The project comprises of 50 units of three bedrooms semidetached, 1 shop, dispensary and nursery school. The project was in progress as of 30 June 2018.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

11. BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (continued)

(i) Houses for Sale (continued)

- **Inyonga Affordable Housing Project - Katavi**

The project comprises of 24 units of three bedrooms semidetached. The project was in progress as of 30 June 2018.

- **Jangwani Affordable Housing Project - Mpanda**

The project comprises of 10 blocks of flats G+1 floor (20 units). The project was in progress as of 30 June 2018.

- **Buhare Affordable Housing Project - Musoma**

The project comprises of 50 units of three bedrooms semidetached. The project was in progress as of 30 June 2018.

- **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 was at a completion stage.

- **Masasi Affordable Housing Project - Mtwara**

The project comprises of 54 units of three bedrooms semidetached, 1 shops block consisting of ATM room and Ablution. The project was in progress as of 30 June 2018.

- **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 was at completion stage as of 30 June 2018.

- **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 was in progress as of 30 June 2018.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

11. BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (continued)

(i) Houses for Sale (continued)

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

The project comprises of 10 units of three bedrooms stand-alone. The project was completed during the year.

(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 was in progress as of 30 June 2018.

- **Morogoro 2D**

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

- **Mkendo phase II - Musoma**

The project comprises of construction of 1 block of flat - G + 4 floor commercial building for renting. The project was in progress as of 30 June 2018.

- **Mutukula-Bukoba**

The project comprises of construction of 1 block of flat - G + 4 floor commercial building for renting. The project was in progress as of 30 June 2018.

- **Singidani Plot 3G - Singida**

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

- **Singida Shops**

The project comprises construction of 1 block of flat - G + 1 floor commercial building for renting. The project was in progress as of 30 June 2018.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

11. BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (continued)

(iii) Projects for own use

- **Plot 1 Ufukoni (iconic building)- Dar es Salaam**

This is a 9 floors building for office use. The project was partially completed as of 30 June 2018.

(iv) Construction contracts projects

- **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 was at the completion stage as of 30 June 2018.

- **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 was in progress as of 30 June 2018.

- **Mlele Affordable Housing Project - Katavi**

The project comprises of 5 units of three bedrooms all are stand alone. The project was at completion stage at 30 June 2018.

- **Kakuni Affordable Houses - Katavi**

This project comprises of 18 units of affordable housed for Teachers houses. The project was in progress at 30 June 2018.

- **Msalato Secondary School - Dodoma**

This project involve execution of rehabilitation and remodeling of Msalato Secondary School. The project was completed during the year.

- **Mwenge Secondary School - Singida**

This project involve execution of rehabilitation and remodeling of Mwenge Secondary School. The project was completed during the year.

- **Nganza Secondary School-Mwanza**

This project involve construction of Anaerobic Baffle Reactor System (ABR) for Nganza Secondary School. The project was in progress at 30 June 2018.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

11. BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (continued)

(iv) Construction contracts projects (continued)

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

This project involve execution of rehabilitation and remodeling of Pugu Secondary School. The project was completed during the year.

- **Kilakala Secondary School - Morogoro**

This project involve execution of rehabilitation and remodeling of Kilakala Secondary School. The project was completed during the year.

- **Mzumbe Secondary School - Morogoro**

This project involve execution of rehabilitation and remodeling of Mzumbe Secondary School. The project was completed during the year.

- **TEA Office building-Mikocheni,Dar es salaam**

This project involve execution of renovation work on a residential building owned by of TEA located at Mikocheni. The project was in progress at 30 June 2018.

- **Malinyi District Council**

This project involve construction of office building for Malinyi District Council at Misegese area phase one in Malinyi District-Morogoro. The project was in progress at 30 June 2018.

- **Boundary Fence and Gate house for ERB Offices-Dodoma**

This project involve construction of Boundary fence and gate house for Engineers Registration Board offices on Plot no 13 Block A NCC in Dodoma Region. The project was in progress at 30 June 2018.

- **MSD Pharmacy shop-Rukwa**

This project involve extension of pharmacy shop Block at Rukwa region hospital. The project was in progress at 30 June 2018.

- **Tanzania Airport Authority-Dodoma**

This project involve rehabilitation and upgrading of Terminal building at Dodoma Airport. The project was in progress at 30 June 2018

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

11. BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (continued)

(iv) Construction contracts projects (continued)

(v) Joint venture projects

During the year ended 30 June 2018, the Corporation had 182 (2017:182) projects under joint arrangements. Out of these, 74 (2017:71) were completed, 32 (2017:32) are still under construction and 39 (2017:39) 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 2018, rental revenue decreased to TZS 91.6 billion from TZS 92.5 billion recorded during 12 months period ended 30 June 2017.

During the year ended 30 June 2018 an average monthly rental decreased to TZS 7.6 billion from TZS 7.7 billion recorded during 12 months period ended 30 June 2017. This decrease is attributed to many offices vacated due to shift of the Government to Dodoma.

(d) Property maintenance

During the year the Corporation's expenditure on property maintenance increased to TZS 6.9 billion compared to TZS 5.9 billion in the 12 month period ended 30 June 2017. The increase is mainly attributed to maintenance costs of additional rental properties added in the prior year.

12. EMPLOYEES WELFARE

(a) Staff disposition

The total number of staff as at 30 June 2018 was 514 (2017: 567).

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

12. EMPLOYEES WELFARE (CONTINUED)

(b) Affirmative action

The National Housing Corporation is an equal opportunity employer. The Corporation strives to build a broad-based organization with balance in gender to reflect the composition of the Tanzanian population. During the year, the Corporation's workforce comprised 319 male and 195 female employees (2017: 353 male and 214 female employees). On the other hand, the Corporation continued to promote female employees to senior level positions. As at 30 June 2018, the composition of female employees in various senior positions was as follows:

	30 June 2018	30 June 2017
Management Team	2 out of 13	2 out of 13
Headquarters Managers	6 out of 32	5 out of 27
Regional Managers	2 out of 24	2 out of 23
Senior Officers	21 out of 27	23 out of 47
Middle level Officers	144 out of 201	56 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 2018, the Corporation had two employee with physical disabilities (2017: Nil).

(d) Management - employee's relations

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

(e) Retirement benefits

The Corporation pays contributions to a publicly administered pension plan on mandatory basis which qualifies to be a defined contribution plan. For Senior Management staffs who are employed on a contract basis there is an additional gratuity equal to 25% of their annual salaries at the end of their contract periods.

(f) Training

During the year a total of TZS 177 million was spent in staff training (2017: TZS 534 million). 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. Trainings held during the year were focused on short-term and long-term professional competence as well as improving customer care skills.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

12. EMPLOYEES WELFARE (CONTINUED)

(g) Medical facilities

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

(h) Staff incentives

The Corporation provides various loans to staff to enable them to meet their financial needs. Some of the incentives are car loans, education loans, house loans 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 comprises of eight (8) directors including the Chairperson and one Executive Director who is also the Director General. 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 2018 (CONTINUED)

13. CORPORATE GOVERNANCE (CONTINUED)

Board Committees

The Board is comprised of three (3) 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 2018 was as follows:

Business Development Committee

This Committee is composed of five (5) members. The main responsibility of the Committee is to advise the Board on all business development matters that need consideration of the Board. The Committee held seven meetings during the year ended 30 June 2018. The following Directors served in the Business Development Committee during the year (Mr. Felix Maagi served as Ag.DG from 17 December 2017).

Name	Position	Nationality	Number of meetings attended
Ms. Subira Ali Mchumo	Chairperson	Tanzanian	5/7
Mr. Kesogukwele M.I.M Msita	Member	Tanzanian	7/7
Prof. John Modestus Lupala	Member	Tanzanian	5/7
Mr. Gabriel Pascal Malata	Member	Tanzanian	3/7
Mr. Nehemiah K. Mchechu	Member	Tanzanian	5/6
Mr. Felix M. Maagi	Member/Ag.DG	Tanzanian	1/1

Finance and Human Resources Committee

This Committee is composed of five (5) members. The main responsibility of the Committee is to advise the Board on financial and personnel related matters that need consideration of the Board. The Committee held four meetings during the year ended 30 June 2018.

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

Name	Position	Nationality	Number of meetings attended
Mr. Pius Aloysius Maneno	Chairman	Tanzanian	4/4
Ms. Marry Stanslaus Mlay	Member	Tanzanian	2/4
Mr. Ally Hussein Laay	Member	Tanzanian	4/4
Mr. Nehemiah K. Mchechu	Member/DG	Tanzanian	3/3
Prof. John Modestus Lupala	Member	Tanzanian	2/4
Mr. Felix M. Maagi	Member/Ag.DG	Tanzanian	1/1

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

13. CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

Audit, Risk and Compliance Committee

This committee is composed of four (4) members. The main responsibility of the committee is to advise the Board on all audit, risk and compliance matters that need consideration of the Board. The committee held four (4) meetings during the year ended 30 June 2018.

