REPORT OF THE CONTROLLER AND AUDITOR GENERAL

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, 2019

The Controller and Auditor General,
National Audit Office,
4 Ukaguzi Road,
P.O.Box 950,
Hazina Street,
41104 Dodoma.
Tel: 255(026)2321759
Fax: 255(026)2321245
Email: ocag@nao.go.tz
website: www.nao.go.tz

March, 2020

AR/ NHC /2018/2019

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GENERAL INFORMATION

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.

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 behavior, 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 National Housing Corporation. 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.

TABLE OF CONTENT

ABBREVIATIONS

IFRSs	International Financial Reporting Standards
ISSAI	International Standards of Supreme Audit Institutions
NAO	National Audit Office
NEMC	National Environmental Management Council
NHIF	National Health Insurance Fund
No.	Number
NSSF	National Social Security Fund
PAA	Public Audit Act
PPF	PPF Pensions Fund
PPP	Private-Public- Partnership
PhD	Doctor of Philosophy
SACCOS	Savings and Credit Cooperative Societies
Sect.	Section
SHIB	Social Health Insurance Benefit
TAMICO	Tanzania Mines, Energy, Construction and Allied workers Union
TEA	Tanzania Education Agency
TPCC	Tanzania Portland Cement Company Limited
TRA	Tanzania Revenue Authority
TZS	Tanzania Shillings
URT	United Republic of Tanzania

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

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

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

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

TIB Corporate Bank
Mlimani City Office Park

P.O. Box 9373
Dar es Salaam

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

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

Commercial Bank of
Africa (CBA)
Nyerere Road
P.O. Box 9640
Dar es Salaam

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

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

COMPANY SECRETARY

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

PRINCIPAL AUDITORS

The Controller and Auditor General-National Audit Office
National Audit Office,
4 Ukaguzi road,
P.o.Box 950,
Hazina Street
41104 Dodoma

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2019

The Directors submit their report together with the audited financial statements for the year ended 30 June 2019, 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 93,807 million (2018: Net loss of TZS 143,690 million) has been transferred to retained earnings. The Corporation did not pay any dividend to its shareholder but contributed to the Government Consolidated fund an amount of TZS 1,200 million (2018: TZS 1,200 million) for the year ended 30 June 2019 as per the Treasury directives.

6. DIRECTORS AND SECRETARY (CONTINUED)

The Board Chairperson held office from October 2018 to date while other members of the Board were appointed in May, 2019.

Name	Position	Nationality	Age (Years)	Qualification	Remarks
Dr. Sophia Kongela	Chairperson	Tanzanian	44	- 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 30 October 2018
Mr. Abdallah Mwinyimvua Shamte	Board Member	Tanzanian	63	- 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 on 20 May 2019
Mr. Charles Gambageu Singili	Board Member	Tanzanian	62	- 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 on 20 May 2019

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

6. DIRECTORS AND SECRETARY (CONTINUED)

Name	Position	Nationality	Age (Years)	Qualification	Remarks
Mrs. Immaculata Mwanja Senje	Board Member	Tanzanian	54	- 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 on 20 May 2019
Eng. Marwa Mwita Rubirya	Board Member	Tanzanian	61	- 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 on 20 May 2019
Ms. Sauda K. Msemo	Board Member	Tanzanian	47	- 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 on 20 May 2019
Mr. Martin Ginedi Madekwe	Board Member	Tanzanian	71	- Postgraduate Diploma in Housing, Building and Planning from Bowcentrum Centre of Housing, Rotterdam, Holland (1981); - Diploma in Estate 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 on 20 May 2019

6. DIRECTORS AND SECRETARY (CONTINUED)

Name	Position	Nationality	Age (Years)	Qualification	Remarks
Mr. Humphrey Hesron Polepole	Board Member	Tanzanian	38	- 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 on 20 May 2019
Dr. Maulidi Abdallah Banyani	Board Member/Director General	Tanzanian	47	- 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 on 30 October 2018

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 2,910 billion from TZS 3,005 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 47 billion.

b) Profitability

During the year ended 30 June 2019, the Corporation made a loss before tax of TZS 25,121 million (2018: loss of TZS 334,106 million). The loss incurred is mainly due to the decrease in fair value of investment properties by TZS 46,933 million (2018: Decrease by TZS 353,917 million).

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 30 of these financial statements.

10. PERFORMANCE INDICATORS

Key Performance Indicator	Definition and Formula	Ratios 2018/2019	Ratios 2017/2018
Current Ratio	Current assets / Current liabilities	1.35	1.62
Quick Ratio	Current assets-inventories / Current liabilities	0.16	0.19
Return on Assets	Profit before tax** / Total assets	0.56%	0.44%
Debt to Equity Ratio	Total debt* / Equity	8.66%	9.04%
Profit before tax margin	Profit before tax** / Revenue	36.00%	28.31%

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

**For the purpose of determination of these ratios, 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;

11. BUSINESS PROFILE (CONTINUED)

Partners in any of the following models;

(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.

(b) Construction Activities

(i) Houses for Sale

During the year ended 30 June 2019, the following projects were in progress:

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

This project comprises construction of CRDB Headquarters building. The building will be having a gross floor area of approximately twenty thousand (20,000) square meters and approximately ten thousand eight hundred (10,800) square meters of parking area. The project was in progress as of 30 June 2019.

- **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 residence. The project had been suspended as of 30 June 2019.

- **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 had been suspended as of 30 June 2019.

- **EWURA Head office-Dodoma**

This project comprises of construction of 1 block flat with 5 floors (G+4 floors). This project is in progress as at 30 June 2019.

11. BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (Continued)

(i) Houses for Sale (Continued)

- 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 bedrooms (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 2019.

- Morocco mixed use - Dar es Salaam

This project comprises of 4 towers; Two office towers; office tower 1 with 20 floors (G + 19 floors), office tower 2 with 17 floors (G + 16 floors). It also consists of 1 apartments tower with 22 floors (G + 21 floors) which comprise of 100 residential units (64 units of three bedrooms normal, 32 units of three bedrooms duplex and 4 units of 4 bedrooms) and 1 hotel tower with 13 floors (G + 12 floors). The project also includes commercial space retail shops, food courts, restaurants, conference facilities, pubs, coffee lounges and supermarket. The project was in suspension as of 30 June 2019.

- 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 2019.

- 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 includes retail space, gym, swimming pool, kids' playing stands and other facilities. The project had been suspended as at 30 June 2019.

- 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 has been completed during the year ended June 2018 whereas phase two was still in progress as of 30 June 2019.

- Muheza Affordable Housing Project - Tanga

The project comprises of 20 houses/units stand-alone for residential purposes. The project is still in progress as of 30 June 2019.

11. BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (continued)

(i) Houses for Sale (continued)

- Bukondamoyo Affordable Housing Project - Kahama

The project comprises of 50 units of three bedrooms semidetached. The project was in progress as of 30 June 2019.

- 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 2019.

- Makete Affordable Housing Project-Njombe

The project comprises of 50 units of three bedrooms semidetached. The project was in progress as of 30 June 2019.

- Inyonga Affordable Housing Project - Katavi

The project comprises of 24 units of three bedrooms semidetached. The project was in suspension as of 30 June 2019.

- 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 2019.

- Masasi Affordable Housing Project - Mtwara

The project comprises of 54 units of three bedrooms semidetached, 1 shops block. The project was in progress as of 30 June 2019.

- 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 2019.

(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.

11. BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (Continued)

(ii) Investment projects

- 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 2019.

- 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 2019.

- 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 2019.

- 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 2019.

(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 completed as of 30 June 2019.

(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 completed during the year.

- 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 completed during the year.

- Msalato Secondary School - Dodoma

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

11. BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (continued)

(iv) Construction contracts projects (continued)

- Mwenge Secondary School - Singida

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

- Nganza Secondary School-Mwanza

This project involves construction of Anaerobic Baffle Reactor System (ABR) for Nganza Secondary School. The project was completed during the year.

- Pugu Secondary School - Dar es salaam

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

- Kilakala Secondary School - Morogoro

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

- Mzumbe Secondary School - Morogoro

This project involves 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 involves execution of renovation work on a residential building owned by of TEA located at Mikocheni. The project was completed during the year.

- Malinyi District Council

This project involves construction of office building for Malinyi District Council at Misegese area phase one in Malinyi District-Morogoro. The project was in progress at 30 June 2019.

- Malinyi DC's Residential House

This project involves construction of DC's residential house at Malinyi District in Morogoro region. The project was in progress at 30 June 2019.

- Boundary Fence and Gate house for ERB Offices-Dodoma

This project involves 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 completed during the year.

11. BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (Continued)

(iv) Construction contracts projects (Continued)

- MSD Pharmacy shop-Rukwa

This project involves extension of pharmacy shop Block at Rukwa region hospital. The project was completed during the year.

- Tanzania Airport Authority-Dodoma

This project involves rehabilitation and upgrading of Terminal building at Dodoma Airport. The project was completed during the year.

- Ministry of Finance (MOF)

This project involves construction of office block for the Ministry of finance and planning at the government city Ihumwa, Dodoma city. The project was completed during the year.

- Ministry of Energy (MOE)

This project involves construction of office for ministry of energy at Ihumwa in Dodoma city. The project was completed during the year.

- Ministry of Industry, Trade and Investment

This project involves construction of office for ministry of industry, trade and investment in Dodoma city.
This project was completed during the year.

- Ministry of Land, Housing and Human Settlements Development

This project involves construction of office for ministry of Land, Human settlements development in Dodoma city. This project was completed during the year.

- Wanging'ombe District Council

This project involves construction of office building for Wangingómbe district council (Phase II) at Igwachanya in Wangingómbe district council. The project was in progress at 30 June 2019.

