

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 FINANCIAL
YEAR ENDED 30TH JUNE, 2020**

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March, 2021

AR/PA/NHC/2019/2020

Mandate

The statutory mandate and responsibilities of the Controller and Auditor General are provided for under Article 143 of the Constitution of the URT of 1977 (as amended from time to time) and in Section 10 (1) of the Public Audit Act, 2008.

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 organization, offering services to our clients in an objectives and unbiased manner.
Excellence	We are professionals providing high quality audit services based on standards and best practices.
Integrity	We observe and maintain high standards of ethical behaviour, rule of law and 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 adequate working tools and facilities that promote independence.

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

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ABBREVIATIONS

AO	Accounting Officer
IFRS	International Financial Reporting Standards
ISSAI	International Standards of Supreme Audit Institutions
NAO	National Audit Office
NHIF	National Health Insurance Fund
PhD	Doctor of Philosophy
PPF	PPF Pensions Fund
Sect.	Section
TAMICO	Tanzania Mines, Energy, Construction and Allied workers Union
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

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

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

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

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

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

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

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

COMPANY SECRETARY

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

PRINCIPAL AUDITORS

Controller and Auditor General
National Audit Office,
Audit House,
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1.0 DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2020

The Directors submit their report together with the audited financial statements for the year ended 30th June, 2020, which disclose the state of affairs of National Housing Corporation ("the Corporation" or "NHC") in accordance with Section 29 of the National Housing Corporation Act, 1990.

1.1 ESTABLISHMENT

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

1.2 CORPORATION'S VISION

To be a leading real estate development and management firm.

1.3 CORPORATION'S MISSION

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

1.4 PRINCIPAL ACTIVITIES

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

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

1.5 RESULTS

The net profit for the year was TZS 313,204 million (2019: Net loss of TZS 93,807 million). The Corporation did not pay any dividend to its shareholder but contributed to the Government Consolidated fund an amount of TZS 1,000 million for the year ended 30th June 2020 (2019: TZS 750 million) as per the Treasury directives.

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	45	<ul style="list-style-type: none"> - PhD (Real Estate Development), International Real Estate Business School (IREBS), Regensburg University, Germany, 2009-2013; - MBA (Finance), University of Dar Es Salaam, 2003-2005; and - B.Sc. (Land Management and Valuation), University of Dar Es Salaam, (1999-2003). 	Appointed on 30 October 2018
Mr. Abdallah Mwinymvua Shamte	Board Member	Tanzanian	64	<ul style="list-style-type: none"> - Post Graduate Diploma In Management from Research Institute for Management Science-RVB Delft-The Netherlands, (1987); - Association of Chartered Certified Accountants (ACCA) from Kilburn Polytechnic-priority 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	63	<ul style="list-style-type: none"> - Bachelor of Commerce (Accounting) from University of Dar es Salaam, Tanzania, (1988); - Diploma in Business Administration from College of Business Education, Tanzania, (1983); and - CPA (T) - (Certified Public Accountant) from National Board of Accountants and Auditors (NBAA), (1991). 	Appointed on 20 May 2019

NATIONAL HOUSING CORPORATION (NHC)

1.6

Name	Position	Nationality	Age (Years)	Qualification	Remarks
Mrs. Immaculata Mwanja Senje	Board Member	Tanzanian	55	<ul style="list-style-type: none"> - Master of Science in Urban Planning and Management from University of Dar es Salaam, Tanzania, (2006-2008); and - Advanced Diploma in Urban and Rural Planning from Ardhi Institute, Dar es Salaam, Tanzania (1987-1990). 	Appointed on 20 May 2019
Eng. Marwa Mwita Rubinya	Board Member	Tanzanian	62	<ul style="list-style-type: none"> - Masters of Science in International Highway; Engineering from University of Birmingham, United Kingdom, (1993); and - Bachelor of Science in Engineering from University of Dar es salaam, Tanzania, (1986). 	Appointed on 20 May 2019
Ms. Sauda K. Msemo	Board Member	Tanzanian	48	<ul style="list-style-type: none"> - Master of Science in Finance with Distinction from University of Strathclyde, Glasgow, United Kingdom (2002); and - Bachelor of Account from International Islamic University Malaysia (1999). 	Appointed on 20 May 2019
Mr. Martin Ginedi Madekwe	Board Member	Tanzanian	72	<ul style="list-style-type: none"> - 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

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NATIONAL HOUSING CORPORATION (NHC)