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

Name	Position	Nationality	Number of meetings attended
Mr. Ally Hussein Laay	Chairman	Tanzanian	4/4
Ms. Subira Ali Mchumo	Member	Tanzanian	3/4
Mr. Gabriel Pascal Malata	Member	Tanzanian	1/4
Mr. Kesogukwele M.I.M. Msita	Member	Tanzanian	4/4

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	4/4
Mr. Kesogukewe Msita	Vice Chairperson	4/4
Mr. Ally Hussein Laay	Director	4/4
Prof. John Lupala	Director	3/4
Mr. Pius Aloysius Maneno	Director	4/4
Ms. Subira Ali Mchumo	Director	3/4
Mr. Gabriel Malata	Director	3/4
Ms. Mary Mlay	Director	4/4
Mr. Nehemiah K. Mchechu	Member	4/4

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

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.

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 Treasury department maintains flexibility in funding by maintaining availability under committed credit lines.

c) Capital risk management

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

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

d) Market risk management

(i) Foreign exchange risk

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

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

14. RISK MANAGEMENT AND CONTROL (CONTINUED)

Market risk management (continued)

(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.

15. ACCOUNTING POLICIES

The accounting policies used in preparing the financial statements have been disclosed in Note 3 to the financial statements. These policies are all considered to be key to an understanding of the performance and financial position of the Corporation.

16. CORPORATE SOCIAL RESPONSIBILITY

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

During the year, the Corporation contributed largely towards the education sector by contributing to the school desk campaigns and construction of classrooms, contributed health sector to reduce health challenges by supporting initiatives of strengthening health support systems and lastly participated well through support to community initiatives to create a bigger impact. The amount spent on the activities is as analyzed below:-

- TZS 280 million towards the education sector and professional training;
- TZS 47 million towards health support to institutions;
- TZS 15 million to support youth initiatives; and
- TZS 30 million to support community initiatives.

17. CORPORATE IMAGE

During the year 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 TV programme named "Maisha ni Nyumba";
- Increased staff awareness on our core values and corporate culture;

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

17. CORPORATE IMAGE (CONTINUED)

- 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.
- Imparting employees with customer care skills; and

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, the Corporation has entered into Memorandum of Understanding (MOU) with over 15 commercial banks for them to offer competitive financing to National Housing Corporation (NHC) clients. Furthermore, the Corporation is embarking on joint product awareness of mortgage products to ensure customers have a wide choice of the best and appropriate products available at the market place;
- Improving the Corporation's financial position through increased profitability, costs optimization, sales of houses and rent collection and upward rent adjustments; and
- Improving efficiency and performance by implementing International Organization Standards, which will enable the Corporation to benchmark itself against world-class organizations and increase its speed in delivery of its projects by using world-class technology in construction and management of its projects.

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

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

19. FIDUCIARY RESPONSIBILITIES

The Corporation's Board members as stewards of public trust always acted for the good of the organization, rather than for the benefit of themselves throughout the year ended 30 June 2018. Reasonable care was exercised in all decisions taken by the Corporation, without placing the Corporation under unnecessary risk.

NATIONAL HOUSING CORPORATION

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

20. RELATED PARTY TRANSACTIONS AND BALANCES

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

21. ENVIRONMENTAL CONTROL PROGRAMME

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

22. POLITICAL DONATIONS

There were no political donations made during the year.

23. SERIOUSLY PREJUDICIAL

No impending new developments are under consideration by the Corporation.


24. AUDITOR

The Controller and Auditor General is the statutory independent auditor of the Company. The Controller and Auditor General appointed Deloitte & Touche to carry out the audit for the financial year ended 30 June 2018 on his behalf in accordance with section 11(c) of the Public Audit Act No. 11, of 2008.

BY ORDER OF THE BOARD



Dr. Sophia Kongela
Chairperson



2019

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 year 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.

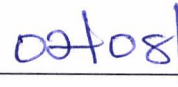
They are also responsible for safeguarding the assets of the Corporation. The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial 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 performance. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal 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



Dr. Sophia Kongela
Chairperson



2019

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 the Statement of Directors' Responsibilities on an earlier page.

I, Felix Maagi, being the Director of Finance of National Housing Corporation hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30 June 2018 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

2019

INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

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

Report on the audit of financial statements for the financial year ended 30th June 2018

Introduction

I have audited the accompanying financial statements of National Housing Corporation (the "Corporation"), which comprise the statement of financial position as at 30th June 2018, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies set out from page 32 to 87.

Opinion

In my opinion, financial statements present fairly in all material respects the financial position of National Housing Corporation as at 30 June 2018, and its financial performance and its 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 Supreme Audit Institutions (ISSAIs). 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 National Housing Corporation in accordance with the International Organization of Supreme Audit Institutions' Code of Ethics (INTOSAI-Code of Ethics) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

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

Other Information

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Opinion section I have determined the matters described below to be the key audit matters to be communicated in my report. I have determined that there are no key audit matters to communicate in my report.



INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the requirements of the National Housing Corporation Act, 1990 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition, Sect. 10 (2) of the PAA No.11 of 2008 requires me to satisfy myself that, the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Sect. 48(3) of the Public Procurement Act No.7 of 2011 requires me to state in my annual audit report whether or not the audited entity has complied with the provisions of the Law and its Regulations.

Report on Other Legal and Regulatory Requirements

Compliance with Public Procurement Act, 2011

In view of my responsibility on the procurement legislation and taking into consideration the procurement transactions and processes I have reviewed as part of this audit, I state that National Housing Corporation procurement transactions and processes have generally complied with the requirements of the Public Procurement Act No.7 of 2011 and its underlying Regulations of 2013.


Prof. Mussa Juma Assad
Controller and Auditor General of the United Republic of Tanzania
National Audit Office
Dar es Salaam, Tanzania

.....30/09/2019..... 2019



NATIONAL HOUSING CORPORATION

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Notes	30 June 2018 TZS '000	30 June 2017 TZS '000
Revenue	6	116,076,918	154,225,947
Net (loss)/gain from fair value adjustment on investment properties	14	(353,917,099)	550,716,442
Other gains and losses	7	(5,163,423)	(5,120,466)
Cost of sales - inventory properties	8(a)	(21,841,693)	(58,751,599)
Property management costs	8(b)	(12,401,162)	(11,584,715)
Depreciation of property and equipment	15	(2,029,712)	(2,510,909)
Amortization of intangible assets	16	(21,037)	(18,313)
Impairment provision of accounts receivables	19	(1,600,809)	(2,808,419)
Administrative expenses	9	(13,098,332)	(13,265,649)
Sales and marketing expenses	10	(1,209,214)	(1,650,908)
Employee benefit expenses	11	(25,848,623)	(26,981,980)
Operating (loss)/profit		(321,054,186)	582,249,431
Dividend received		21,071	14,859
Finance income	12	507,831	1,297,508
Finance costs	12	(15,089,676)	(15,256,387)
Share of profit of joint ventures	17(a)	1,509,140	1,953,583
(Loss)/profit before tax		(334,105,820)	570,258,994
Tax income/(expense)	13(a)	188,885,438	(167,601,926)
(Loss)/profit for the year		(145,220,382)	402,657,068
Share of other comprehensive income from joint ventures	17(a)	14,208	57,883
Actuarial gains from defined benefit obligation	26	1,515,264	170,461
Total comprehensive (loss)/income for the year		(143,690,910)	402,885,412

The financial statements on pages 32 to 87 were approved and authorised for issue by the Board of Directors on.....2019 and signed on its behalf by:



Dr. Sophia Kongela
Chairperson



Dr. Maulid Abdallah Banyani
Director General

NATIONAL HOUSING CORPORATION

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	30 June 2018 TZS '000	30 June 2017 TZS '000
ASSETS			
Non-current assets			
Investment property	14	4,051,690,772	4,403,895,075
Property and equipment	15	25,399,624	27,097,279
Intangible assets	16	42,075	-
Investment in joint venture	17(a)	19,332,293	19,257,256
Advances toward shares in other entities	17(b)	55,664,898	55,477,379
		<u>4,152,129,662</u>	<u>4,505,726,989</u>
Current assets			
Inventories	18	353,166,109	297,817,954
Trade and other receivables	19	30,133,711	27,604,237
Term deposits	20	299,331	295,323
Cash and bank balances	21	15,218,029	21,400,973
		<u>398,817,180</u>	<u>347,118,487</u>
TOTAL ASSETS		<u>4,550,946,842</u>	<u>4,852,845,476</u>
EQUITY AND LIABILITIES			
Equity			
Capital fund	22	485,554	485,554
Capital reserve	23	2,395,444	2,395,444
Revaluation reserve		1,913,466	383,995
Retained earnings		<u>2,999,918,119</u>	<u>3,145,138,501</u>
		<u>3,004,712,583</u>	<u>3,148,403,494</u>
Non-current liabilities			
Deferred tax liability	24	1,051,433,686	1,244,101,964
Borrowings	25	225,303,976	226,981,598
Gratuity payable		1,381,337	967,318
Rental deposits		12,337,746	10,102,333
Defined benefit obligation	26	9,310,781	9,622,593
		<u>1,299,767,526</u>	<u>1,491,775,806</u>
Current liabilities			
Borrowings	25	51,872,642	57,840,149
Bank overdraft	25	9,577,185	9,583,485
Current tax liability	13(c)	5,778,949	5,129,471
Trade and other payables	27	160,034,501	127,397,381
Accruals	28	13,595,230	6,987,464
Provisions	29	5,608,226	5,728,226
		<u>246,466,733</u>	<u>212,666,176</u>
TOTAL EQUITY AND LIABILITIES		<u>4,550,946,842</u>	<u>4,852,845,476</u>

The financial statements on pages 32 to 87 were approved and authorised for issue by the Board of Directors on.....2019 and signed on its behalf by:



Dr. Sophia Kongela
Chairperson



Dr. Maulid Abdallah Banyani
Director General

NATIONAL HOUSING CORPORATION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Capital fund TZS '000	Capital reserve TZS '000	Retained earnings TZS '000	Revaluation Reserve TZS '000	Total TZS '000
30 June 2018					
At beginning of the year	485,554	2,395,444	3,145,138,501	383,995	3,148,403,494
<i>Comprehensive income:</i>					
Loss for the period	-	-	(145,220,382)	-	(145,220,382)
<i>Other comprehensive income:</i>					
Share of other comprehensive income from joint venture	-	-	-	14,208	14,208
Actuarial gains from defined benefit obligation	-	-	-	1,515,264	1,515,264
At end of year	485,554	2,395,444	2,999,918,119	1,913,467	3,004,712,584
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

NATIONAL HOUSING CORPORATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	30 June 2018 TZS '000	30 June 2017 TZS '000
Cash flows from operating activities			
Cash receipts from customers		158,490,448	164,131,390
Interest received		507,831	1,282,926
Cash paid to suppliers		(94,467,312)	(136,054,748)
Cash paid in respect of staff cost		(22,938,394)	(25,698,658)
Interest paid		(30,752,912)	(10,064,749)
Tax paid	13 (c)	(3,133,362)	(3,593,842)
Net cash used in operating activities		7,706,299	(9,997,681)
Cash flows from investing activities			
Purchase of property and equipment	15	(332,057)	(1,139,472)
Purchase of intangible assets	16	(63,112)	-
Additions to the investment property	14	(3,671,536)	(3,148,543)
Advances towards shares in other entities	17(b)	(187,519)	(2,530,130)
Dividend received from joint venture	17(a)	1,448,311	1,971,253
Investment in fixed deposit	20	(4,008)	2,069,866
Net cash used in investing activities		(2,809,921)	(2,777,026)
Cash flows from financing activities			
Proceeds from borrowings	25	25,417,968	59,383,684
Repayments of borrowings	25	(36,490,990)	(28,637,432)
Net cash generated from financing activities		(11,073,022)	30,746,252
Net (decrease)/increase in cash and cash equivalent		(6,176,644)	17,971,545
Cash and cash equivalents at the beginning of the year.		11,817,488	(6,154,057)
Cash and cash equivalent at the end of year	21	5,640,844	11,817,488

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

a) New standards and amendments to published standards effective for the year ended 30 June 2018

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

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	<p>Amendment to IAS 12 Income Taxes to clarify the following aspects:</p> <p>Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The carrying amount of an asset does not limit the estimation of probable future taxable profits.</p> <p>Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.</p> <p>An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.</p> <p>The application of amendment did not have material impact on the Corporation's financial statements.</p>
---	---

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

a) New standards and amendments to published standards effective for the year ended 30 June 2018 (continued)

Disclosure Initiative (Amendments to IAS 7)	<p>The amendment clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.</p> <p>The application of amendment did not have material impact on the Corporation's financial statements.</p>
Annual Improvements to IFRS Standards 2014 - 2016 Cycle (Amendments to IFRS 12)	<p>Amendment to IFRS 12 - clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.</p> <p>The application of amendment did not have material impact on the Corporation's financial statements.</p>

b) New standards and amendments to published standards in issue but not yet effective in the year ended 30 June 2018

IFRS 9, Financial Instruments (2014)	Effective for accounting periods beginning on or after 1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	Effective for accounting periods beginning on or after 1 January 2018
IFRS 15: Revenue from Contracts with customers	Effective for accounting periods beginning on or after 1 January 2018
IFRS 16:- Leases	Effective for accounting periods beginning on or after 1 January 2019
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	Effective for accounting periods beginning on or after 1 January 2018
Transfers of Investment Property (Amendments to IAS 40)	Effective for accounting periods beginning on or after 1 January 2018
Annual Improvements to IFRS Standards 2014 - 2016 Cycle (Amendments to IAS 1 and IAS 28)	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018.
Annual Improvements to IFRS Standards 2015-2017 Cycle	Effective for accounting periods beginning on or after 1 January 2019

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

b) New and amended standards in issue but not yet effective in the year ended 30 June 2018 (continued)

IFRS 9 Financial Instruments (2014)

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

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

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

The Corporation has started the process of evaluating the potential effect of this standard but given the nature of the Corporation's operations, this standard may not have a pervasive impact on the Corporation's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

b) New and amended standards in issue but not yet effective in the year ended 30 June 2018 (continued)

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; and
- 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 not expected to have significant impact on the financial statements.

IFRS 16 Leases

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

IFRS 16 is effective for accounting periods beginning on or after 1 January 2019 and is not expected to have significant impact on the financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation addresses foreign currency transactions or parts of transactions where:

There is consideration that is denominated or priced in a foreign currency; the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

The date of the transaction, for determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

b) New and amended standards in issue but not yet effective in the year ended 30 June 2018 (continued)

IFRIC 22 Foreign Currency Transactions and Advance Consideration (continued)

IFRIC 22 is effective for accounting periods beginning on or after 1 January 2018 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)

Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4. An option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date. The Directors do not anticipate that its adoption will result into material impact on the financial statements.

Classification and measurement of share-based payment transactions (Amendments to IFRS 2)

Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

Transfers of Investment Property (Amendments to IAS 40)

The amendments to IAS 40 Investment Property:

Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of examples of evidence in paragraph 57(a) - (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

IAS 40 is effective for accounting periods beginning on or after 1 January 2018 and is not expected to have significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

b) New and amended standards in issue but not yet effective in the year ended 30 June 2018 (continued)

Annual Improvements to IFRS Standards 2014-2016 Cycle

Makes amendments to the following standards:

- **IFRS 1** - Deletes the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose
- **IAS 28** - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018.

Annual Improvements to IFRS Standards 2015-2017 Cycle

- **IFRS 3 and IFRS 11** - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12** - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.
- **IAS 23** - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

c) Early adoption of standards

The Corporation did not early-adopt any new or amended standards in the year ended 30 June 2018.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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 investment properties which are measured at fair value and defined benefit obligation. 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, 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;
- (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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Investment property (continued)

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

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

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

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

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

3.6 Property and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss 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
Office equipment	5 years
Furniture and fittings	4 years
Tricycle and motor cycle	5 years
Computers and accessories	3 years

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

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

3.7 Inventories

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

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 gross trade receivables less any amounts which have been determined to not be impaired as at reporting date. The amount of the provision is recognized in profit or loss.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Payables

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

3.10 Borrowings and borrowings cost

(i) Borrowings

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

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

(ii) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. 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. Borrowing costs recognized during the year have been disclosed under Note 14 (Investment properties) and Note 18 (Inventories).

3.11 Cash and cash equivalents

Cash and cash equivalents include cash on 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 made pension contributions to PPF Pensions Fund (PPF), National Social Security Fund (NSSF), Public Service Pension Fund (PSPF), Local Authorities Pensions Fund contributions (LAPF) and Government Employees Pension Fund (GEPF).

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Employee benefits (continued)

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

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

(ii) Other entitlements

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

(iii) Service gratuity

The Corporation operates an employee service gratuity plan for senior management staff who 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 recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial assets

(i) Classification

All financial assets of the Corporation are classified as loans and receivables and held to maturity 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 simultaneous.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial assets (continued)

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.