- Ardhi University

This project involves extension of Lands Building Wing B Phase 3 at Ardhi University. The project was in progress at 30 June 2019.

11. BUSINESS PROFILE (CONTINUED)

(b) Construction Activities (continued)

(iv) Construction contracts projects (continued)

- Hai District Commission Office

This project involves construction of office Block for Hai district commissioner's office. The project was in progress at 30 June, 2019.

- Vingunguti Abattoir

This project involves construction of Vingunguti Abattoir (Phase I) which includes basement and ground floor with approximately total area of 4,575 m^2 to be built Plot No.3003 & 3004 block B at Vingunguti Industrial area, Ilala Municipal council. The project was in progress at 30 June 2019.

(v) Joint venture projects

During the year ended 30 June 2019, the Corporation had 149 (2018:182) projects under joint arrangements. Out of these, 74 (2018:74) were completed, 33 (2018:32) are still under construction and 42 (2018:39) 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 2019, rental revenue increased to TZS 93.1 billion from TZS 91.6 billion recorded during 12 months period ended 30 June 2018.

During the year ended 30 June 2019 an average monthly rental increased to TZS 7.8 billion from TZS 7.6 billion recorded during 12 months period ended 30 June 2018.

(d) Property maintenance

During the year the Corporation's expenditure on property maintenance decreased to TZS 5.7 billion compared to TZS 6.9 billion in the 12 month period ended 30 June 2018.

12. EMPLOYEES WELFARE

(a) Staff disposition

The total number of staff as at 30 June 2019 was 456 (2018: 514).

(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.

12. EMPLOYEES WELFARE (CONTINUED)

(b) Affirmative action (continued)

During the year, the Corporation's workforce comprised 286 male and 170 female employees (2018: 319 male and 195 female employees). On the other hand, the Corporation continued to promote female employees to senior level positions. As at 30 June 2019, the composition of female employees in various senior positions was as follows:

	30 June 2019	30 June 2018
Management Team	5 out of 13	2 out of 13
Headquarters Managers	7 out of 32	6 out of 32
Regional Managers	2 out of 24	2 out of 24
Senior Officers	19 out of 23	21 out of 27
Middle level Officers	140 out of 192	144 out of 201

(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 2019, the Corporation had one employee with physical disabilities (2018: 2 employees).

(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 125 million was spent in staff training (2018: TZS 177 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.

12. EMPLOYEES WELFARE (CONTINUED)

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.

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

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

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

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

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 2019 was as follows:

Business Development Committee

This Committee is composed of three (3) members. The main responsibility of the Committee is to advise the Board on all business development matters that need consideration of the Board. The Committee held no meetings during the year ended 30 June 2019. The following Directors served in the Business Development Committee during the year.

Name	Position	Nationality	Number of meetings attended
Eng. Marwa Rubirya	Chairman	Tanzanian	0/0
Mr. Charles Singili	Member	Tanzanian	0/0
Ms. Sauda Msemo	Member	Tanzanian	0/0

Finance and Human Resources Committee

This Committee is composed of three (3) members. The main responsibility of the Committee is to advise the Board on financial and personnel related matters that need consideration of the Board. The Committee held no meetings during the year ended 30 June 2019.

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

Name	Position	Nationality	Number of meetings attended
Mr. Charles Singili	Chairman	Tanzanian	0/0
Ms. Sauda Msemo	Member	Tanzanian	0/0
Mr. Humphrey Polepole	Member	Tanzanian	0/0

Audit, Risk and Compliance Committee

This committee is composed of three (3) members. The main responsibility of the committee is to advise the Board on all audit, risk and compliance matters that need consideration of the Board. The committee held no meeting during the year ended 30 June 2019.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

13. CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

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

Name	Position	Nationality	Number of meetings attended
Mr. Abdallah Shamte	Chairman	Tanzanian	0/0
Mr. Martin Madekwe	Member	Tanzanian	0/0
Ms. Immaculata Senje	Member	Tanzanian	0/0

Overall meeting attendance

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

Name	Position	Number of meetings attended
Dr. Sophia M. Kongela	Chairperson	1/1
Mr. Martin Madekwe	Vice Chairman	1/1
Mr. Charles Singili	Director	1/1
Mr. Abdallah Shamte	Director	1/1
Ms. Immaculata Senje	Director	1/1
Ms. Sauda Msemo	Director	1/1
Eng. Marwa Rubirya	Director	1/1
Mr. Humphrey Polepole	Director	1/1

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 Finance department 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.

14. RISK MANAGEMENT AND CONTROL (CONTINUED)

Market risk management (continued)

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

(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 30 million towards the education sector;
- TZS 22 million towards health support to institutions;
- TZS 43 million to support youth initiatives; and
- TZS 46 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;

17. CORPORATE IMAGE (CONTINUED)

- Improved trust in the Corporation and its management by dealing honestly with stakeholders;
- Increased staff awareness on our core values and corporate culture;
- 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.

- 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.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

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 2019. Reasonable care was exercised in all decisions taken by the Corporation, without placing the Corporation under unnecessary risk.

20. RELATED PARTY TRANSACTIONS AND BALANCES

All related party transactions and balances are disclosed in Note 32 to these Financial Statements. In accordance to National Housing Corporation Act No 2 of 1990, Directors' remuneration is determined by the Minister upon recommendation of the Board and key management remuneration is determined by the Board of Directors.

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 Corporation. The Controller and Auditor General appointed Deloitte &Touche to carry out the audit for the financial year ended 30 June 2019 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

22nd December 2019

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. 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

02nd December 2019

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, Adolph Kasegenya, being the Ag. Director of Finance of National Housing Corporation hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30 June 2019 have been prepared in compliance with International Financial Reporting 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.

22 December 2019

Adolph T. Kasegenya (ACPA 1791)
Ag. Director of Finance

INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

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

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NATIONAL HOUSING CORPORATIONS FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2019

Unqualified Opinion

I have audited the financial statements of National Housing Corporation, which comprise the statement of financial position as at 30 June, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly in all material respects, the financial position of National Housing Corporation as at 30 June 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

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

Other Information

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

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information that 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.

I have determined that there are no key audit matters to communicate in my report.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 audit report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAI 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 (amended in 2016) 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 (as amended in 2016)

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 (as amended in 2016) and its underlying Regulations of 2013 (as amended in 2016).

Charles E. Kichere
CONTROLLER AND AUDITOR GENERAL

National Audit Office,
Dodoma, Tanzania

6th March, 2020

CONTROLLER AND

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2019

	Notes	30 June 2019	30 June 2018
ASSETS		TZS '000	TZS '000
Non-current assets			
Investment property	14	4,020,103,423	4,051,690,772
Property and equipment	15	24,141,915	25,399,624
Intangible assets	16	10,519	42,075
Investment in joint venture	17(a)	19,916,704	19,332,293
Advances toward shares in other entities	17(b)	52,583,619	52,531,134
Equity Investments	17(c)	3,133,764	3,133,764
		4,119,889,944	4,152,129,662
Current assets			
Inventories	18	352,576,592	353,166,109
Trade and other receivables	19	29,572,952	30,133,711
Term deposits	20	-	299,331
Cash and bank balances	21	17,726,344	15,218,029
		399,875,888	398,817,180
TOTAL ASSETS		4,519,765,832	4,550,946,842
EQUITY AND LIABILITIES			
Equity			
Capital fund	22	485,554	485,554
Capital reserve	23	2,395,444	2,395,444
Revaluation reserve		5,273,820	1,913,466
Retained earnings		2,902,236,231	2,999,918,119
		2,910,391,049	3,004,712,583
Non-current liabilities			
Deferred tax liability	24	1,119,963,560	1,051,433,686
Borrowings	25	172,283,625	225,303,976
Rental deposits	31	15,243,754	12,337,746
Defined benefit obligation	26	6,083,280	9,310,781
		1,313,574,219	1,298,386,189
Current liabilities			
Borrowings	25	70,503,033	51,872,642
Bank overdraft	25	9,174,846	9,577,185
Current tax liability	13(c)	5,657,360	5,778,949
Trade and other payables	27	194,776,585	160,034,501
Accruals	28	8,673,945	13,595,230
Provisions	29	6,876,650	5,608,226
Gratuity payable		138,145	1,381,337
		295,800,564	247,848,070
TOTAL EQUITY AND LIABILITIES		4,519,765,832	4,550,946,842

The financial statements were approved and authorized for issue by the Board of Directors on..................................2019 and signed on its behalf by:

Dr. Sophia Kongela
Chairperson

Dr. Maulidi Banyani
Director General

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2019

	Notes	30 June 2019	30 June 2018
		TZS '000	TZS '000
Revenue	6	**124,748,606**	116,076,918
Net loss from fair value adjustment on investment properties	14	**(46,933,265)**	(353,917,099)
Other gains and losses	7	**(262,690)**	(5,163,423)
Cost of sales - inventory properties	8(a)	**(30,154,826)**	(21,841,693)
Property management costs	8(b)	**(9,007,941)**	(12,401,162)
Depreciation of property and equipment	15	**(1,612,620)**	(2,029,712)
Amortization of intangible assets	16	**(31,556)**	(21,037)
Net Impairment of financial assets	19	**(4,470,371)**	(1,600,809)
Administrative expenses	9	**(13,195,354)**	(13,098,332)
Sales and marketing expenses	10	**(789,699)**	(1,209,214)
Employee benefit expenses	11	**(20,310,278)**	(25,848,623)
Operating loss		**(2,019,994)**	(321,054,186)
Dividend received from equity investments		**20,684**	21,071
Finance income	12	**707,315**	507,831
Finance costs	12	**(24,639,858)**	(15,089,676)
Share of profit of joint ventures	17(a)	**810,486**	1,509,140
Loss before tax		**(25,121,367)**	(334,105,820)
Tax (expense)/Income	13(a)	**(72,046,108)**	188,885,438
Loss for the year		**(97,167,475)**	(145,220,382)
Share of other comprehensive income from joint ventures	17(a)	**161,364**	14,208
Actuarial gains from defined benefit obligation	26	**3,198,989**	1,515,264
Total comprehensive loss for the year		**(93,807,122)**	(143,690,910)