1.6

Name	Position	Nationality	Age (Years)	Qualification	Remarks
Mr. Humphrey Hesron Polepole	Board Member	Tanzanian	38	<ul style="list-style-type: none"> - Student, Masters of Arts in Development Studies, University of Dar es Salaam (2019); - Bachelor of Arts in Development Studies Kimmage Development Studies Centre, Ireland (2010). 	Appointed on 20 May 2019
Dr. Maudidi Abdallah Banyani	Director General	Tanzanian	47	<ul style="list-style-type: none"> - PhD, (Facilities Planning and Management) from the HK Polytechnic University, Hong Kong.(2013); - Masters of Land Management from University of Dar es Salaam, Tanzania, (2008); and - Bachelor of Science in Land Management and Valuation from UCLAS (UDSM), Tanzania (2001). 	Appointed on 30 October 2018

1.7 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.

1.8 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.

1.9 OPERATING AND FINANCIAL REVIEW

a) The Corporation's net worth

During the year, the total value of the Corporation's net assets increased to TZS 3,245 billion from TZS 2,910 billion recorded in the prior year. This increase is attributable to net profit generated during the year which is mainly due to increase in fair value of investment properties by TZS 414 billion.

b) Profitability

During the year ended 30th June, 2020, the Corporation made a profit before tax of TZS 449,951 million (2019: loss of TZS 25,121 million). The profit generated is mainly due to the increase in fair value of investment properties by TZS 413,841 million (2019: Decrease by TZS 46,933 million). The actual profit before tax excluding investment property fair value is TZS 36,110 million (2019: TZS 21,812 million).

c) Cash flows

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

1.9 PERFORMANCE INDICATORS

Key Performance Indicator	Definition and Formula	Ratios	
		2019/20	2018/19
Current Ratio	Current assets	1.49	1.35
	Current liabilities		
Quick Ratio	Current assets- inventories	0.22	0.16
	Current liabilities		
Return on Assets	Profit before tax**	0.73%	0.56%
	Total assets		
Debt to Equity Ratio	Total debt*	6.93%	8.66%
	Equity		
Profit before tax margin	Profit before tax**	25.82%	17.48%
	Revenue		

*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.

1.10 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; and
- Funds sourced from external sources either onshore or offshore from the financial markets, DFIs, Government or any other source as approved by the NHC Act. NHC Investment policy directs the Corporation to work with strategic Partners in any of the following models;

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

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.

(a) Construction Activities

(i) Houses for Sale

During the year ended 30th June, 2020, 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 at 30th June, 2020.

- **Victoria mixed use - Dar es Salaam (Plot 300)**

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 was in suspension as at 30th June, 2020. Parties have decided to amicably terminate the contract. The Corporation is planning to complete the project using internal construction team.

- **Golden premier Residential (Plot 711/1 Kawe) - Dar es Salaam**

This project is of 16 floors (G + M +15 floors). It comprises of 184 residential units as follows: two bed room-8 units, three bed rooms (normal)-144 units, four bedrooms (normal) - 8 units, four bedroom (duplex) - 16 units, pent house duplex-8 units, shops, gym, swimming pool, kids playing ground and other facilities to support the residences. The project was in suspension as at 30th June, 2020. Parties have decided to amicably terminate the contract. The Corporation is planning to complete the project using internal construction team.

- **EWURA Head Office-Dodoma**

This project comprises of construction of 1 block flat with 5 floors (G+4 floors). This project is at completion stage as at 30th June, 2020.

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

This project comprises of construction of 2 blocks flats with 14 floors (B+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 at completion stage as at 30th June, 2020

- **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 at 30th June, 2020. 30th June 2020. The Corporation is coordinating with Treasury Registrar's office to secure funds for completion of the project.

- **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 at 30th June, 2020.

- **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 was in suspension as at 30th June, 2020 2020. The Corporation is coordinating with Treasury Registrar's office to secure funds for completion of the project.

- **Iyumbu Affordable Housing Project - Dodoma**

The project comprises of 300 affordable housing units of 79, 85 and 115 square meters and three bedrooms each. This project has been constructed in two phases of 151 and 149 units each. Phase one was completed during the year ended 30th June, 2018 whereas phase two was still in progress as at 30th June, 2020.

- **Muheza Affordable Housing Project - Tanga**

The project comprises of 20 houses/units stand-alone for residential purposes. The project was partially completed (10 houses were completed during the year ended 30th June, 2019) and other 10 houses were still in progress as of 30th June, 2020.