(v) *Derecognition of financial assets*

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

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

3.14 Financial liabilities and equity instruments

(i) *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Corporations' principal equity instrument is ordinary share capital, which is recorded at proceeds received, net of any direct issue costs.

(iii) *Financial liabilities*

Financial liabilities are classified as "other financial liabilities".

(iv) *Other financial liabilities*

Other financial liabilities, including trade payables and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Financial liabilities and equity instruments (continued)

(v) Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

(vi) Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

3.15 Current and deferred tax

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

Current tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Tanzania Income Tax Act (2004). The current tax charge is calculated on the basis of the tax enacted or substantively enacted at the statement of financial position date.

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

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

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

3.16 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.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Provision

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

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.

3.18 Investment in associates and joint ventures

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 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.

3.20 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.

3.21 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.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. FINANCIAL RISK MANAGEMENT AND 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.

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 2018 TZS '000	30 June 2017 TZS '000
Cash at bank	15,199,029	21,384,473
Term deposits	299,331	295,323
Trade receivables (gross)	28,713,509	23,103,471
Staff receivables	5,167,484	5,890,625
	<u>49,379,353</u>	<u>50,673,892</u>

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

	30 June 2018 TZS '000	30 June 2017 TZS '000
Past due but not impaired:		
Up to 90 days	3,410,958	2,288,587
Above 90 days but less than 1 year	2,064,010	4,673,651
Construction Debtors	7,624,132	1,549,292
Total past due but not impaired	<u>13,099,100</u>	<u>8,511,530</u>
Impaired	<u>15,614,409</u>	<u>14,591,941</u>
	<u>28,713,509</u>	<u>23,103,471</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

All receivables from ex-tenants and those tenants subject to court cases are considered fully impaired. The value of these receivables as at 30 June 2018 was TZS 10,436 million (30 June 2017: TZS 8,520 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.

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 2018				
Trade and other payables	23,662,010	-	-	23,662,010
Borrowings	51,872,642	46,997,704	178,306,272	277,176,618
Gratuity payable	1,381,337	-	-	1,381,337
Bank overdraft	9,577,185	-	-	9,577,185
Rental deposits	-	-	12,337,747	12,337,747
	86,493,174	46,997,704	190,644,019	324,134,897
30 June 2017				
Trade and other payables	23,664,095	-	-	23,664,095
Borrowings	57,840,149	17,168,252	209,813,346	284,821,747
Gratuity payable	-	967,318	-	967,318
Bank overdraft	9,583,485	-	-	9,583,485
Rental deposits	-	-	10,102,333	10,102,333
	91,087,729	18,135,570	219,915,679	329,138,978

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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 2018 were as follows:

	30 June 2018 TZS '000	30 June 2017 TZS '000
Total borrowings (Note 25)	(277,176,618)	(284,821,747)
Less: cash and bank balances (Note 21)	<u>5,640,844</u>	<u>11,817,488</u>
Net borrowings	<u>(271,535,774)</u>	<u>(273,004,259)</u>
Total equity	<u>3,004,712,583</u>	<u>3,148,403,494</u>
Gearing ratio	<u>9.04%</u>	<u>8.67%</u>

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 which are based on the useful lives for plant, property and equipment and their residual values. The useful lives applied are set out in note 3.6.

Taxation

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

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2018 TZS '000	30 June 2017 TZS '000
6. REVENUE		
Rental income	91,582,745	92,500,920
Sale of inventory properties (Note 6a)	18,084,136	60,058,927
Contracts income (Note 6a)	6,410,037	1,666,100
	<u>116,076,918</u>	<u>154,225,947</u>
6(a) Sales of inventory properties		
Kibada project	33,155	6,113,682
Kibla project	-	2,998,109
Medeli project	6,358,301	2,141,786
Mindu project	-	3,661,305
Ubungo project	108,265	1,520,045
Levolosi project	246,327	2,479,006
Longido project	-	51,574
Mchikichini project	-	5,629,592
Mkinga project	-	40,890
Mlote project	-	193,189
Mrara project	-	128,515
Unyankumi project	-	93,193
Ilembo project	76,684	69,072
ECO project	1,444,956	26,196,615
Mvomero project	-	439,548
Bombambili project	41,524	581,000
Shangani project	2,138,744	1,954,095
Rahaleo project	-	5,362,500
Mtanda project	37,690	405,211
Buswelu project	655,993	-
Muleba project	48,875	-
Uyui project	1,579,776	-
Iyumbu project	5,143,846	-
Safari City	170,000	-
	<u>18,084,136</u>	<u>60,058,927</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2018 TZS '000	30 June 2017 TZS '000
6. REVENUE (CONTINUED)		
6(a) Sales of inventory properties (Continued)		
(ii) Third Party Projects		
Busokelo project	10,261	-
Monduli project	-	192,522
Momba project	673,470	643,338
Mlele project	7,390	503,435
Msalato secondary school project	797,609	-
Mzumbe secondary school project	895,162	-
Kilakala secondary school project	806,460	-
Mwenge secondary school project	877,674	-
Pugu secondary school project	1,010,325	-
Kakuni secondary school project	84,164	-
Malinyi District Council project	555,961	-
Nganza secondary school project	35,068	-
ERB boundary fence project	71,907	-
Tanzania Education Authority-Head Office project	526,515	326,805
Tanzania Airport Authority project	48,272	-
Medical Store Department project	9,799	-
	6,410,037	1,666,100
7. OTHER GAINS AND LOSSES		
Gain on disposal of property and equipment	-	28,500
Loss on demolition of investment properties	-	(1,924,340)
Reversal of gain from advance towards shares	-	(8,000)
Inventory property write down	(4,022,424)	(3,678,864)
Net foreign exchange losses	(1,882,021)	(1,750,312)
Miscellaneous income	741,022	2,212,550
	(5,163,423)	(5,120,466)

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2018 TZS '000	30 June 2017 TZS '000
8 (a) CONSTRUCTION COSTS		
(i) Own projects		
Kibada project	38,223	5,950,002
Kibla project	-	3,001,052
Medeli project	5,781,955	1,407,969
Mindu project	-	2,751,727
Ubungo project	87,025	1,212,565
Levolosi project	186,824	1,877,542
Longido project	-	48,491
Mchikichini project	-	3,554,597
Mkinga project	-	43,153
Mlale project	-	194,400
Mrara project	-	128,430
Unyankumi project	-	92,893
Ilembo project	85,413	85,413
ECO project	1,427,738	26,264,753
Mvomero project	-	439,548
Bombambili project	40,067	560,943
Shangani project	1,901,970	2,165,643
Rahaleo project	-	7,150,883
Mtanda project	37,691	401,180
Buswelu project	662,169	-
Muleba project	38,957	-
Uyui project	1,227,730	-
Iyumbu project	4,823,790	-
Safari City	169,271	-
	16,508,823	57,331,184

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2018 TZS '000	30 June 2017 TZS '000
8 (a) CONSTRUCTION COSTS (Continued)		
(ii) Third Party Projects		
Busokelo project	9,983	17,230
Monduli project	-	139,464
Momba project	539,869	501,121
Mlele project	7,390	64,470
Uyui secondary school project	-	38,367
Msalato secondary school project	715,413	99,283
Mzumbe secondary school project	743,872	15,952
Kilakala secondary school project	664,612	14,676
Mwenge secondary school project	681,932	69,007
Pugu secondary school project	806,748	62,526
Kakuni secondary school project	76,371	398,319
Malinyi District Council project	494,791	-
Nganza secondary school project	24,594	-
ERB boundary fence project	59,593	-
Tanzania Education Authority head office project	459,898	-
Tanzania Airport Authority project	39,933	-
Medical Store Department project	7,871	-
	<u>5,332,870</u>	<u>1,420,415</u>
	<u>21,841,693</u>	<u>58,751,599</u>
8(b) PROPERTY MANAGEMENT COSTS		
Repair and maintenance rental houses	6,877,789	5,891,630
Estate management expenses	1,735,073	1,643,657
Land rent and property tax	3,364,210	3,170,249
Property valuation fees	93,774	419,882
City service levy	330,316	459,297
	<u>12,401,162</u>	<u>11,584,715</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2018 TZS '000	30 June 2017 TZS '000
9. ADMINISTRATIVE EXPENSES		
Training and seminar costs	362,132	534,275
Security and insurance services	1,310,818	1,164,738
Printing and stationeries	552,366	517,713
Computer expenses and software maintenance cost	386,761	475,552
Auditors remuneration	417,000	330,000
Other audit costs	126,236	157,571
Repair and maintenance office buildings	180,174	160,845
Internet costs and network	752,700	706,177
Consultancy fee	121,725	509,607
Water and electricity	395,008	387,923
Postage and telephone	456,990	526,017
Travelling on duty	1,428,789	1,476,050
Directors' fees and board expenses	262,246	275,688
Motor vehicle fuel and maintenance	2,544,601	1,840,110
VAT write off, penalties and fines	912,292	1,140,817
Donation	372,406	401,553
Repairs and maintenance office equipment	153,566	207,720
Legal fees	207,641	480,925
Bank charges	260,948	223,138
Office expenses	156,220	311,320
National festivals	72,647	24,080
Procurement expenses	84,673	98,249
Contribution to exchequer	1,200,000	1,000,000
General cleaning expenses	343,029	304,213
Other administrative expenses	37,364	11,368
	13,098,332	13,265,649