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

Dr. Sophia Kongela
Chairperson

Dr. Maulidi Banyani
Director General

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2019

	Capital fund TZS '000	Capital reserve TZS '000	Retained earnings TZS '000	Revaluation Reserve TZS '000	Total TZS '000
30 June 2019					
At beginning of the year	485,554	2,395,444	2,999,403,706	,913,467	3,004,198,171
Comprehensive income:					
Loss for the period	-	-	(97,167,475)	-	(97,167,475)
Other comprehensive income:					
Share of other comprehensive income from joint venture	-	-	-	161,364	161,364
Actuarial gains from defined benefit obligation	-	-	-	3,198,989	3,198,989
At end of year	**485,554**	**2,395,444**	**2,902,236,231**	**5,273,820**	**2,910,391,049**
30 June 2018					
At beginning of the year	485,554	2,395,444	3,145,138,501	383,995	3,148,403,494
Comprehensive income:					
Loss for the period	-	-	(145,220,382)	-	(145,220,382)
Other comprehensive income:					
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 30 June 2018 - as previously stated	**485,554**	**2,395,444**	**2,999,918,119**	**1,913,467**	**3,004,712,584**
Effect of change in accounting policy for IFRS 9	-	-	(734,876)	-	(734,876)
Tax effect of change in accounting policy for IFRS 9	-	-	220,463	-	220,463
At end of year	**485,554**	**2,395,444**	**2,999,403,706**	**1,913,467**	**3,004,198,171**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2019

	Notes	30 June 2019 TZS '000	30 June 2018 TZS '000
Cash flows from operating activities			
Cash receipts from customers	32	**176,942,534**	158,490,444
Interest received	12	**707,315**	507,831
Cash paid to suppliers	33	**(82,818,909)**	(94,467,308)
Cash paid in respect of staff cost	34	**(18,190,042)**	(22,938,394)
Interest paid	35	**(28,400,280)**	(30,752,912)
Tax paid	13 (c)	**(3,531,089)**	(3,133,362)
Net generated from operating activities		**44,709,529**	7,706,299
Cash flows from investing activities			
Purchase of property and equipment	15	**(354,911)**	(332,057)
Purchase of intangible assets	16	**-**	(63,112)
Additions to the investment property	14	**(1,988,232)**	(3,671,536)
Advances towards shares in other entities	17(b)	**(52,485)**	(187,519)
Dividend received from joint venture	17(a)	**387,439**	1,448,311
Investment in fixed deposit	20	**299,331**	(4,008)
Net cash used in investing activities		**(1,708,858)**	(2,809,921)
Cash flows from financing activities			
Proceeds from borrowings	25	**-**	25,417,968
Repayments of borrowings	25	**(40,090,017)**	(36,490,990)
Net cash used in financing activities		**(40,090,017)**	(11,073,022)
Net increase/(decrease) in cash and cash equivalent		**2,910,654**	(6,176,644)
Cash and cash equivalents at the beginning of the year.		**5,640,844**	11,817,488
Cash and cash equivalent at the end of year	21	**8,551,498**	5,640,844

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 2019

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

IFRS 9 (Financial Instruments)	IFRS 9 Financial Instruments (2014) is the finalized 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. • **De-recognition.** The requirements for de-recognition of financial assets and liabilities are carried forward from IAS 39.

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 2019 (Continued)

Impact on application of IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company's approach was to include the impairment of trade receivables in other expenses. Consequently, the Company reclassified impairment, recognised under IAS 39, from 'Net impairment of financial assets' in the statement of profit or loss and OCI for the year ended 30 June 2019

Additionally, the Company adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2019 but have not been generally applied to comparative information.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost. An increase of TZS 734,876 in the allowance for impairment over these receivables was recognized in opening retained earnings at 1 July 2018 on transition to IFRS 9.

i) The following table summarizes the impact, net of tax, of transition to IFRS 9 on the opening balance of retained earnings:

Retained earnings	**TZS**
Recognition of expected credit losses under IFRS 9	734,876
Related tax	(220,463)
Impact at 1 July 2018	514,413

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 2019 (Continued)

Impact on application of IFRS 9 Financial Instruments (continued)

ii) The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

	Note	IAS 39 carrying amount 30 June 2018 Opening balance as at 1 July 2018)	Re-measurements (Allowance for expected credit loss)	IFRS 9 carrying amount 1 July 2018 (Closing balance under IFRS 9)
		TZS' 000	TZS' 000	TZS' 000
Amortised Cost				
Cash and balances with Bank	-	15,218,029	(265,440)	14,952,589
Current tenant Rental Debtors	-	10,653,100	(108,697)	10,544,403
Ex-tenant Rental Debtors	-	10,436,277	-	10,436,277
Construction Debtors	7	1,063,765	(279,088)	784,677
Sale of Houses Debtors	8	6,011,430	(81,651)	5,929,779
Total financial assets measured at amortised cost		43,382,601	(734,876)	42,647,725

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 resulted to additional impairment as follows:

	TZS' 000
Loss allowance at 30 June 2018 under IAS 39	16,614,409
Additional impairment recognised as day 1 adjustment on initial application of IFRS 9	734,876
Loss allowance as at 1 July 2018 under IFRS 9	17,349,285

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 2019 (Continued)

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 January 1, 2018 and only available for three years after that date.
IFRS 15 (Revenue from contracts with customers)	IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: • Identify the contract with the customer • Identify the performance obligations in the contract • Determine the transaction price • Allocate the transaction price to the performance obligations in the contracts • Recognise revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

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 2019 (Continued)

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 Transfers of	Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-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.
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.
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 the purpose of 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)

a) *New standards and amendments to published standards effective for the year ended 30 June 2019 (continued)*

Annual improvements 2014 - 2016 cycle	The annual improvements 2014-2016 cycle made 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. **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. **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 organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

b) *New and amended standards and interpretations in issue but not yet effective for the year ended 30 June 2019*

IFRS 16 Leases	Effective for accounting periods beginning on or after 1 January 2019
IFRS 17 Insurance Contracts	Effective for the accounting periods beginning on or after 1 January 2021
IFRIC 23 Uncertainty over Income Tax Treatments	Effective for accounting periods beginning on or after 1 January 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	Effective for accounting periods beginning on or after 1 January 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	Effective for accounting periods beginning on or after 1 January 2019

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

b) ***New and amended standards and interpretations in issue but not yet effective for the year ended 30 June 2019***

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	Effective for accounting periods beginning on or after 1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards	Effective for accounting periods beginning on or after 1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	Effective for accounting periods beginning on or after 1 January 2020
Annual Improvements to IFRS 2015-2017 Cycle	Effective for accounting periods beginning on or after 1 January 2019

c) ***Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019***

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 the Directors are still assessing the impact of application of IFRS 16.

IFRS 17 Insurance Contracts

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

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

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.It specifically considers:

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

c) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019 (Continued)

IFRIC 23 Uncertainty over Income Tax Treatments (Continued)

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

IFRIC 23 is effective for accounting periods beginning on or after 1 January 2019 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

Amendments to IFRS 9 are effective for accounting periods beginning on or after 1 January 2019 and is not expected to have significant impact on the financial statements.

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Amendments to IAS 28 are effective for accounting periods beginning on or after 1 January 2019 and the directors are still assessing the impact of application on the financial statements.

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement.

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

c) *Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019 (continued)*

- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

Amendment to IAS 19 are effective for accounting periods beginning on or after 1 January 2019 and is not expected to have significant impact on the financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework published in June 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework.

Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework

The Directors of the Corporation do not anticipate that the application of the amendments in the future will have an impact on the Corporation's financial statements.

Definition of a Business (Amendments to IFRS 3)

The amendments in *Definition of a Business (Amendments to IFRS 3)* are changes to Appendix A *Defined terms*, the application guidance, and the illustrative examples of IFRS 3 only. They:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;

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

c) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019 (Continued)

- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The Directors of the Corporation do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

Definition of Material (Amendments to IAS 1 and IAS 8)

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

The Directors of the Corporation do not anticipate that the application of the amendments in the future will have an impact on the Corporation's financial statements.

Annual Improvements to IFRS 2015-2017 Cycle

Annual Improvements to IFRS Standards 2015 - 2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs. The Annual Improvements include amendments to four Standards.

- **IAS 12 Income Taxes** -The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

- **IAS 23 Borrowing Costs** -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.

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

c) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019 (Continued)

- **IFRS 3 Business Combinations** - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognized assets, liabilities and goodwill relating to the joint operation.
- **IFRS 11 Joint Arrangements** - The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its previously held interest in the joint operation.

The Directors of the Corporation do not anticipate that the application of the amendments in the future will have an impact on the Corporation's financial statements.

d) Early adoption of standards

The Corporation did not early-adopt any new or amended standards in the year ended 30 June 2019.

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 and defined benefit obligation which are measured at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of preparation (continued)

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 performance obligation fulfilled by the Corporation in various contracts. Revenue is recognised as follows:

(i) Rental income from property leases is recognised on a straight-line basis over the period of the lease;

(ii) Sales of property inventory are recognised in the period in which the Corporation fulfil performance obligation, i.e. when the customer has accepted the property and there is binding contract.