- **Bukondamoyo Affordable Housing Project - Kahama**

The project comprises of 50 units of three bedrooms semidetached. The project was completed during the year.

- **Mbarali Affordable Housing Project - Mbeya**

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

- **Makete Affordable Housing Project-Njombe**

The project comprises of 50 units of three bedrooms semidetached. 1 shop, dispensary and nursery school. The project was in progress as at 30th June, 2020.

- **Inyonga Affordable Housing Project - Katavi**

The project comprises of 24 units of three bedrooms semidetached. The project was in progress as at 30th June, 2020.

- **Jangwani Affordable Housing Project - Sumbawanga**

The project comprises of 10 blocks of flats G+1 floor (20 units). The project was in progress as at 30th June, 2020.

- **Masasi Affordable Housing Project - Mtwara**

The project comprises of 54 units of three bedrooms semidetached, 1 shops block. The project was in progress as at 30th June, 2020.

- **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 completed during the year.

(i) Investment projects

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

- **Mpanda Paradise**

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

- **Mkendo phase II - Musoma**

The project comprises of construction of office block - G + 4 floor commercial building for renting. The project was in progress as at 30th June, 2020.

- **Mutukula - Bukoba**

The project comprises of construction of office block - G + 4 floor commercial building for renting. The project was in progress as at 30th June, 2020.

- **Singida Shops**

The project comprises construction of office block - G + 1 floor commercial building for renting. The project was in progress as at 30th June, 2020.

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

The project comprises construction of shops on Plot No.129/13t, Rwegasore and Plot No. 83, Block U, Market Street - Mwanza. The project was in progress as at 30th June 2020.

(ii) Construction contracts projects

- **Malinyi DC's Residential House**

This project involves construction of DC's residential house at Malinyi District in Morogoro region. The project was completed during the year.

Malinyi District Council

This project involves construction of office building for Malinyi District Council at Misesese area phase one in Malinyi District-Morogoro. The project was in progress as at 30th June, 2020.

- **Wanging'ombe District Council**

This project involves construction of office building for Wanging'ombe District Council (Phase II) at Igwachanya in Wanging'ombe district council. The project was in progress as at 30th June, 2020.

- **Ardhi University**

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

- **Hai District Commission Office**

This project involves construction of office Block for Hai district commissioner's office. This project was completed during the year.

- **Vingunguti Abattoir**

This project involves construction of Vingunguti Abattoir (Phase I) which includes basement and ground floor with approximately total area of 4,575 m² to be built Plot No.3003 & 3004 block B at Vingunguti Industrial area, Ilala Municipal council. The project was in progress as at 30th June, 2020.

- **Musoma Referral Hospital**

This project involves construction of Health facilities of Mara Referral Hospital at Kwangwa Area in Mara Region. The project was in progress as at 30th June, 2020.

- **Mtwara Referral Hospital**

This project involves construction of Health facilities of Mtwara Zonal Referral Hospital at Mikindani Area. The project was in progress as at 30th June, 2020.

- **Tanzania Forest Services Agency**

This project involves construction of offices and residential houses in different locations in Tanzania. The project was in progress as at 30th June, 2020.

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

This project involves construction of office building at plot No. 56/1, Block E, Kisasa B Dodoma in Tanzania. The project was in progress as at 30th June, 2020.

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

This project involves rehabilitation of Mhasibu House at Dar es Salaam. The project was in progress as at 30th June, 2020.

- **Mbuye Special School**

The project involves the construction of Mbuye Special School Infrastructure at Chato District Council. The project was in progress as at 30th June, 2020.

- **Public Procurement Regulatory Authority**

The project involves the partitioning of PPRA offices in Dodoma. The project was in progress as at 30th June, 2020.

(iii) Joint venture projects

During the year ended 30th June, 2020, the Corporation had 149 (2019:149) projects under joint arrangements. Out of these, 74 (2019:74) were completed, 33 (2019:33) are still under construction and 42 (2019:42) projects have been stalled. Most of these projects are located in Dar es Salaam, Mwanza and Arusha.

(b) Rental Buildings Activities

Rental revenue

During the year ended 30th June, 2020, rental revenue decreased to TZS 89.5 billion from TZS 93.1 billion recorded during 12 months period ended 30th June, 2019.

During the year ended 30th June, 2020 an average monthly rental decreased to TZS 7.5 billion from TZS 7.8 billion recorded during 12 months period ended 30th June, 2019. This decrease is attributed to many offices vacated due to shift of the government to Dodoma; some business reduced use of space and rent reduction due to business conditions.