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2018 TZS '000	30 June 2017 TZS '000
10. SALES AND MARKETING EXPENSES		
Business promotion	529,224	603,279
Sales expenses and marketing expenses	440,899	578,030
Advertising and publicity	239,091	469,599
	<u>1,209,214</u>	<u>1,650,908</u>
11. EMPLOYEE BENEFITS EXPENSES		
Salaries and wages	13,336,727	13,425,331
Housing allowance	3,284,027	3,170,727
Terminal benefits	18,163	317,927
Defined benefit obligation expense	2,496,210	2,302,126
Staff welfare	107,483	685,442
Staff canteen services	381,236	331,135
Staff transport services	354,835	320,288
Staff uniforms and clothing	105,969	40,819
Pension contributions	1,588,768	1,758,550
Medical costs	1,397,904	1,305,157
Master workers council	74,818	63,990
Leave travel allowance	1,026,257	1,499,331
Transfer and disturbance allowance	308,985	183,233
Skills and development levy	903,941	879,922
Extra duty payments	32,638	99,771
Gratuity provision expense	414,019	411,899
Workers' compensation fund	79,574	86,466
Annual incentive and service award	(62,931)	99,866
	<u>25,848,623</u>	<u>26,981,980</u>
12. FINANCE INCOME AND COSTS		
Finance income		
Interest on bank term deposits	48,895	787,109
Interest on rental receivables	458,936	510,399
	<u>507,831</u>	<u>1,297,508</u>
Finance costs		
Interest on borrowings	(13,948,228)	(14,239,980)
Loan-related charges	(1,141,448)	(1,016,407)
	<u>(15,089,676)</u>	<u>(15,256,387)</u>
Net finance cost	<u>(14,581,845)</u>	<u>(13,958,879)</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2018	30 June 2017
	TZS '000	TZS '000
13. TAXATION		
(a) Tax (income)/charge		
Current tax-current period	<u>3,782,840</u>	<u>4,583,058</u>
Deferred tax (income)/charge-current period (Note 24)	<u>(183,684,791)</u>	164,405,228
Deferred tax (income)/charge-prior periods (Note 24)	<u>(8,983,487)</u>	<u>(1,386,360)</u>
	<u>(192,668,278)</u>	163,018,868
	<u>(188,885,438)</u>	<u>167,601,926</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 2018	30 June 2017
	(12 months)	(12 months)
	TZS '000	TZS '000
(Loss)/profit before tax	<u>(334,105,820)</u>	<u>570,258,994</u>
Tax calculated at the statutory income tax rate of 30%	<u>(100,231,746)</u>	171,077,698
Tax effect of:		
Non-taxable income	<u>(1,530,211)</u>	(586,075)
Expenditure permanently disallowed for tax purpose	<u>1,201,032</u>	480,881
Decrease in deferred tax from fair value losses	<u>(79,341,026)</u>	-
Over- provision of deferred tax from prior year	<u>(8,983,487)</u>	<u>(3,370,578)</u>
	<u>(188,885,438)</u>	<u>167,601,926</u>
(c) Tax movement		
Balance at beginning of the period	5,129,471	4,140,255
Current tax charge for the period	3,782,840	4,583,058
Tax paid during the period	<u>(3,133,362)</u>	<u>(3,593,842)</u>
Balance as at period end	<u>5,778,949</u>	<u>5,129,471</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	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
14. INVESTMENT PROPERTIES				
30 June 2018				
Opening balance	3,543,025,454	166,048,101	694,821,520	4,403,895,075
Additions	2,897,024	-	774,512	3,671,536
Transfers from inventory	4,897,398	-	495,399	5,392,797
Transfer in/(out)	11,445,622	-	(11,445,622)	-
Disposal	(5,693,957)	-	-	(5,693,957)
Transfer to inventory of buildings	(1,652,991)	-	(4,589)	(1,657,580)
Fair value gain/(loss)	(262,602,322)	(2,924,250)	(88,390,527)	(353,917,099)
	3,292,316,228	163,123,851	596,250,693	4,051,690,772
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 inventory of buildings	(23,039,275)	-	(10,123,403)	(33,162,678)
Fair value 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

Investment property refers to completed houses for renting or ongoing construction houses for the renting. Out of total capitalized work-in-progress as at year end is capitalized borrowing costs amounting to TZS 978 million (2017: TZS 4,521 million).

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 2018 were reliably determinable on continuing basis. The Corporation investment properties were revalued at 30 June 2018 through review by independent professionally qualified valuers who hold a recognized relevant professional qualification and have recent experience in the location and categories of investment properties valued.

Properties being constructed or developed for future use as investment property were valued at TZS 598 billion (2017: TZS 694 billion) as follows:

30 June 2018	Total value of the investment property TZS'000	NHC percentage share %	NHC share of ownership TZS'000
Investment properties under construction (Joint venture properties)	61,466,738	100	61,466,738
Investment properties under construction (NHC owned properties)	9,140,995	100	9,140,995
Undeveloped plots	527,418,610	100	527,418,610
	598,026,343		598,026,343
30 June 2017			
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	610,784,981	100	610,784,981
	694,821,521		694,821,521

As at the end of the period, investment properties with value of TZS 570,832 million (30 June 2017: TZS 521,443 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 2018								
Opening net book value	17,943,509	1,236,752	828,520	1,889,562	5,779	135,665	5,057,492	27,097,279
Additions (at cost)	-	383	-	46,241	-	35,103	250,330	332,057
Depreciation charge	(378,319)	(210,901)	(407,969)	(939,620)	(4,286)	(88,617)	-	(2,029,712)
Closing net book value	<u>17,565,190</u>	<u>1,026,234</u>	<u>420,551</u>	<u>996,183</u>	<u>1,493</u>	<u>82,151</u>	<u>5,307,822</u>	<u>25,399,624</u>
Cost	18,918,612	2,476,092	6,384,571	5,482,966	52,061	2,615,418	5,307,822	41,237,542
Accumulated depreciation	(1,353,422)	(1,449,858)	(5,964,020)	(4,486,783)	(50,568)	(2,533,267)	-	(15,837,918)
Net book value	<u>17,565,190</u>	<u>1,026,234</u>	<u>420,551</u>	<u>996,183</u>	<u>1,493</u>	<u>82,151</u>	<u>5,307,822</u>	<u>25,399,624</u>

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 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 (at cost)	-	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	<u>17,943,509</u>	<u>1,236,752</u>	<u>828,520</u>	<u>1,889,562</u>	<u>5,779</u>	<u>135,665</u>	<u>5,057,492</u>	<u>27,097,279</u>
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	<u>17,943,509</u>	<u>1,236,752</u>	<u>828,520</u>	<u>1,889,562</u>	<u>5,779</u>	<u>135,665</u>	<u>5,057,492</u>	<u>27,097,279</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2018 TZS'000	30 June 2017 TZS'000
16. INTANGIBLE ASSETS		
Net book value at the beginning of the year	-	18,313
Additions	63,112	-
Amortisation charge	(21,037)	(18,313)
Netbook value at the end of the year	<u>42,075</u>	<u>-</u>
Cost	1,203,293	1,140,181
Accumulated amortisation	<u>(1,161,218)</u>	<u>(1,140,181)</u>
Net book value	<u>42,075</u>	<u>-</u>
17(a) INVESTMENT IN JOINT VENTURES		
At the beginning of the period	19,257,256	19,217,044
Share of profit from joint ventures	1,509,140	1,953,582
Dividend received from NHC House Limited	(1,448,311)	(1,971,253)
Share of other comprehensive income	14,208	57,883
At the end of the period	<u>19,332,293</u>	<u>19,257,256</u>

The table below summarizes details of assets, liabilities, revenues and profit as at 30 June 2018, and financial results for the 12 months period then ended accruing to the Corporation:

JV Name	Country of incorporation	% interest held	Assets TZS '000	Liabilities TZS '000	Revenue TZS '000	Profit after tax TZS '000
30 June 2018						
NHC/PPF - IPS Building Company Limited	Tanzania	50	18,585,052	(259,232)	714,721	306,097
NHC House Company Limited	Tanzania	50	<u>2,516,990</u>	<u>(1,510,518)</u>	<u>2,024,539</u>	<u>1,217,251</u>
			<u>21,102,042</u>	<u>(1,769,750)</u>	<u>2,739,260</u>	<u>1,523,348</u>
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>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2018 TZS '000	30 June 2017 TZS '000
17(b) ADVANCES TOWARD SHARES IN OTHER ENTITIES		
At the beginning of the period	55,477,379	7,739,851
Additional cash investment during the year	187,519	2,530,130
Reversal of profit from investment	-	(8,000)
Investments in form of properties	-	45,215,398
At the end of the year	<u>55,664,898</u>	<u>55,477,379</u>
Below is the summary of advances held:		
Kawe Special Purpose Vehicle	6,538,340	6,625,859
USA River project Special Purpose Vehicle	29,885	29,885
Kunduchi Riffle Range Special Purpose Vehicle	23,075,213	23,075,213
Tanzania Mortgage Refinancing Company Limited	1,100,000	1,200,000
NHC/PPF Company Limited	22,800,177	22,800,177
Watumishi Housing Company Limited	1,933,764	1,933,764
	<u>55,477,379</u>	<u>55,664,898</u>
18. INVENTORIES		
(i) Inventory properties (Completed houses)		
Kibada Project-Dar es Salaam at cost	1,113,370	746,426
Levolosi Project- Arusha at cost	124,549	311,373
Ubungu Project- Dar es Salaam at cost	175,529	318,130
Mkuzo Project- Ruvuma at cost	483,000	483,000
Medeli Project- Dodoma at cost	7,919,826	8,007,824
Muleba Project- Kagera at cost	740,183	779,141
Mrara Project- Manyara at cost	1,498,056	1,600,160
Less: Excess of cost over net realisable value	-	(102,104)
Net realisable value	<u>1,498,056</u>	<u>1,498,056</u>
Mkinga Project- Tanga at cost	1,327,583	1,327,583
Longido Project- Arusha at cost	874,170	874,170
Bombambili Project- Geita at cost	1,128,956	1,169,024
Mlote Project- Kigoma at cost	1,005,110	1,005,110
Mvomero Project- Morogoro at cost	1,173,687	1,179,712
Less: Excess of cost over net realisable value	-	(6,025)
Net realisable value	<u>1,173,687</u>	<u>1,173,687</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2018 TZS '000	30 June 2017 TZS '000
18. INVENTORIES (CONTINUED)		
(i) Inventory properties (Completed houses) (continued)		
Uyui Project- Tabora at cost	652,232	1,879,962
Kongwa Project- Dodoma at cost	1,465,340	1,465,340
Unyankumi Project- Singida at cost	701,716	701,716
Ilembo Project- Katavi at cost	2,183,570	2,268,983
Mtanda Project-Lindi at cost	690,481	728,494
Less: Excess of cost over net realisable value	-	(322)
Net realisable value	690,481	728,172
Buswelu Project	1,143,747	1,805,917
Shangani Project-Mtwara at cost	1,924,762	4,443,122
Less: Excess of cost over net realisable value	(380)	(639,182)
Net realisable value	1,924,382	3,803,940
ECO Project-Dar es Salaam at cost	210,916	4,949,152
Less: Excess of cost over net realisable value	-	(2,931,232)
Net realisable value	210,916	2,017,920
Iyumbu project-Dodoma at cost	2,677,217	-
Safari City project-Arusha at cost	594,350	-
	29,807,970	32,365,474

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2018 TZS '000	30 June 2017 TZS '000
18. INVENTORIES (CONTINUED)		
(ii) Inventory properties (Ongoing projects)		
Ushindi Residential-Plot 36&37 Victoria	43,984,152	38,155,231
Less: Excess of cost over net realisable value	(3,839,107)	-
Net realisable value	40,145,045	38,155,231
 Morocco square-Plot 1-3 & 44 Morocco	144,230,939	114,082,882
Mwongozo-Plot 44/2 Block 6	13,364,083	11,805,410
Shangani- Plot no 26/A	-	22,412
Victoria- Plot 300	4,755,025	7,007,053
Jangwani-Plot 149/1, 3-13 Block H	881,367	873,167
Golden Premier Residential-Plot no 711/2 Kawe	29,789,607	25,638,983
Zongomela Affordable Housing Scheme	1,494,317	1,218,952
Makete Affordable Housing Scheme	1,311,984	1,066,094
Inyonga Affordable Housing Scheme	611,651	556,066
Buhare Affordable Housing Scheme	1,561,932	1,078,139
Igunga Affordable Housing Scheme	1,164,116	948,257
Mbarali Affordable Housing Scheme	744,362	736,463
Rahaleo Residential-Plot 170 Block K	-	5,446,717
Buswelu-Plot no.151-176, 242-270 Block A	2,773,317	1,506,893
Manyoni Affordable Housing Scheme	15,675	15,675
Monduli affordable Housing Scheme	-	15,628
Luguruni Low costing Houses Project	19,710	19,710
Chato Affordable Housing Scheme	708,804	707,060
Kawe-Plot no. 711/1	23,444,589	16,387,247
Safari City-Mateves Housing Project	-	674,167
Chato Residential-Plot 274 Chato	5,234,063	3,058,147
Masasi Affordable Housing Scheme	1,345,023	1,179,664
Burka	848,834	542,522
Ipogolo Affordable Housing Scheme	11,734	11,734
Vijibweni Alykhan-Plot 270,288 & 289 Magore	14,065	14,062
Iyumbu Affordable Housing Scheme	1,238,425	6,445,244
CRDB head office-Plot 25&26 A.H Mwinyi Road & Obama Drive	33,656,861	15,281,976
Muheza Affordable Housing Scheme	35,235	-
Monduli -Township Project (Town Houses)	1,345,706	-
EWURA Head Office	1,672,991	-
Chato plots Project	27,475	-
	312,446,935	254,495,555

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2018 TZS '000	30 June 2017 TZS '000
18. INVENTORIES (CONTINUED)		
(iii) Plots for sale		
Safari city project	8,999,338	8,999,338
Luguruni project	728,433	728,433
	<u>9,727,771</u>	<u>9,727,771</u>
(iv) Other inventories		
Building materials	1,107,476	940,096
Stationeries	322,014	352,178
	<u>1,429,490</u>	<u>1,292,274</u>
Allowance for obsolete other inventories	<u>(246,057)</u>	<u>(63,120)</u>
	<u>1,183,433</u>	<u>1,229,154</u>
Total inventories (i, ii, iii and iv)	<u>353,166,109</u>	<u>297,817,954</u>

Inventory property refers to completed houses or ongoing construction projects for sale. Out of total additions to inventories from on-going projects during the year is capitalized borrowing costs amounting to TZS 13,291 million (2017: TZS 10,391 million).

	30 June 2018 TZS '000	30 June 2017 TZS '000
19. TRADE AND OTHER RECEIVABLES		
Rental receivables - current tenants	10,653,100	9,557,674
Rental receivables - ex tenants	10,436,277	8,520,457
Tenant purchase receivables	5,580	5,580
Receivables from the sale of buildings	<u>7,618,552</u>	<u>5,019,760</u>
	<u>28,713,509</u>	<u>23,103,471</u>
Other receivables	1,651,163	3,211,249
Less: Allowances for doubtful debts	<u>(16,614,409)</u>	<u>(16,590,261)</u>
	<u>13,750,263</u>	<u>9,724,459</u>
Staff receivables	5,167,484	5,890,625
Advance to contractors	<u>11,215,964</u>	<u>11,989,153</u>
	<u>30,133,711</u>	<u>27,604,237</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 2018				
At beginning of the year	14,432,418	159,523	1,998,320	16,590,261
Charge for the year	1,022,468	578,341	-	1,600,809
Write-off during the year	-	(578,341)	-	(578,341)
Recoveries	-	-	(998,320)	(998,320)
At end of the year	<u>15,454,886</u>	<u>159,523</u>	<u>1,000,000</u>	<u>16,614,409</u>
30 June 2017				
At beginning of the year	13,622,319	161,960	-	13,784,279
Charge for the year	810,099	-	1,998,320	2,808,419
Recoveries	-	(2,437)	-	(2,437)
At end of the year	<u>14,432,418</u>	<u>159,523</u>	<u>1,998,320</u>	<u>16,590,261</u>