(iii) Where joint venture properties constitute joint operations, rental income from such properties are recognised in revenue based on the Corporation's percentage share of the joint venture rental income on a straight line basis over the period of the lease;

(iv) Contracts incomes are recognised overtime base on measurement of progress of satisfaction of performance obligation. The Corporation uses the input method in measuring satisfaction of the performance obligation, this is in alignment of IFRS 15 for construction contracts.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Functional currency and translation of foreign currencies (Continued)

(ii) Transactions and balances

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Investment property (Continued)

Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.
It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

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

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

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

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Intangible assets

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

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

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

3.8 Inventories

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

3.9 Trade receivables

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

3.10 Payables

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Borrowings and borrowings cost

(i) Borrowings

Borrowings are recognised 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 recognised in profit or loss over the period of the borrowings using the effective interest method.

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

(ii) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

3.12 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.

3.13 Employee benefits

(i)Retirement benefit obligations

The Corporation operates defined contribution retirement benefit schemes for its employees. A defined contribution plan is a pension plan under which the Corporation pays fixed contributions into separate entities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Employee benefits (Continued)

The Corporation made pension contributions to PPF Pensions Fund (PPF), National Social Security Fund (NSSF), Public Service Social Security Fund (PSSSF), Local Authorities Pensions Fund contributions (LAPF) and Government Employees Pension Fund (GEPF).

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

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

(ii) Other entitlements

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

(iii) Service gratuity

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

(iv) Defined benefit plan

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Employee benefits (Continued)

- 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 as part of staff costs.

3.14 Financial Instruments

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

Financial assets

Initial recognition

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

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

Subsequent measurement

Financial assets are classified into the following specified categories:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Financial Instruments (Continued)

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

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

Amortised cost and effective interest method

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

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

Trade and other receivables

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

Cash and Bank balances

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Financial Instruments (Continued)

Impairment of financial assets

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

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

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

De-recognition of financial assets

The Corporation 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, the Corporation recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Financial Instruments (Continued)

Financial liabilities

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

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

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not contingent consideration of an acquirer in a business, held-for-trading, or designated as at FVTPL, are measured subsequently at amortised cost using the 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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

De-recognition of financial liabilities

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

Offset

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

3.15 Current and deferred tax

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Current and deferred tax (continued)

In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Tanzania Income Tax Act (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 recognised, 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 recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

3.16 Joint arrangements

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

3.17 Provision

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Construction costs

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

3.20 Lease

Corporation as Lessor

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

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

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

4. FINANCIAL RISK 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 recognised assets and liabilities are therefore mitigated. Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

4.1 Market risk (continued)

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

The Corporation's interest bearing financial assets are the fixed deposits, (Note 20) which are held at fixed interest rates, and on which it is therefore exposed to fair value interest rate risk. The Corporation also has borrowings from banks which carry fixed and variable interest rates (Note 25). The Corporation regularly monitors financing options available to ensure optimum interest rates are obtained whenever the facilities are being rolled forward.

4.2. Credit risk

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

	30 June 2019 TZS '000	30 June 2018 TZS '000
Cash at bank	**17,707,344**	15,199,029
Term deposits	-	299,331
Trade receivables (gross)	**34,614,158**	28,713,509
Staff receivables	**4,760,542**	5,167,484
	57,082,044	49,379,353

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 2019 TZS '000	30 June 2018 TZS '000
Past due but not impaired:		
Up to 90 days	**3,360,536**	3,410,958
Above 90 days but less than 1 year	**1,385,923**	2,064,010
Construction Debtors	**9,715,746**	7,624,132
Total past due but not impaired	**14,462,205**	13,099,100
Impaired	**19,562,850**	15,614,409
	34,025,055	28,713,509

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

All receivables from ex-tenants and those tenants subject to court cases are considered fully impaired. The value of these receivables as at 30 June 2019 was TZS 11,857 million (30 June 2018: TZS 10,436 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, 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 2019				
Trade and other payables	28,180,827	-	-	28,180,827
Borrowings	70,503,033	39,223,449	133,060,176	242,786,658
Gratuity payable	138,145	-	-	138,145
Bank overdraft	9,174,846	-	-	9,174,846
Rental deposits	-	-	15,243,754	15,243,754
	107,996,851	**39,223,449**	**148,303,930**	**295,524,230**
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**

4. FINANCIAL RISK MANAGEMENT AND 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 2019 were as follows:

	30 June 2019 TZS '000	30 June 2018 TZS '000
Total borrowings (Note 25)	**(242,786,657)**	(277,176,618)
Less: cash and bank balances (Note 21)	**8,551,498**	5,640,844
Net borrowings	**(234,235,159)**	(271,535,774)
Total equity	**2,983,311,630**	3,004,712,583
Gearing ratio	**7.85 %**	**9.04%**

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 recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Receivables

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS(CONTINUED)

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.

Income Tax

The Corporation is subjected to a number of taxes and levies by various government and quasi-government regulations bodies. As a rule of thumb, the Corporation recognises 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. REVENUE

	30 June 2019 TZS '000	30 June 2018 TZS '000
Rental income	**93,107,560**	91,582,745
Sale of inventory properties-Own constructed Projects (Note 6a)	**20,285,191**	18,084,136
Contracts income-Third party projects (Note 6b)	**6,635,713**	6,410,037
Sale of open plots (Note 6c)	**4,720,142**	-
	124,748,606	116,076,918

(6a) Own Constructed Projects

	30 June 2019 TZS '000	30 June 2018 TZS '000
Kibada project	**299,963**	33,155
Medeli project	**1,108,442**	6,358,301
ECO project	**210,916**	1,444,956
Mtanda project	**119,775**	37,690
Levolosi project	**82,109**	246,327
Iyumbu project	**1,333,090**	5,143,846
Ubungo project	-	108,265
Ilembo project	-	76,684
Bombambili project	-	41,524
Shangani project	-	2,138,744
Buswelu project	-	655,993
Muleba project	-	48,875
Uyui project	-	1,579,776
Safari City(affordable houses)project	-	170,000
Chato project	**86,700**	-
Victoria Apartment project	**10,904,979**	-
Mvomero project	**429,132**	-
Mkuzo project	**44,391**	-
Mwongozo project	**5,665,694**	
	20,285,191	18,084,136

(6b) Third Party Projects

	30 June 2019 TZS '000	30 June 2018 TZS '000
Busokelo project	**5,500**	10,261
Momba project	**189,270**	673,470
Msalato secondary school project	**11,460**	797,609
Mzumbe secondary school project	**60,435**	895,162
Kilakala secondary school project	**52,269**	806,460
Mwenge secondary school project	**52,669**	877,674
Pugu secondary school project	**18,909**	1,010,325
Malinyi District Council project	**1,057,162**	555,961
ERB boundary fance project	**46,067**	71,907
Tanzania Education Authority-Head Office project	**36,964**	526,515
Tanzania Airport Authority project	**386,133**	48,272
Medical Store Department project	**36,911**	9,799
Mlele project	-	7,390
Kakuni secondary school project	-	84,164

	30 June 2019 TZS '000	30 June 2018 TZS '000
6. REVENUE (CONTINUED)		
6b) Third Party Projects (continued)		
Nganza secondary school project	-	35,068
Ministry of Finance project	831,631	-
Ministry of Land, Housing and Human Settlement project	923,060	-
Ministry of Energy project	927,166	-
Ministry of Industry project	829,552	-
Wanging'ombe project	755,423	-
Ardhi University project	272,048	-
Malinyi DC residential	48,244	-
Hai DC Office	74,126	-
Vingunguti Abattoir	20,714	-
	6,635,713	6,410,037
6(c) Sales of open plots		
Safari City plots	1,077,842	-
Luguruni plots	3,642,300	-
	4,720,142	-
7. OTHER GAINS AND LOSSES		
Inventory property write down	(20,484)	(4,022,424)
Net foreign exchange losses	(1,280,629)	(1,882,021)
Miscellaneous income	1,038,423	741,022
	(262,690)	(5,163,423)
8. (a) CONSTRUCTION COSTS		
(i) Own Constructed Projects		
Kibada project	347,068	38,223
Medeli project	615,986	5,781,955
ECO project	210,916	1,427,738
Mtanda project	119,775	37,690
Levolosi project	62,275	186,824
Iyumbu project	973,291	4,823,790
Ubungo project	-	87,025
Ilembo project	-	85,413
Bombambili project	-	40,067
Shangani project	-	1,901,970
Buswelu project	-	662,169
Muleba project	-	38,957
Uyui project	-	1,227,730
Chato project	71,440	-
Mvomero project	429,132	-
Mkuzo project	43,722	-
Mwongozo project	4,972,293	-
Victoria Project	14,676,344	-
	22,522,242	16,339,551

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. (a) CONSTRUCTION COSTS (Continued)

	30 June 2019 TZS '000	30 June 2018 TZS '000
(ii) Third Party Projects		
Busokelo project	5,350	9,983
Momba project	151,724	539,869
Msalato secondary school project	12,444	715,413
Mzumbe secondary school project	55,176	743,872
Kilakala secondary school project	47,116	664,612
Mwenge secondary school project	51,689	681,932
Pugu secondary school project	11,232	806,748
Malinyi District Council project	940,847	494,791
ERB boundary fance project	38,178	59,593
Tanzania Education Authority-Head Office project	32,287	459,898
Tanzania Airport Authority project	319,432	39,933
Medical Store Department project	36,774	7,871
Mlele project	-	7,390
Kakuni secondary school project	-	76,371
Nganza secondary school project	14,553	24,594
Ministry of Finance project	831,631	-
Ministry of Land, Housing and Human Settlement project	923,060	-
Ministry of Energy project	927,166	-
Ministry of Industry, Trade and Investment project	829,552	-
Wanging'ombe project	645,002	-
Ardhi University project	237,940	-
Malinyi District Council Residential	41,008	-
Hai District Council Office	58,573	-
Vingunguti Abattoir	18,748	-
	6,229,482	5,332,870
(iii) Open Plots		
Safari City	674,669	169,271
Luguruni plots	728,433	-
	1,403,102	169,271
	30,154,826	21,841,693