(c) Property maintenance

During the year the Corporation's expenditure on property maintenance decreased to TZS 4.0 billion compared to TZS 5.7 billion in the 12 month period ended 30th June 2019.

1.11 EMPLOYEES WELFARE

1.11.1 Staff disposition

The total number of staff as at 30th June, 2020 was 422(2019: 456).

1.11.2 Affirmative action

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

During the year, the Corporation's workforce comprised 265 male and 157 female employees (2019: 286 male and 170 female employees). On the other hand, the Corporation continued to promote female employees to senior level positions. As at 30th June, 2020, the composition of female employees in various senior positions was as follows:

	30 th June, 2020	30 th June, 2019
Management Team	5 out of 13	5 out of 13
Headquarters Managers	7 out of 32	7 out of 32
Regional Managers	4 out of 24	2 out of 24
Senior Officers	12 out of 24	19 out of 23
Middle level Officers	133 out of 178	140 out of 192

1.11.3 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 30th June, 2020, the Corporation had one employee with physical disabilities (2019: 1 employee).

1.11.4 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.

1.11.5 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.

1.11.6 Training

During the year a total of TZS 225 million was spent in staff training (2019: TZS 271 million). The training activities are guided by the training policy. Trainings held during the year were focused on short-term and long-term professional competence as well as improving customer care skills.

1.11.7 Medical facilities

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

1.11.8 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.

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

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

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

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

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 30th June 20 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 ten meetings during the year ended 30th June, 2020. The following Directors served in the Business Development Committee during the year.

Name	Position	Nationality	Number of meetings attended
Eng. Marwa Rubirya	Chairman	Tanzanian	10/10
Mr. Charles Singili	Member	Tanzanian	10/10
Ms. Sauda Msemu	Member	Tanzanian	10/10

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 eight meetings during the year ended 30th June, 2020.

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	8/8
Ms. Sauda Msemu	Member	Tanzanian	8/8
Mr. Humphrey Polepole	Member	Tanzanian	2/8

Audit, Risk and Compliance Committee

This committee is composed of three (3) members. The main responsibility of the committee is to advise the Board on all audit, risk and compliance matters that need consideration of the Board. The committee held five meetings during the year ended 30th June, 2020.

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

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

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	11/11
Mr. Martin Madekwe	Vice Chairman	11/11
Mr. Charles Singili	Director	9/11
Mr. Abdallah Shamte	Director	11/11
Ms. Immaculata Senje	Director	9/11

Ms. Sauda Msemu	Director	9/11
Eng. Marwa Rubirya	Director	10/11
Mr. Humphrey Polepole	Director	4/11

1.13 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.

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

(ii) Cash flow and fair value interest rate risk

The Corporation 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.

1.14 ACCOUNTING POLICIES

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

1.15 CORPORATE SOCIAL RESPONSIBILITY

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

During the 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 50 million towards the education sector;
- TZS 11 million towards health support to institutions;
- TZS 4 million to support youth initiatives; and
- TZS 75 million to support community initiatives.

1.16 CORPORATE IMAGE

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

- Improved government and stakeholders relations;
- Improved trust in the Corporation and its management by dealing honestly with stakeholders;
- 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

1.17 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.

1.18 FIDUCIARY RESPONSIBILITIES

The Corporation's Board members as stewards of public trust always acted for the good of the organization, rather than for the benefit of themselves throughout the year ended 30th June, 2020. Reasonable care was exercised in all decisions taken by the Corporation, without placing the Corporation under unnecessary risk.

1.19 RELATED PARTY TRANSACTIONS AND BALANCES

All related party transactions and balances are disclosed in Note 37 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.

1.20 ENVIRONMENTAL CONTROL PROGRAMME

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

1.21 POLITICAL DONATIONS

There were no political donations made during the year.

1.22 SERIOUSLY PREJUDICIAL

No impending new developments are under consideration by the Corporation.

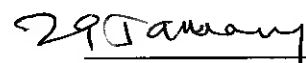
1.23 AUDITOR

The Controller and Auditor General is the statutory independent auditor of the Corporation. The Controller and Auditor General will carry out the audit for the financial year ended 30th June, 2020 in accordance with section 11 of the Public Audit Act No. 11, of 2008.