20. 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 2018 TZS '000	30 June 2017 TZS '000
Investment - sinking funds	-	524,562
Other fixed deposits	299,331	754,498
Transfer to other receivables	-	(983,737)
	<u>299,331</u>	<u>295,323</u>
The movement of sinking fund deposits during the period is shown below:		
At beginning of the year	524,562	1,737,737
Withdrawn during the year	(524,562)	(1,213,175)
At the end of the year	<u>-</u>	<u>524,562</u>

Sinking fund represented 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.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2018 TZS '000	30 June 2017 TZS '000
21. CASH AND BANK BALANCES		
Bank balances	15,199,029	21,384,473
Cash on hand	19,000	16,500
Cash and bank balances as per statement of financial position (excluding bank overdrafts)	15,218,029	21,400,973
Bank overdrafts (Note 25)	(9,577,185)	(9,583,485)
Cash and cash equivalents as per statement of cash-flows	5,640,844	11,817,488

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 2017: 30%). The movement on the deferred tax account is as follows:

	30 June 2018 TZS '000	30 June 2017 TZS '000
At the beginning of the year	1,244,101,964	1,081,083,096
Deferred tax (credit)/charge -current period (Note 13(a))	(183,684,791)	164,405,228
Deferred tax (credit)/charge- prior periods (Note 13(a))	(8,983,487)	(1,386,360)
	(192,668,278)	163,018,868
At the end of the year	1,051,433,686	1,244,101,964

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. DEFERRED TAX (CONTINUED)

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

	Opening balance TZS'000	Charge TZS'000	Closing balance TZS'000
30 June 2018			
Deferred tax liabilities			
Fair value of investment properties	1,260,550,146	(183,684,791)	1,076,865,355
Deferred tax assets			
Other deductible temporary differences	(16,448,182)	(8,983,487)	(25,431,669)
Net deferred income tax liability	<u>1,244,101,964</u>	<u>(192,668,278)</u>	<u>1,051,433,686</u>
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>

25. BORROWINGS

	30 June 2018 TZS '000	30 June 2017 TZS '000
Bank and other borrowings	277,176,618	284,821,747
Bank overdrafts	9,577,185	9,583,485
	<u>286,753,803</u>	<u>294,405,232</u>
Current		
Bank overdraft	9,577,185	9,583,485
Bank and other borrowings	51,872,642	57,840,149
Accrued interest	12,595,844	11,952,747
Current principal from bank and other borrowings	<u>39,276,798</u>	<u>45,887,402</u>
	<u>61,449,827</u>	<u>67,423,634</u>
Non-current		
Bank and other borrowings	225,303,976	226,981,598
	<u>286,753,803</u>	<u>294,405,232</u>
Movement in bank and other borrowings (principal only):		
At the beginning of the year	272,869,000	240,867,648
Additional borrowings	25,417,968	59,383,684
Repayments	(36,490,990)	(28,637,432)
Unrealized foreign exchange losses	2,784,796	1,255,100
At the end of the year	<u>264,580,774</u>	<u>272,869,000</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. BORROWINGS (CONTINUED)

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

Lender's name	30 June 2018 TZS '000	30 June 2017 TZS '000	Effective interest rate %	Tenure years
Shelter Afrique	17,645,656	20,912,351	LIBOR+3.7%	10
CBA (T) Limited	6,763,749	11,124,299	7%	7
CRDB Bank Plc (Loan II)	27,395,133	29,574,411	15%	10
Local Authority Pension Funds(LAPF)	8,938,890	10,713,340	15.30%	11
ABC (T) Limited	2,460,398	4,701,097	15%	5
TIB Development Bank	30,505,930	31,182,335	15%	4
Azania Bank Limited	1,603,854	2,873,069	14%	7
NMB Bank Plc	34,689,401	42,517,039	15.36%	7
SEM (T) Limited	32,526,429	32,467,120	13%	10
CRDB Bank Plc (Loan III)	38,894,920	42,150,819	16.5%	7
Bank M (T) Limited	7,772,258	11,221,217	16.0%	6
East African Development Bank (EADB)	67,980,000	45,384,650	LIBOR+5.5%	7
	<u>277,176,618</u>	<u>284,821,747</u>		

Bank and other borrowings are secured on investment property to the value of TZS 570,832 million (2017: TZS 521,443 million).

Loan from Shelter Afrique

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

The loan carries interest at 6 months LIBOR + 3.7% per annum spread/margin. The loan is repayable over a period of 10 years (inclusive of a period of 2 years grace period) effective from March 2015. As at 30 June 2018 the outstanding balance included principal balance of TZS 17.3 billion and interest of TZS 304 million.

Loan from Commercial Bank of Africa (T) Limited ("CBA")

The facility agreement of USD 15 million for this loan was signed on 06 July 2011 for partly financing the construction of NHC House. 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. As at 30 June 2018 outstanding balance included principal balance of TZS 6.7 billion and interest of TZS 57 million.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. BORROWINGS (CONTINUED)

Loan from CRDB Bank Plc (Loan II)

The facility agreement of TZS 35 billion was signed on 2 July 2012 for financing construction of 15,000 housing units in different parts of Tanzania for sale and for rental in accordance with the five-year strategic plan. 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 repayable in 10 years (including a grace period of twenty-four months). As at 30 June 2018, outstanding balance included principal of TZS 26.2 billion and interest of TZS 1.2 billion.

Loan from Local Authority Pensions Fund (LAPF)

The facility agreement of TZS 15 billion was signed on 26 June 2012 for 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. As at 30 June 2018 outstanding principal balance amounted to TZS 8.9 billion.

Loan from African Banking Corporation (T) Limited

The first loan facility of TZS 4.2 billion was signed on 7 August 2015 and 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 facility of TZS 7 billion was signed on 28 October 2015 which was acquired for construction of Rahaleo and Shangani projects in Mtwara. Both loans are secured by legal mortgage on five landed properties in Dar es Salaam.

The first loan carries interest at 15% per annum; whereas the second carries interest at 17.5% per annum. Both facilities are repayable over a period of 60 months (inclusive of a grace period of twelve months) effective from January 2013. The principal balance outstanding as of 30 June 2018 was TZS 2.5 billion.

Loan from TIB Development Bank

The facility agreement of TZS 30 billion was signed on 22 September 2014 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. BORROWINGS (CONTINUED)

Loan from TIB Development Bank (continued)

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. As at 30 June 2018, outstanding balance included principal of TZS 21.6 billion and interest of TZS 8.944 billion.

Loan from Azania Bank Limited

The facility agreement of TZS 7 billion was signed on 30 January 2012 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. As at 30 June 2018 principal balance outstanding was TZS 1.6 billion.

Loan from National Microfinance Bank Plc

Loan from NMB where in two phases; the first loan facility amounting TZS 26 billion was signed on 29 November 2012 for the purpose of construction of project entailing the construction of 220 housing units in Dar-es-Salaam. Interest is pegged on last auction 182 T-bills (Weighted Average Yield (WAY) plus 250bps. Term of the loan is 84 months from the date signing the agreement including the 24 months of the grace period.

The second phase of the loan agreement was signed on 20 November 2013 for the facility of TZS 30 billion for the purpose of construction of 150 commercial housing units for renting/sale at plot No.67, at the junction of Ngano and Waakulima Streets, Kinondoni-Dar-es-Salaam. Interest on the loan is pegged on last auction 182 T-bills plus 300bps. Term of the loan is 108 months from the date of signing the agreement including the 24 months of the grace period.

Both loans are secured by the following:-

- a. Legal mortgage of landed properties of 12 titles
- b. Positive pledge over the following properties:-
 - ✓ Iconic building located on plot no 1 Ali Hassan Mwinyi/Ufukweni Road, Dar es Salaam City and
 - ✓ Levelosi apartment located on plot no 457 Levelosi Road, Arusha

As of 30 June 2018 outstanding balance from both facilities included principal balance of TZS 34.7 billion and interest of TZS 360 million.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. BORROWINGS (CONTINUED)

Loan from Southern Economic Management (SEM) Tanzania Limited

The loan originated from the 50% construction cost of NHC House ("property") which was initially implemented as a joint venture. Interest on the loan has been determined to be 13% of the total initial cost incurred by the joint venture partner. The loan is paid from the rental proceeds of the property; as at 30 June 2018 the outstanding balance included outstanding principal of TZS 32.5 billion.

Loan from CRDB Bank Plc (Loan III)

The facility agreement of TZS 40 billion was signed on 28 September 2015 for financing construction of Morocco Square Project. The loan 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). As at 30 June 2018, outstanding balance included principal of TZS 37.2 billion and interest of TZS 1.6 billion.