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2019 TZS '000	30 June 2018 TZS '000
8. (b) PROPERTY MANAGEMENT COSTS		
Repair and maintenance rental houses	**5,686,556**	6,877,789
Estate management expenses	**1,714,087**	1,735,073
Land rent and property tax	**1,145,303**	3,364,210
Property valuation fees	**137,527**	93,774
City service levy	**324,468**	330,316
	9,007,941	12,401,162

	30 June 2019 TZS '000	30 June 2018 TZS '000
9. ADMINISTRATIVE EXPENSES		
Training and seminar costs	**270,930**	362,132
Security and insurance services	**888,590**	1,310,818
Printing and stationeries	**428,567**	552,366
Computer expenses and software maintenance cost	**367,512**	386,761
Auditors remuneration	**534,277**	417,000
Other audit costs	**43,358**	126,236
Repair and maintenance office buildings	**246,879**	180,174
Internet costs and network	**600,541**	752,700
Consultancy fee	**84,898**	121,725
Water and electricity	**402,018**	395,008
Postage and telephone	**353,469**	456,990
Travelling on duty	**1,415,770**	1,428,789
Directors' fees and board expenses	**102,214**	262,246
Motor vehicle fuel and maintenance	**1,978,302**	2,544,601
VAT write off, penalties and fines	**1,757,522**	912,292
Donation	**141,155**	372,406
Repairs and maintenance office equipment	**94,518**	153,566
Legal fees	**87,536**	207,641
Provision for legal cases	**1,268,424**	-
Bank charges	**140,488**	260,948
Office expenses	**150,077**	156,220
National festivals	**54,601**	72,647
Procurement expenses	**173,083**	84,673
Contribution to exchequer	**1,200,000**	1,200,000
General cleaning expenses	**369,907**	343,029
Other administrative expenses	**40,718**	37,364
	13,195,354	13,098,332

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2019 TZS '000	30 June 2018 TZS '000
10. SALES AND MARKETING EXPENSES		
Business promotion	**554,230**	529,224
Sales expenses and marketing expenses	**51,033**	440,899
Advertising and publicity	**184,436**	239,091
	789,699	1,209,214
11. EMPLOYEE BENEFITS EXPENSES		
Salaries and wages	**10,520,556**	13,336,727
Housing allowance	**2,561,951**	3,284,027
Terminal benefits	**(45,851)**	18,163
Defined benefit obligation expense	**1,895,405**	2,496,210
Staff welfare	**120,243**	107,483
Staff canteen services	**423,493**	381,236
Staff transport services	**346,831**	354,835
Staff uniforms and clothing	**41,485**	105,969
Pension contributions	**1,462,279**	1,588,768
Medical costs	**635,720**	1,397,904
Master workers council	**109,390**	74,818
Leave travel allowance	**869,239**	1,026,257
Transfer and disturbance allowance	**359,697**	308,985
Skills and development levy	**718,942**	903,941
Extra duty payments	**-**	32,638
Gratuity provision expense	**224,831**	414,019
Workers' compensation fund	**66,067**	79,574
Annual incentive and service award	**-**	(62,931)
	20,310,278	25,848,623
12. FINANCE INCOME AND COSTS		
Finance income		
Interest on bank term deposits	**190,396**	48,895
Interest on rental receivables	**516,919**	458,936
	707,315	507,831
Finance costs		
Interest on borrowings	**(23,940,135)**	(13,948,228)
Loan-related charges	**(699,723)**	(1,141,448)
	(24,639,858)	(15,089,676)
Net finance cost	**(23,932,543)**	(14,581,845)

13. INCOME TAX

(a) Tax (income)/charge

	30 June 2019 TZS '000	30 June 2018 TZS '000
Current tax-current period	**4,043,330**	3,782,840
Current tax- prior period overprovision	**(747,559)**	-
Deferred tax income-current period (Note 24)	**(10,915,126)**	(183,684,791)
Deferred tax charge/(income)-prior periods (Note 24)	**79,665,463**	(8,983,487)
	72,046,108	(188,885,438)

(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 2019 TZS '000	30 June 2018 TZS '000
Loss before tax	**(25,121,367)**	(334,105,820)
Tax calculated at the statutory income tax rate of 30%	**(7,536,410)**	(100,231,746)
Tax effect of:		
Non-taxable income	**(249,351)**	(1,530,211)
Expenditure permanently disallowed for tax purpose	**913,965**	1,201,032
Decrease in deferred tax from fair value losses	-	(79,341,026)
Current tax relating to prior periods	**(747,559)**	-
(Under)/Over- provision of deferred tax from prior year	**79,665,463**	(8,983,487)
	72,046,108	(188,885,438)

(c) Tax movement

	30 June 2019 TZS '000	30 June 2018 TZS '000
Balance at beginning of the year	**5,778,949**	5,129,471
Current tax charge for the year	**4,043,330**	3,782,840
Tax interest and penalties-prior period	**113,729**	-
Current tax- prior period overprovision	**(747,559)**	-
Tax paid during the year	**(3,531,089)**	(3,133,362)
Balance as at the end of the year	**5,657,360**	5,778,949

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. INVESTMENT PROPERTIES

	Land and rental buildings TZS'000	Joint arrangements land and rental buildings TZS'000	Work in progress and undeveloped land TZS'000	Total TZS'000
30 June 2019				
Opening balance	**3,292,316,228**	**163,123,851**	**596,250,693**	**4,051,690,772**
Additions	-	-	1,988,232	1,988,232
Transfers from inventory	13,357,684	-	-	13,357,684
Transfer in/(out)	5,995,009	9,081,828	(15,076,837)	-
Fair value gain/(loss)	(20,119,069)	575,921	(27,390,117)	(46,933,265)
	3,291,549,852	**172,781,600**	**555,771,971**	**4,020,103,423**
30 June 2018				
Opening balance	**3,543,025,455**	**166,048,101**	**694,821,521**	**4,403,895,077**
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)	-	(4,591)	(1,657,582)
Fair value gain/(loss)	(262,602,323)	(2,924,250)	(88,390,526)	(353,917,099)
	3,292,316,228	**163,123,851**	**596,250,693**	**4,051,690,772**

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 1,027 million (2018: TZS 978 million).

14. INVESTMENT PROPERTIES (CONTINUED)

The Corporation is satisfied that the fair value of all its investment properties under construction at 30 June 2019 were reliably determinable on continuing basis. The Corporation investment properties were revalued at 30 June 2019 through review by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the location and categories of investment properties valued.

Properties being constructed or developed for future use as investment properties were valued at TZS 565 billion (2018: TZS 598 billion) as follows:

30 June 2019	**Total value of the investment property TZS'000**	**NHC percentage share %**	**NHC share of ownership TZS'000**
Investment properties under construction (Joint venture properties)	46,961,070	100	46,961,070
Investment properties under construction (NHC owned properties)	14,802,484	100	14,802,484
Undeveloped plots	494,034,490	100	494,034,490
	555,798,044		**555,798,044**
30 June 2018			
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**

As at the end of the period, investment properties with value of TZS 573,593 million (30 June 2018: TZS 570,832 million), were pledged as security on bank borrowings as detailed in Note 25.

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 2019								
Opening net book value	17,565,190	1,026,234	420,551	996,183	1,493	82,151	5,307,822	25,399,624
Additions (at cost)	-	25,231	-	137,377	-	192,303	-	354,911
Depreciation charge	(378,319)	(208,790)	(215,431)	(718,806)	(664)	(90,610)	-	(1,612,620)
Closing net book value	17,186,871	842,675	205,120	414,754	829	183,844	5,307,822	24,141,915
Cost	18,918,612	2,501,323	6,384,571	5,620,343	52,061	2,807,720	5,307,823	41,592,453
Accumulated depreciation	(1,731,742)	(1,658,648)	(6,179,450)	(5,205,588)	(51,232)	(2,623,878)	-	(17,450,538)
Net book value	17,186,870	842,675	205,121	414,755	829	183,842	5,307,823	24,141,915
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	17,565,190	1,026,234	420,551	996,183	1,493	82,151	5,307,822	25,399,624
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	17,565,190	1,026,234	420,551	996,183	1,493	82,151	5,307,822	25,399,624

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2019 TZS '000	30 June 2018 TZS '000
16. INTANGIBLE ASSETS		
Net book value at the beginning of the year	**42,075**	-
Additions	-	63,112
Amortisation charge	**(31,556)**	(21,037)
Netbook value at the end of the year	**10,519**	42,075
Cost	**1,203,293**	1,203,293
Accumulated amortisation	**(1,192,774)**	(1,161,218)
Net book value	**10,519**	42,075
17. (a) INVESTMENT IN JOINT VENTURES		
At the beginning of the year	**19,332,293**	19,257,256
Share of profit from joint ventures	**810,486**	1,509,140
Dividend received during the year	**(387,439)**	(1,448,311)
Share of other comprehensive income	**161,364**	14,208
At the end of the year	**19,916,704**	19,332,293

The table below summarizes details of assets and liabilities as at 30 June 2019, and financial results for the year then ended accruing to the Corporation:

JV Name	Country of incorporation	% interest held	Assets TZS '000	Liabilities TZS '000	Revenue TZS '000	Profit after tax TZS '000
30 June 2019						
NHC/PPF - IPS Building Company Limited	Tanzania	50	18,478,832	(1,194,070)	437,908	(1,202,423)
NHC House Company Limited	Tanzania	50	4,827,974	(2,365,464)	3,699,259	1,843,477
			23,306,806	**(3,559,534)**	**4,137,167**	**641,054**
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	2,516,991	(1,510,518)	2,024,539	1,217,251
			21,102,043	**(1,769,750)**	**2,739,260**	**1,523,348**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	30 June 2019 TZS '000	30 June 2018 TZS '000
17. (b) ADVANCES TOWARD SHARES IN OTHER ENTITIES		
At the beginning of the year	**52,531,134**	52,343,615
Cash paid during the year	**52,485**	187,519
At the end of the year	**52,583,619**	52,531,134
Below is the summary of advances held:		
Kawe Special Purpose Vehicle	**6,678,344**	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
NHC/PPF Company Limited	**22,800,177**	22,800,177
	52,583,619	52,531,134
17. (c) EQUITY INVESTMENTS		
Tanzania Mortgage Refinancing Company Limited	**1,200,000**	1,200,000
Watumishi Housing Company Limited	**1,933,764**	1,933,764
	3,133,764	3,133,764
18. INVENTORIES		
(i) Inventory properties (Completed houses)		
Kibada Project-Dar es Salaam at cost	**766,302**	1,113,370
Levolosi Project- Arusha at cost	**62,275**	124,549
Ubungo Project- Dar es Salaam at cost	**175,529**	175,529
Mkuzo Project- Ruvuma at cost	**125,508**	483,000
Medeli Project- Dodoma at cost	**7,303,839**	7,919,826
Muleba Project- Kagera at cost	**116,871**	740,183
Mrara Project- Manyara at cost	**684,962**	1,498,056
Mkinga Project- Tanga at cost	**-**	1,327,583
Longido Project- Arusha at cost	**97,130**	874,170
Bombambili Project- Geita at cost	**56,566**	1,128,956
Mlole Project- Kigoma at cost	**648,096**	1,005,110
Mvomero Project- Morogoro at cost	**159,836**	1,173,687
Uyui Project- Tabora at cost	**38,367**	652,232
Kongwa Project- Dodoma at cost	**491,411**	1,465,340
Unyankumi Project- Singida at cost	**92,893**	701,716
Ilembo Project- Katavi at cost	**170,827**	2,183,570
Mtanda Project-Lindi at cost	**537,046**	690,481
Buswelu Project	**4,234,657**	1,143,747
Shangani Project-Mtwara at cost	**1,924,382**	1,924,762
Less:Excess of cost over net realizable value	**-**	(380)
	1,924,382	1,924,382

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. INVENTORIES (CONTINUED)

(i) Inventory properties (Completed houses) (continued)

	30 June 2019 TZS '000	30 June 2018 TZS '000
ECO Project-Dar es Salaam at cost	-	210,916
Iyumbu project-Dodoma at cost	1,703,926	2,677,217
Safari City project-Arusha at cost	594,350	594,350
Monduli project	715,514	-
Buhare project	33,651	-
Mwongozo project	8,982,704	-
	29,716,642	29,807,970

(ii) Inventory properties (Ongoing projects)

	30 June 2019 TZS '000	30 June 2018 TZS '000
Ushindi Residential-Plot 36&37 Victoria	27,451,881	43,984,152
Less: Excess of cost over net realisable value	-	(3,839,107)
Net realisable value	27,451,881	40,145,045
Morocco square-Plot 1-3 & 44 Morocco	148,244,034	144,230,939
Mwongozo-Plot 44/2 Block 6	-	13,364,083
Victoria- Plot 300	4,755,025	4,755,025
Jangwani-Plot 149/1, 3-13 Block H	1,073,955	881,367
Golden Premier Residential-Plot no 711/2 Kawe	29,789,607	29,789,607
Bukondamoyo Affordable Housing Scheme	1,778,101	1,494,317
Makete Affordable Housing Scheme	1,315,095	1,311,984
Inyonga Affordable Housing Scheme	623,366	611,651
Buhare Affordable Housing Scheme	-	1,561,932
Igunga Affordable Housing Scheme	1,238,372	1,164,116
Mbarali Affordable Housing Scheme	772,196	744,362
Buswelu-Plot no.151-176, 242-270 Block A	-	2,773,317
Manyoni Affordable Housing Scheme	15,675	15,675
Luguruni Low costing Houses Project	19,710	19,710
Chato Affordable Housing Scheme	-	708,804
Kawe-Plot no. 711/1	23,444,589	23,444,589
Chato Residential-Plot 274 Chato	6,822,367	5,234,063
Masasi Affordable Housing Scheme	1,446,333	1,345,023
Burka (Safari city)	975,954	848,834
Ipogolo Affordable Housing Scheme	11,734	11,734
Vijibweni Alykhan-Plot 270,288 & 289 Magore	14,065	14,065
Iyumbu Affordable Housing Scheme	2,882,841	1,238,425
CRDB head office-Plot 25&26 A.H Mwinyi Road & Obama Drive	56,501,324	33,656,861
Muheza Affordable Housing Scheme (Chatur)	328,846	35,235
Monduli -Township Project (Town Houses)	-	1,345,706
EWURA Head Office	3,370,199	1,672,991
Chato plots Project	724,168	27,475
	313,599,437	312,446,935

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. INVENTORIES (CONTINUED)

	30 June 2019 TZS '000	30 June 2018 TZS '000
(iii) Plots for sale		
Safari city project	**8,334,948**	8,999,338
Luguruni project	**-**	728,433
	8,334,948	9,727,771
(iv) Other inventories		
Building materials	**897,513**	1,107,476
Stationeries	**274,109**	322,014
	1,171,622	1,429,490
Allowance for obsolete other inventories	**(246,057)**	(246,057)
	925,565	1,183,433
Total inventories	**352,576,592**	353,166,109

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 5,946 million (2018: TZS 13,291 million).

19. TRADE AND OTHER RECEIVABLES

	30 June 2019 TZS '000	30 June 2018 TZS '000
Rental receivables - current tenants	**12,970,842**	10,653,100
Rental receivables - ex tenants	**11,856,687**	10,436,277
Tenant purchase receivables	**5,580**	5,580
Receivables from the sale of buildings	**10,035,911**	7,618,552
	34,869,020	28,713,509
Other receivables	**2,083,508**	1,651,163
Less: Allowances for doubtful debts	**(21,819,027)**	(16,614,409)
	15,133,501	13,750,263
Staff receivables	**4,760,542**	5,167,484
Advance to contractors	**9,678,909**	11,215,964
	29,572,952	30,133,711

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in the impairment allowance:

	Receivables TZS'000	Other financial assets TZS'000	Total TZS'000
30 June 2019			
At beginning of the year	**15,614,409**	**1,000,000**	**16,614,409**
Charge for the year	4,411,548	58,823	4,470,371
Additional impairment on implementation of IFRS 9	468,806	265,440	734,246
Write-off during the year	-	-	-
Recoveries	-	-	-
At end of the year	**20,494,763**	**1,324,263**	**21,819,026**
30 June 2018			
At beginning of the year	**14,591,941**	**1,998,320**	**16,590,261**
Charge for the year	1,600,809	-	1,600,809
Write-off during the year	(578,341)	-	(578,341)
Recoveries	-	(998,320)	(998,320)
At end of the year	**15,614,409**	**1,000,000**	**16,614,409**

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

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 2019 TZS '000	30 June 2018 TZS '000
Other fixed deposits	-	299,331
	-	299,331
The movement of sinking fund deposits during the period is shown below:		
At beginning of the year	-	**524,562**
Withdrawn during the year	-	**(524,562)**
At the end of the year	-	-

20. TERM DEPOSITS (CONTINUED)

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.

21. CASH AND BANK BALANCES

	30 June 2019 TZS '000	30 June 2018 TZS '000
Bank balances	**17,707,344**	15,199,029
Cash on hand	**19,000**	19,000
Cash and bank balances as per statement of financial position	**17,726,344**	15,218,029
Bank overdrafts (Note 25)	**(9,174,846)**	(9,577,185)
Cash and cash equivalents as per statement of cash-flows	**8,551,498**	5,640,844

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 2018: 30%). The movement on the deferred tax account is as follows:

	30 June 2019 TZS '000	30 June 2018 TZS '000
At the beginning of the year	**1,051,433,686**	1,244,101,964
Deferred tax (credit)/charge -current period (Note 13(a))	**(10,915,126)**	(183,684,791)
Deferred tax (credit)/charge- prior periods (Note 13(a))	**79,665,463**	(8,983,487)
Deferred tax on IFRS 9 initial application	**(220,463)**	-
At the end of the year	**1,119,963,560**	1,051,433,686

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 to P&L prior year TZS'000	Charge to P & L current year TZS'000	Closing balance TZS'000
30 June 2019				
Deferred tax liabilities				
Fair value of investment properties	107,140,962	79,657,971	(7,257,338)	179,541,595
Accelerated capital allowances	960,433,248	7,492	(1,051,373)	959,389,367
	1,067,574,210	79,665,463	(8,308,711)	1,138,930,962
Deferred tax assets				
Provisions and other deductible temporary differences	(16,140,524)	(220,463)	(2,606,415)	(18,967,402)
Net deferred income tax liability	**1,051,433,686**	**79,445,000**	**(10,915,126)**	**1,119,963,560**
30 June 2018				
Deferred tax liabilities				
Fair value of investment properties	212,905,906	97,834	(105,862,778)	107,140,962
Accelerated capital allowances	1,047,644,240	(10,847,232)	(76,363,760)	960,433,248
	1,260,550,146	(10,749,398)	(182,226,538)	1,067,574,210
Deferred tax assets				
Other deductible temporary differences	(16,448,182)	1,765,911	(1,458,253)	(16,140,524)
Net deferred income tax liability	**1,244,101,964**	**(8,983,487)**	**(183,684,791)**	**1,051,433,686**