BY ORDER OF THE BOARD



Dr. Sophia Kongela
Chairperson

 29 January 2021

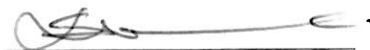
2.0 STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

29 January 2021

3.0 DECLARATION OF HEAD OF FINANCE

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

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

I, CPA Adolph Kasegenya being the Ag. Director of Finance of National Housing Corporation hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30th June, 2020 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.



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

29 January 2021

4.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

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

4.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

I have audited the financial statements of National Housing Corporation, which comprise the statement of financial position as at 30th June, 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly in all material respects the financial position of National Housing Corporation as at 30th June, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in compliance with the requirements of the National Housing Corporation Act, 1990.

Basis for Opinion

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

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

Emphasis of Matter

I draw attention to the matter below. My opinion is not modified in respect of this matter.

Note 29 to the financial statements indicate that contingent liability relating to the various lawsuits approximates to TZS 11,422 million.

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

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

In addition, Section 10 (2) of the Public Audit Act, 2008 requires me to satisfy myself that, the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Section 48(3) of the Public Procurement Act, 2011 (as amended in 2016) requires me to state in my annual audit report whether or not the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.

4.2 REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Compliance with the Public Procurement Act, No.7 of 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
Dodoma, United Republic of Tanzania
March, 2021



NATIONAL HOUSING CORPORATION (NHC)

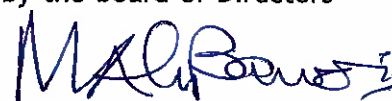
5.0 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2020

	Notes	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
ASSETS			
Non-current assets			
Investment property	14	4,464,361,110	4,020,103,423
Property and equipment	15	43,747,897	24,141,915
Intangible assets	16	-	10,519
Investment in joint venture	17(a)	18,654,673	19,916,704
Advances toward shares in other entities	17(b)	29,787,137	52,583,619
Equity Investments	17(c)	3,133,764	3,133,764
		<u>4,559,684,581</u>	<u>4,119,889,944</u>
Current assets			
Inventories	18	354,090,648	352,576,592
Trade and other receivables	19	30,657,050	29,572,952
Cash and bank balances	20	31,436,603	17,726,344
		<u>416,184,301</u>	<u>399,875,888</u>
TOTAL ASSETS		<u>4,975,868,882</u>	<u>4,519,765,832</u>
EQUITY AND LIABILITIES			
Equity			
Capital fund	21	485,554	485,554
Capital reserve	22	2,395,444	2,395,444
Revaluation reserve		4,941,049	5,273,820
Retained earnings		3,237,278,320	2,902,236,231
		<u>3,245,100,367</u>	<u>2,910,391,049</u>
Non-current liabilities			
Deferred tax liability	23	1,250,670,182	1,119,963,560
Borrowings	24	176,891,388	172,283,625
Rental deposits	30	17,148,898	15,243,754
Defined benefit obligation	25	6,257,639	6,083,280
		<u>1,450,968,107</u>	<u>1,313,574,219</u>
Current liabilities			
Borrowings	24	42,788,235	70,503,033
Bank overdraft	24	5,242,378	9,174,846
Current tax liability	13(c)	4,541,023	5,657,360
Trade and other payables	26	212,893,466	194,776,585
Accruals	27	7,458,656	8,673,945
Provisions	28	6,876,650	6,876,650
Gratuity payable			138,145
		<u>279,800,408</u>	<u>295,800,564</u>
TOTAL EQUITY AND LIABILITIES		<u>4,975,868,882</u>	<u>4,519,765,832</u>

The financial statements were approved and authorized for issue by the Board of Directors on.....2021 and signed on its behalf by:



Dr. Sophia Kongela
Chairperson



Dr. Maulidi Banyani
Director General

NATIONAL HOUSING CORPORATION (NHC)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR
ENDED 30TH JUNE, 2020**

	Notes	30 th June, 2020	30 th June, 2019
		<u>TZS '000</u>	<u>TZS '000</u>
Revenue	6	139,860,251	124,748,606
Net gain/(loss) from fair value adjustment on investment properties	14	413,840,688	(46,933,265)
Other gains and losses	7	358,883	(262,690)
Cost of sales - inventory properties	8(a)	(40,295,638)	(30,154,826)
Property management costs	8(b)	(7,293,966)	(9,007,941)
Depreciation of property and equipment	15	(1,263,588)	(1,612,620)
Amortization of intangible assets	16	(10,519)	(31,556)
Net Impairment of financial assets	19	(2,069,959)	(4,470,371)
Administrative expenses	9	(10,352,198)	(13,195,354)
Sales and marketing expenses	10	(897,103)	(789,699)
Employee benefit expenses	11	(18,742,723)	(20,310,278)
Operating profit/(loss)		473,134,128	(2,019,994)
Dividend received from equity investments		22,300	20,684
Finance income	12	407,616	707,315
Finance costs	12	(24,111,980)	(24,639,858)
Share of profit of joint ventures	17(a)	499,326	810,486
Profit/(Loss) before tax		449,951,390	(25,121,367)
Tax (expense)/Income	13(a)	(136,414,721)	(72,046,108)
Profit/(Loss) for the year		313,536,669	(97,167,475)
Share of other comprehensive income from joint ventures	17(a)	4,300	161,364
Actuarial gains from defined benefit obligation	25	(337,071)	3,198,989
Total comprehensive profit/(loss) for the year		313,203,898	(93,807,122)

The financial statements were approved and authorized for issue by the Board of Directors on.....2021 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, 2020

	Capital fund TZS '000	Capital reserve TZS '000	Retained earnings TZS '000	Revaluation Reserve TZS '000	Total TZS '000
30th June, 2020					
At beginning of the year	485,554	2,395,444	2,902,236,230	5,273,820	2,910,391,048
Correction of opening balance (Note 35)	-	-	21,505,421	-	21,505,421
Opening amount at the beginning of the year	485,554	2,395,444	2,923,741,651	5,273,820	2,931,896,469
<i>Comprehensive income:</i>					
Profit for the period	-	-	313,536,669	-	313,536,669
<i>Other comprehensive income:</i>					
Share of other comprehensive income from joint venture	-	-	-	4,300	4,300
Actuarial gains from defined benefit obligation	-	-	-	(337,071)	(337,071)
At end of year	485,554	2,395,444	3,237,278,320	4,941,049	3,245,100,367
30th June, 2019					
At beginning of the year	485,554	2,395,444	2,999,403,706	1,913,467	3,004,198,171
<i>Comprehensive income:</i>					
Loss for the period	-	-	(97,167,475)	-	(97,167,475)
<i>Other comprehensive income:</i>					
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

NATIONAL HOUSING CORPORATION (NHC)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE, 2020

	Notes	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
Cash flows from Operating Activities			
Cash receipts from customers	31	170,302,409	176,942,534
Interest received	12	407,616	707,315
Cash paid to suppliers	32	(87,096,139)	(82,818,909)
Cash paid in respect of staff cost	33	(18,905,435)	(18,190,042)
Interest paid	34	(23,412,873)	(28,400,280)
Tax paid	13 (c)	(6,824,435)	(3,531,089)
Net Cash Inflow from Operating Activities		34,471,143	44,709,529
Cash flows from Investing Activities			
Purchase of property and equipment	15	(441,844)	(354,911)
Purchase of intangible assets	16	-	-
Additions to the investment property	14	(1,332,913)	(1,988,232)
Advances towards shares in other entities	17(b)	(3,695)	(52,485)
Dividend received from joint venture	17(a)	1,765,657	387,439
Investment in fixed deposit	20	-	299,331
Net Cash Outflow from Investing Activities		(12,795)	(1,708,858)
Cash flows from Financing Activities			
Proceeds from borrowings	24	17,672,507	-
Repayments of borrowings	24	(34,488,128)	(40,090,017)
Net Cash Outflow from Financing Activities		(16,815,621)	(40,090,017)
Net increase/(decrease) in cash and cash equivalent		17,642,727	2,910,654
Cash and cash equivalents at the beginning of the year.		8,551,498	5,640,844
Cash and cash equivalent at the end of year	20	26,194,225	8,551,498

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 30th June, 2020

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 16 (Leases)	IFRS 16 replaces IAS 17 effective 1 st January, 2019, with earlier application permitted.
---------------------	--

IFRS 16 has the following transition provisions:

Existing finance leases: continue to be treated as finance leases and existing operating leases: option for full or limited retrospective restatement to reflect the requirements of IFRS 16.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments

A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognizes depreciation of the right-of-use asset and interest on the lease liability. The depreciation would usually be on a straight-line basis. In the statement of cash flows, a lessee separates the total amount of cash paid into principal (presented within financing activities) and interest (presented within either operating or financing activities) in accordance with IAS 7.

b)

IFRS 16 (Leases) Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The initial lease asset equals the lease liability in most cases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Identifying a lease

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. [IFRS 16:9]

Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use. [IFRS 16:B9]

An asset is typically identified by being explicitly specified in a contract, but an asset can also be identified by being implicitly specified at the time it is made available for use by the customer.