Loan from Bank M (T) Limited

The loan facility agreement of TZS 15 billion was signed on 4 July 2015 for financing construction of Victoria Place Project. The loan is secured by a first charge legal mortgage on five landed properties in Dar es Salaam. The loan carries interest at 16% 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). As at 30 June 2018, outstanding balance included principal of TZS 7.6 billion and interest of TZS 111 million.

Loan from East African Development Bank (EADB)

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

The rate of interest is charged at 3 months LIBOR plus 5.5%; interest accrues from day to day and be calculated based on 360 days year and number of days elapsed. The loan is repayable in 7 years (including a grace period of twenty-four months). As at 30 June 2018, outstanding balance included principal of TZS 67 billion.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. BORROWINGS (CONTINUED)

Overdraft facilities

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

Bank	Balance as at 30 June 2018	Limit	Interest	Effective date	Limit time
	TZS'000	TZS'000			
CRDB Bank Plc	5,523,229	5,000,000	17% per annum	2 Nov 2012	One year renewable
NMB Microfinance Bank Plc	4,053,958	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 is based on assessments made by qualified actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

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

	30 June 2018	30 June 2017
Discount rate	10.38%	16.46%
Salary inflation	2.38%	14.46%

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

	30 June 2018 TZS '000	30 June 2017 TZS '000
Recognized in profit or loss	2,496,211	2,302,126
- Current service cost	926,719	809,482
- Interest cost	1,569,492	1,492,644
Recognized in other comprehensive income		
- Actuarial gain recognized in other comprehensive income	(1,515,264)	(170,461)
Net cost for the year	980,947	2,131,665

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. DEFINED BENEFIT OBLIGATION (CONTINUED)

	30 June 2018 TZS '000	30 June 2017 TZS '000
The movement in the Corporation defined benefit obligation is as follows:		
Opening balance	9,622,593	8,452,048
Current service cost	926,719	809,482
Interest cost	1,569,492	1,492,644
Benefit paid during the year	(1,292,759)	(961,120)
Actuarial gain recognized in other comprehensive income	(1,515,264)	(170,461)
	<u>9,310,781</u>	<u>9,622,593</u>

Actuarial gain recorded during the year was due to a change in actuarial financial assumptions from prior year. Financial assumptions embedded in the plan are salary inflation and discount rates with which they salary inflation has decreased from 14.46% in the prior year to 2.38% in the current year; discount rates have also changed from 16.46% in the prior year to 10.38% in the current year.

	30 June 2018 TZS '000	30 June 2017 TZS '000
27. TRADE AND OTHER PAYABLES		
Trade payables	20,152,724	19,630,550
Construction deposits	132,554,489	98,768,310
Rent advance	3,276,798	4,083,408
Value Added Tax (VAT) payable	541,204	881,569
Security and retention	1,906,057	2,922,650
Other payables	192,953	145,482
Employees related payables	1,410,276	965,412
	<u>160,034,501</u>	<u>127,397,381</u>

28. ACCRUED EXPENSES

Accrued administrative expenses	9,596,704	2,983,047
Audit fee	417,000	330,000
Salary related expenses	1,638,059	1,681,630
Property tax	916,006	1,532,589
Land rent	846,370	140,379
Service fee	181,091	319,819
	<u>13,595,230</u>	<u>6,987,464</u>

29. PROVISIONS

Legal cases	5,608,226	5,728,226
	<u>5,608,226</u>	<u>5,728,226</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. CONTINGENT LIABILITIES

As at 30 June 2018, the Corporation was a defendant in several lawsuits. The total amount claimed in the various lawsuits approximates to TZS 12,273 million. (2017: TZS 43,426 million), of which the Corporation has made a provision of TZS 5,608 million (2017: 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 2018 but not recognized in the financial statements is as follows:

	30 June 2018 TZS'000	30 June 2017 TZS'000
Construction of property for rental (ongoing projects)	2,373,073	3,526,370
Construction of property for sale (ongoing projects)	210,222,904	278,921,365
Property and equipment	-	383,023
	<u>212,595,977</u>	<u>282,830,758</u>

32. RELATED PARTY TRANSACTIONS AND BALANCES

The Corporation is owned and controlled by the Government of the United Republic of Tanzania.

The following transactions were carried out with related parties:

(i) Key management compensation

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

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

	30 June 2018 TZS '000	30 June 2017 TZS '000
i) Key management compensation		
Salaries and other short-term employment benefits	2,180,293	2,625,237
Annual leave pay	143,166	128,073
House allowance	476,096	349,644
Contributions to post-employment benefit plans (PPF and NSSF)	-	40,830
	<u>2,799,555</u>	<u>3,143,784</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

30 June 2018

Types of Loan	Amount TZS '000	Terms of payments	Interest Rate
House loan	544,061	Repayable monthly for 15 years	Nil
Car loan	77,000	Repayable monthly for 6 years	Nil
Cash advance	36,122	Repayable monthly for 12 months	Nil
	657,183		

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 2018 TZS '000	30 June 2017 TZS '000
ii) Directors' remuneration		
Fees for services as director	145,080	200,035
Other emoluments	-	11,880
	145,080	211,915

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2018	Loans and receivables TZS '000	Held to maturity TZS '000	Total TZS '000
FINANCIAL ASSETS			
Investments			
Bank term deposits (note 20)	-	299,331	299,331
Other Assets			
Trade and other receivables (note 19)	18,917,746	-	18,917,746
Rental receivables	5,634,491	-	5,634,491
Receivables from sale of buildings	7,459,029	-	7,459,029
Staff receivables	5,167,484	-	5,167,484
Other receivables	651,162	-	651,162
Tenant purchase receivables	5,580	-	5,580
Cash and bank balances (note 21)	15,218,029	-	15,218,029
Total	34,135,775	299,331	34,435,106

	Other financial liabilities at amortised cost TZS '000	Total TZS '000
FINANCIAL LIABILITIES		
Long term financial liabilities		
Borrowings (note 25)	225,303,976	225,303,976
Gratuity payable	1,381,337	1,381,337
Rental deposits	12,337,747	12,337,747
Current financial liabilities		
Borrowings (note 25)	51,872,642	51,872,642
Bank overdraft (note 25)	9,577,185	9,577,185
Trade and other payables (note 27)	23,662,010	23,662,010
Trade payables	20,152,724	20,152,724
Security and retention	1,906,057	1,906,057
Other payables	192,953	192,953
Employees related payables	1,410,276	1,410,276
Total	324,134,897	324,134,897

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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)	15,615,084	-	15,615,084
Rental receivables	3,645,713	-	3,645,713
Receivables from sale of buildings	4,860,237	-	4,860,237
Staff receivables	5,890,625	-	5,890,625
Other receivables	1,212,929	-	1,212,929
Tenant purchase receivables	5,580	-	5,580
Cash and bank balances (note 21)	21,400,973	-	21,400,973
Total	37,016,057	295,323	37,311,380

	Other financial liabilities at amortised cost TZS '000	Total TZS '000
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)	57,840,149	57,840,149
Bank overdraft (note 25)	9,583,485	9,583,485
Trade and other payables (note 27)	23,664,095	23,664,095
Trade payables	19,630,550	19,630,550
Security and retention	2,922,650	2,922,650
Other payables	145,482	145,482
Employees related payables	965,413	965,413
Total	329,138,978	329,138,978

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

- 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 2018	Level 1	Level 2	Level 3	Total
Financial assets	TZS '000	TZS '000	TZS '000	TZS '000
Bank term deposits	-	299,331	-	299,331
Trade and other receivables	-	35,532,156	-	35,532,156
Cash and bank balances	15,218,029	-	-	15,218,029
Total	15,218,029	35,831,487	-	51,049,516
Financial liabilities				
Borrowings	-	225,303,976	-	225,303,976
Gratuity payable	-	1,381,337	-	1,381,337
Rental deposits	-	12,337,747	-	12,337,747
Current financial liabilities				
Borrowings	-	39,276,798	-	39,276,798
Bank overdraft	-	9,577,185	-	9,577,185
Trade and other payables	-	23,662,010	-	23,662,010
Total	-	311,539,053	-	311,539,053
30 June 2017				
Financial assets				
Bank term deposits	-	295,323	-	295,323
Trade and other receivables	-	32,205,345	-	32,205,345
Cash and bank balances	21,400,973	-	-	21,400,973
Total	21,400,973	32,500,668	-	53,901,641
Financial liabilities				
Borrowings	-	226,981,598	-	226,981,598
Gratuity payable	-	967,318	-	967,318
Rental deposits	-	10,102,332	-	10,102,332
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	-	317,188,229	-	317,188,229

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35. EVENTS AFTER REPORTING PERIOD

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

36. COMPARATIVES

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