25. BORROWINGS

	30 June 2019 TZS '000	30 June 2018 TZS '000
Bank and other borrowings	**229,029,368**	264,580,775
Accrued interest on principal from banks and other borrowings	**13,757,290**	12,595,843
Bank overdrafts	**9,174,846**	9,577,185
	251,961,504	286,753,803
Current		
Bank overdraft	**9,174,846**	9,577,185
Bank and other borrowings	**70,503,033**	51,872,642
Accrued interest	**13,757,290**	12,595,844
Current principal from bank and other borrowings	**56,745,743**	39,276,798
	79,677,879	61,449,827
Non-current		
Bank and other borrowings	**172,383,625**	225,303,976
	251,961,504	286,753,803

25. BORROWINGS (CONTINUED)

Movement in bank and other borrowings (principal only):

	30 June 2019 TZS '000	30 June 2018 TZS '000
At the beginning of the year	**264,580,774**	272,869,000
Additional borrowings	-	25,417,968
Repayments	**(40,090,017)**	(36,490,990)
Unrealized foreign exchange losses	**4,538,611**	2,784,796
At the end of the year	**229,029,368**	264,580,774

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

Lender's name	30 June 2019 TZS '000	30 June 2018 TZS '000	Effective interest rate %	Tenure years
Shelter Afrique	**13,803,340**	17,645,656	LIBOR+3.7%	10
CBA (T) Limited	**1,543,854**	6,763,749	7%	7
CRDB Bank Plc (Loan II)	**25,372,228**	27,395,133	15%	10
Public Service Social Security Fund (PSSSF)	**7,948,293**	8,938,890	15.30%	11
ABC (T) Limited	**528,651**	2,460,398	15%	5
TIB Development Bank	**26,490,351**	30,505,930	15%	4
Azania Bank Limited	**635,509**	1,603,855	14%	7
NMB Bank Plc	**23,923,019**	34,689,401	15.36%	7
SEM (T) Limited	**32,654,693**	32,526,429	13%	10
CRDB Bank Plc (Loan III)	**33,996,083**	38,894,920	16.5%	7
Bank M (T) Limited / Azania Bank	**9,070,143**	7,772,258	16.0%	6
East African Development Bank (EADB)	**66,820,494**	67,980,000	LIBOR+5.5%	7
	242,786,658	277,176,619		

Bank and other borrowings are secured on investment property to the value of TZS 573,593 million (2018: TZS 570,832 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.

25. BORROWINGS (CONTINUED)

The loan carries interest at 6 months LIBOR + 3.7% per annum spread/margin. The loan is repayable over a period of 10 years (inclusive of 2 years grace period) effective from March 2015. As at 30 June 2019 the outstanding balance included principal balance of TZS 13.6 billion and interest of TZS 137.6 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 2019 outstanding balance included principal balance of TZS 1.4 billion and interest of TZS 198.6 million.

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 2019, outstanding balance included principal of TZS 24.6 billion and interest of TZS 732.5 million.

Loan from PSSSF (Formerly 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 2019 outstanding principal balance amounted to TZS 7.6 billion and interest of TZS 334.4 million.

25. BORROWINGS (CONTINUED)

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 2019 was TZS 525 million interest of TZS 3.6 million.

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.

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 2019, outstanding balance included principal of TZS 18.5 billion and interest of TZS 7.9 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.

25. BORROWINGS (CONTINUED)

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 2019 principal balance outstanding was TZS 705 million.

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
- ✓ Levolosi apartment located on plot no 457 Levolosi Road, Arusha

As of 30 June 2019 outstanding balance from both facilities included principal balance of TZS 23.9 billion.

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 2019 the outstanding balance included outstanding principal of TZS 32.6 billion.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. BORROWINGS (CONTINUED)

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 2019, outstanding balance included principal of TZS 32.6 billion and interest of TZS 1.1 billion.

Loan from Bank M (T) Limited / Azania Bank

The loan facility agreement of TZS 15 billion was signed on 4 July 2015 for financing construction of Victoria Place Project. The loan is secured by a first charge legal mortgage on five landed properties in Dar es Salaam. The loan carries interest at 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 2019, outstanding balance included principal of TZS 7.6 billion and interest of TZS 1.4 billion.

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 2019, outstanding balance included principal of TZS 65.2 billion.

Overdraft facilities

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

Bank	Balance as at 30 June 2019	Limit	Interest	Effective date	Limit time
	TZS'000	TZS'000			
CRDB Bank Plc	4,682,993	5,000,000	17% per annum	2 Nov 2012	One year renewable
NMB Bank Plc	4,491,853	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 2019	**30 June 2018**
Discount rate	17.4%	14.47%
Salary inflation	3.0%	2.38%

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

	30 June 2019 TZS '000	**30 June 2018 TZS '000**
Recognised in profit or loss	**1,895,405**	2,496,211
- Current service cost	**275,944**	926,719
- Interest cost	**1,619,461**	1,569,492
Recognised in other comprehensive income		
- Actuarial gain recognised in other comprehensive income	**(3,198,989)**	(1,515,264)
Net cost for the year	**(1,303,584)**	980,947

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

	30 June 2019 TZS '000	**30 June 2018 TZS '000**
Opening balance	**9,310,781**	9,622,593
Current service cost	**275,944**	926,719
Interest cost	**1,619,461**	1,569,492
Benefit paid during the year	**(1,923,917)**	(1,292,759)
Actuarial gain recognised in other comprehensive income	**(3,198,989)**	(1,515,264)
	6,083,280	9,310,781

26. DEFINED BENEFIT OBLIGATION (CONTINUED)

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. Salary inflation has increased from 2.38% in prior year to 3.0% in current year whereas discount rate has increased from 14.47% in the prior year to 17.4% in the current year.

	30 June 2019 TZS '000	30 June 2018 TZS '000
27. TRADE AND OTHER PAYABLES		
Trade payables	**18,987,137**	20,152,724
Construction deposits	**166,556,883**	132,554,489
Rent advance	**1,857,053**	3,276,798
Value Added Tax (VAT) payable	**3,573,180**	541,204
Security and retention	**1,833,298**	1,906,057
Other payables	**693,829**	192,953
Employees related payables	**1,275,205**	1,410,276
	194,776,585	160,034,501
28. ACCRUED EXPENSES		
Accrued administrative expenses	**5,381,325**	9,596,704
Audit fee	**470,000**	417,000
Salary related expenses	**1,236,993**	1,638,059
Property tax	**1,059,847**	916,006
Land rent	**411,924**	846,370
Service fee	**113,856**	181,091
	8,673,945	13,595,230
29. PROVISIONS		
Legal cases	**6,876,650**	5,608,226

30. CONTINGENT LIABILITIES

As at 30 June 2019, the Corporation was a defendant in several lawsuits. The total amount claimed in the various lawsuits approximates to TZS 11,422 million. (2018: TZS 12,273 million), of which the Corporation has made a provision of TZS 6,876 million (2018: TZS 5,608 million). In the opinion of the Directors, after taking appropriate legal advice, no material additional liabilities are expected to crystallize from these lawsuits.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. RENTAL DEPOSITS

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

	30 June 2019 TZS '000	30 June 2018 TZS '000
Opening balance	**12,337,747**	10,102,333
Receipts during the year	**3,325,224**	2,915,736
Refund during the year	**(419,217)**	(680,322)
	15,243,754	12,337,747

32. CASH RECEIPTS FROM CUSTOMERS

Deposits on Sale of Houses	**48,713,845**	52,415,516
Deposits on Sale of Plots	**1,837,540**	834,840
Contractee Deposits	**27,903,530**	5,481,343
Receipts from Rental Income	**98,487,619**	99,758,745
	176,942,534	158,490,444

33. CASH PAID TO SUPPLIERS

Payments to Suppliers	**57,505,580**	64,965,700
Payments related to Accrued Expenses	**490,369**	756,353
Payments related to Provisions	**2,649,965**	3,019,549
Payments related to Property management cost	**9,007,941**	11,977,072
Payments related to Administrative expenses	**12,375,354**	12,801,952
Payments related to Sales and Marketing expenses	**789,699**	946,681
	82,818,909	94,467,308

34. CASH PAID IN RESPECT OF STAFF COST

Salaries and wages	**10,520,556**	13,336,727
Housing allowance	**2,561,951**	3,284,027
Terminal benefits	**(45,851)**	18,163
Staff welfare	**120,243**	107,482
Staff canteen services	**423,493**	381,236
Staff transport services	**346,831**	354,835
Staff uniforms and clothing	**41,485**	105,969
Pension contributions	**1,462,279**	1,588,768
Medical costs	**635,720**	1,397,904
Master workers council	**109,390**	74,818
Leave travel allowance	**869,239**	1,026,257
Transfer and disturbance allowance	**359,697**	308,985
Skills and development levy	**718,942**	903,942
Extra duty payments	-	32,638
Workmans compensation	**66,067**	79,574
Annual incentive and service award	-	(62,931)
	18,190,042	**22,938,394**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35. INTEREST PAID

	30 June 2019 TZS '000	30 June 2018 TZS '000
Interest Related to Loan from Bank M	-	1,831,394
Interest Related to Loan from Shelter Afrique	**1,048,867**	1,103,653
Interest Related to Loan from CBA (T) Limited	**299,484**	572,571
Interest Related to Loan from CRDB Bank Plc (Loan II)	**3,825,614**	4,211,966
Interest Related to Loan from Local Authority Pension Funds(LAPF)	**1,074,825**	1,438,200
Interest Related to Loan from ABC (T) Limited	**268,671**	647,272
Interest Related to Loan from TIB Development Bank	**3,977,503**	1,874,689
Interest Related to Loan from Azania Bank Limited	**154,972**	376,070
Interest Related to Loan from NMB Bank Plc	**5,378,322**	6,718,942
Interest Related to Loan from CRDB Bank Plc (Loan III)	**6,378,937**	5,796,707
Interest Related to Loan from East African Development Bank (EADB)	**4,658,549**	4,814,254
Interest Related to Overdraft from NMB Overdraft	**647,182**	642,007
Interest Related to Overdraft from CRDB Overdraft	**687,355**	725,186
	28,400,280	**30,752,912**