However, where a supplier has a substantive right of substitution throughout the period of use, a customer to an identified asset. A supplier's right of substitution is only considered substantive if the supplier has both the practical ability to substitute alternative assets throughout the period of use and they would economically benefit from substitution [IFRS 16:B13-14]

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

a)

IFRS 16 (Leases) A capacity portion of an asset is still an identified asset if it is physically distinct (e.g. a floor of a building). A capacity or other portion of an asset that is not physically distinct (e.g. a capacity portion of a fibre optic cable) is not an identified asset, unless it represents substantially all the capacity such that the customer obtains substantially all the economic benefits from using the asset. [IFRS 16:B20]

Separating components of a contract

For a contract that contains a lease component and additional lease and non-lease components, such as the lease of an asset and the provision of a maintenance service, lessees shall allocate the consideration payable on the basis of the relative stand-alone prices, which shall be estimated if observable prices are not readily available.

As a practical expedient, a lessee may elect, by class of underlying asset, not to separate non-lease components from lease components and instead account for all components as a lease. [IFRS 16:13-15]

Sale and leaseback transactions

Applies the requirements of IFRS 15 for determining when a performance obligation is satisfied. [IFRS 16:99]

If an asset transfer satisfies IFRS 15's requirements to be accounted for as a sale the seller measures the right-of-use asset at the proportion of the previous carrying amount that relates to the right of use retained. Accordingly, the seller only recognizes the amount of gain or loss that relates to the rights transferred to the buyer. [IFRS 16:100a)]

If the fair value of the sale consideration does not equal the asset's fair value, or if the lease payments are not market rates, the sales proceeds are adjusted to fair value, either by accounting for prepayments or additional financing. [IFRS 16:101]

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

a)

IFRS 16 **Disclosure**

(Leases)

The objective of IFRS 16's disclosures is for information to be provided in the notes that, together with information provided in the statement of financial position, statement of profit or loss and statement of cash flows, gives a basis for users to assess the effect that leases have. Paragraphs 52 to 60 of IFRS 16 set out detailed requirements for lessees to meet this objective and paragraphs 90 to 97 set out the detailed requirements for lessors. [IFRS 16:51, 8.]

Covid-19-related rent concessions

A lessee may elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that applies the exemption accounts for COVID-19-related rent concessions as if they were not lease modifications. [IFRS 16:46A, 46B]

Effect of changes in the standard

The standard has no impact on the corporation assets as it does not use leased assets in its operations.

IFRIC 23 IFRIC 23 clarifies the accounting for uncertainties in income taxes

(Uncertainty **Scope**

over Income
Tax
Treatments)

The interpretation is to be applied to 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.

Consensus

Whether tax treatments should be considered collectively, an entity is required to use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.

Assumptions for taxation authorities' examinations

An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

a)

IFRIC 23 **Determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates**
 (Uncertainty over Income Tax Treatments)

An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.

If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty

Effect of changes in facts and circumstances

The corporation has to reassess its judgements and estimates if facts and circumstances change.

Effective date

IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted

Transition

The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which an entity first applies them, without adjusting comparative information. Full retrospective Application is permitted, if an entity can do so without using hindsight.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

a)

IFRIC 23 The Board noted that the amendments do not suggest that an entity recognizes in profit or Loss the income tax consequences of all payments on financial instruments classified as equity. Rather, the tax consequences are recognized in profit or loss only when an entity determines payments on such instruments are distributions of profits (that is, dividends). An entity may need to apply judgement in making this determination.

These amendments should be applied for annual periods beginning on or after 1 January 2019 to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period. Earlier application is permitted.

Borrowing costs eligible for capitalization under IAS 23. The amendments clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. These amendments should be applied prospectively for borrowing costs incurred on or after the beginning of annual periods beginning on or after 1 January 2019.