36. COMMITMENTS

Capital expenditure contracted for as at 30 June 2019 but not recognised in the financial statements is as follows:

	30 June 2019 TZS'000	30 June 2018 TZS'000
Construction of property for rental (ongoing projects)	**1,974,630**	2,373,073
Construction of property for sale (ongoing projects)	**183,662,168**	210,222,904
	185,636,798	212,595,977

37. 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 recognised during the year under review-included salaries, annual leave pay, loans, house allowances and post-employment benefits as outlined below:

	30 June 2019 TZS '000	30 June 2018 TZS '000
Salaries and other short-term employment benefits	**1,120,336**	2,180,293
Annual leave pay	**187,533**	143,166
House allowance	**243,512**	476,096
Loans to key management	**799,325**	657,183
	2,350,706	3,456,738

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

30 June 2019

Types of Loan	Amount TZS '000	Terms of payments	Interest Rate
House loan	**736,168**	Repayable monthly for 15 years	Nil
Car loan	**26,281**	Repayable monthly for 6 years	Nil
Cash advance	**36,876**	Repayable monthly for 12 months	Nil
	799,325		

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		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	30 June 2019 TZS '000	30 June 2018 TZS '000
ii) Directors' remuneration		
Fees for services as director	**37,643**	**145,080**

38. FINANCIAL INSTRUMENTS BY CATEGORY

Categories of financial instruments and reconciliation of financial instruments to the statement of financial position at 30 June 2019.

30 June 2019	Total TZS'000	Financial assets amortised at cost/fair value TZS'000	Financial liabilities at amortized costs TZS'000	Non-Financial assets or liabilities and equity TZS'000
Assets				
Non-current assets				
Investment property	4,020,103,423	-	-	4,020,103,423
Intangible assets	10,519	-	-	10,519
Investment in Joint Venture	19,916,704	-	-	19,916,704
Advance towards shares in other entities	52,583,619	-	-	52,583,619
Equity Investments	3,133,764	3,133,764	-	-
Property, plant and equipment	24,141,915	-	-	24,141,915
Total non-current assets	4,119,889,944	3,133,764	-	4,116,756,180
Current assets				
Inventories	352,576,592	-	-	352,576,592
Trade and other receivables	29,572,952	17,679,211	-	11,893,741
Trade receivables	13,049,993	13,049,993	-	-
Other receivables	2,083,508	-	-	2,083,508
Advance to contractors	9,678,909	-	-	9,678,909
Staff receivable - Staff imprest	131,324	-	-	131,324
Staff receivable - Other receivables	4,629,218	4,629,218	-	-
Cash and bank balances	17,726,344	17,726,344	-	-
Cash on hand	19,000	19,000	-	-
Bank balances	17,707,344	17,707,344	-	-
Total current assets	399,875,888	35,405,555	-	364,470,333
Total assets	4,519,765,832	38,539,319	-	4,481,226,513
Equity and liabilities				
Capital and reserves				
Capital fund	485,554	-	-	485,554
Capital reserve	2,395,444	-	-	2,395,444
Revaluation reserve	5,273,820	-	-	5,273,820
Retained earnings	2,902,236,231	-	-	2,902,236,231
Total equity	2,910,391,049	-	-	2,910,391,049

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Categories of financial instruments and reconciliation of financial instruments to the statement of financial position at 30 June 2019 (Continued)

30 June 2019	Total TZS'000	Financial assets amortised at cost/fair value TZS'000	Financial liabilities at amortized costs TZS'000	Non-Financial assets or liabilities and equity TZS'000
Non-current liabilities				
Deferred income tax liability	1,119,963,560	-	-	1,119,963,560
Borrowings	172,283,625	-	172,283,625	-
Rental deposits	15,243,754	-	15,243,754	-
Defined benefit obligation	6,083,280	-	-	6,083,280
Total non-current liabilities	1,313,574,219		187,527,379	1,126,046,840
Current liabilities				
Trade and other payables	194,776,585	-	25,668,820	169,107,765
Trade payables	18,987,137	-	18,987,137	-
Other payables	693,829	-	-	693,829
Employees related payables	1,275,205	-	1,275,205	-
Security and retention	1,833,298	-	1,833,298	-
Rent advance	1,857,053	-	-	1,857,053
Construction deposits	166,556,883	-	-	166,556,883
Value Added Tax (VAT) payable	3,573,180	-	3,573,180	-
Bank overdraft	9,174,846	-	9,174,846	-
Accrued expenses	8,673,945	-	8,673,945	-
Provisions	6,876,650	-	-	6,876,650
Borrowings	70,503,033	-	70,503,033	-
Gratuity payable	138,145	-	138,145	-
Current tax liability	5,657,360	-	5,657,360	-
Total current liabilities	295,800,564	-	119,816,149	175,984,415
Total equity and liabilities	4,519,765,832	-	307,343,528	4,212,422,304

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Categories of financial instruments and reconciliation of financial instruments to the statement of financial position At 30 June 2018

30 June 2018	Total	Financial assets amortised at cost/fair value	Financial liabilities at amortized costs	Non-Financial assets or liabilities and equity
	TZS'000	TZS'000	TZS'000	TZS'000
Assets				
Non-current assets				
Investment property	4,051,690,772	-	-	4,051,690,772
Intangible assets	42,075	-	-	42,075
Investment in Joint Venture	19,332,293	-	-	19,332,293
Advance towards shares in other entities	52,531,134	-	-	52,531,134
Equity Investments	3,133,764	3,133,764	-	-
Property, plant and equipment	25,399,624	-	-	25,399,624
Total non-current assets	4,152,129,662	3,133,764	-	4,148,995,898
Current assets				
Inventories	353,166,109	-	-	353,166,109
Trade and other receivables	30,133,711	17,199,854	-	12,933,857
Trade receivables	12,099,100	12,099,100	-	-
Other receivables	1,651,163	-	-	1,651,163
Advance to contractors	11,215,964	-	-	11,215,964
Staff receivable - Staff imprest	66,730	-	-	66,730
Staff receivable - Other receivables	5,100,754	5,100,754	-	-
Bank term deposits	299,331	299,331	-	-
Cash and bank balances	15,218,029	15,218,029	-	-
Cash on hand	19,000	19,000	-	-
Bank balances	15,199,029	15,199,029	-	-
Total current assets	398,817,180	32,717,214	-	366,099,966
Total assets	4,550,946,842	35,850,978	-	4,515,095,864
Equity and liabilities				
Capital and reserves				
Capital fund	485,554	-	-	485,554
Capital reserve	2,395,444	-	-	2,395,444
Revaluation reserve	1,913,466	-	-	1,913,466
Retained earnings	2,999,918,119	-	-	2,999,918,119
Total equity	3,004,712,583	-	-	3,004,712,583

38. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Categories of financial instruments and reconciliation of financial instruments to the statement of financial position at 30 June 2018 (Continued)

30 June 2018	Total TZS'000	Financial assets amortised at cost/fair value TZS'000	Financial liabilities at amortized costs TZS'000	Non-Financial assets or liabilities and equity TZS'000
Non-current liabilities				
Deferred income tax liability	1,051,433,686	-	-	1,051,433,686
Borrowings	225,303,976	-	225,303,976	-
Rental deposits	12,337,746	-	12,337,746	-
Defined benefit obligation	9,310,781	-	-	9,310,781
Total non-current liabilities	1,298,386,189	-	237,641,722	1,060,744,467
Current liabilities				
Trade and other payables	160,034,501	-	24,010,261	136,024,240
Trade payables	20,152,724	-	20,152,724	-
Other payables	192,953	-	-	192,953
Employees related payables	1,410,276	-	1,410,276	-
Security and retention	1,906,057	-	1,906,057	-
Rent advance	3,276,798	-	-	3,276,798
Construction deposits	132,554,489	-	-	132,554,489
Value Added Tax (VAT) payable	541,204	-	541,204	-
Bank overdraft	9,577,185	-	9,577,185	-
Accrued expenses	13,595,230	-	13,595,230	-
Provisions	5,608,226	-	-	5,608,226
Borrowings	51,872,642	-	51,872,642	-
Gratuity payable	1,381,337	-	1,381,337	-
Current tax liability	5,778,949	-	5,778,949	-
Total current liabilities	247,848,070	-	106,215,604	141,632,466
Total equity and liabilities	4,550,946,842	-	343,857,326	4,207,089,516

39. 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 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Bank term deposits	-	-	-	-
Trade and other receivables	-	41,713,070	-	41,713,070
Cash and bank balances	17,726,344	-	-	17,726,344
Total	17,726,344	41,713,070	-	59,439,414
Financial liabilities				
Borrowings	-	172,283,625	-	172,283,625
Gratuity payable	-	138,145	-	138,145
Rental deposits	-	15,243,754	-	15,243,754
Current financial liabilities				
Borrowings	-	70,503,033	-	70,503,033
Bank overdraft	-	9,174,846	-	9,174,846
Trade and other payables	-	22,789,470	-	22,789,470
Total	-	290,132,873	-	290,132,873

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	-	51,872,642	-	51,872,642
Bank overdraft	-	9,577,185	-	9,577,185
Trade and other payables	-	23,662,010	-	23,662,010
Total	-	324,134,897	-	324,134,897

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. EVENTS AFTER REPORTING PERIOD

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

41. COMPARATIVES

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