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) **Background** IFRS 9 Financial Instruments excludes from its scope interests in associates and joint ventures accounted for in accordance with IAS 28 Investments in Associates and Joint Ventures. However, the IFRS Interpretations Committee received a submission asking whether that scope exclusion applies only to interests in associates and joint ventures to which the equity method is applied, which seemed a point not clear to some stakeholders.

a)

<p>Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)</p>	<p>Changes</p> <p>The amendments in Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) are:</p> <ul style="list-style-type: none"> • Paragraph 14A has been added to clarify that an entity applies IFRS 9 including its impairment requirements, 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. • Paragraph 41 has been deleted because the Board felt that it merely reiterated <p>The amendments are to be applied retrospectively but they provide transition requirements similar to those in IFRS 9 for entities that apply the amendments after they first apply IFRS 9. They also include relief from restating prior periods for entities electing, in accordance with IFRS 4 Insurance Contracts, to apply the temporary exemption from IFRS 9. Full retrospective application is permitted if that is possible without the use of hindsight.</p> <p>Impact on the application of the standard</p> <p>The standard has relative minor (Negligible) impact on the Corporation long interest as the corporation maintains its long term interest in joint arrangement through equity method and affect the same on the statement of financial position.</p>
<p>Plan Amendment, Curtailement or Settlement (Amendments to IAS 19)</p>	<p>IAS 19 Employee Benefits specifies how a company accounts for a defined benefit plan. When a change to a plan—an amendment, curtailment or settlement—takes place, IAS 19 requires a company to re-measure its net defined benefit liability or asset.</p> <p>The amendments require a company to use the updated assumptions from this re-measurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements.</p>

b) New and amended standards and interpretations in issue but not yet effective for the year ended 30th June, 2020

- **IFRS 17 Insurance Contracts:** Effective for the accounting periods beginning on or after 1st January 2021
- **Amendments to References to the Conceptual Framework in IFRS Standards:** Effective for accounting periods beginning on or after 1st January 2020
- **IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors:** Effective for accounting periods beginning on or after 1st January 2020

c) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 30th June, 2020

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.

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;
- 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 Corporation's financial statements.

Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8)

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

Annual Improvements to IFRS 2015-2017 Cycle

The International Accounting Standards Board issued 'Annual Improvements to IFRS Standards 2015-2017 cycle' in December 2017. These are minor amendments affecting IFRS 3, 'Business combinations', IFRS 11, 'Joint arrangements', IAS 12, 'Income taxes', and IAS 23, 'Borrowing costs'.

Clarifying measurement of previously held interest in obtaining control over a joint operation under IFRS 3 The amendments clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer should re-measure its previously held interest in the joint operation at fair value at of the acquisition date. The amendments are effective for business combinations with acquisition date on or after the beginning of annual periods beginning on or after 1 January 2019. Earlier application is permitted.

Clarifying measurement of previously held interest in obtaining joint control over a joint operation under IFRS 11 The amendments clarified that the party obtaining joint control of a business that is a joint operation should not re-measure its previously held interest in the joint operation. The amendments are effective for transactions resulting in obtaining joint control on or after the beginning of annual periods beginning on or after 1 January 2019. Earlier application is permitted.

Income tax consequences under IAS 12 of payments on financial instruments classified as equity The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits were recognized. These requirements apply to all income tax consequences of dividends. Previously, it was unclear whether the income tax consequences of dividends should be recognized in profit or loss, or in equity, and the scope of the existing guidance was ambiguous

c) Early adoption of standards

The Corporation did not early-adopt any new or amended standards in the year ended 30th June, 2020

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.

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 recognized as follows:

- (i) Rental income from property leases is recognised on a straight-line basis over the period of the lease;
- (ii) Sales of property inventory are recognised in the period in which the Corporation fulfil performance obligation, i.e. when the customer has accepted the property and there is binding contract.

- (iii) Where joint venture properties constitute joint operations, rental income from such properties are recognised in revenue based on the Corporation's percentage share of the joint venture rental income on a straight line basis over the period of the lease;
- (iv) Contracts incomes are recognised overtime base on measurement of progress of satisfaction of performance obligation. The Corporation uses the input method in measuring satisfaction of the performance obligation; this is in alignment of IFRS 15 for construction contracts.

3.4 Functional currency and translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

3.5 Investment property

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

Land held by the corporation is classified and accounted for by the Corporation as investment property, when the rest of the definition of investment property is met.

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

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

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

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

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

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

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

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

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

3.5 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
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.

3.6 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.

3.7 Inventories

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

3.8 Trade receivables

Trade receivables are 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.

3.9 Payables

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

3.10 Borrowings and borrowings cost

(i) Borrowings

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

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

(ii) Borrowing costs

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

3.11 Cash and cash equivalents

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

3.12 Employee benefits

(i) Retirement benefit obligations

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

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

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

(ii) Other entitlements

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

(iii) Service gratuity

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

(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. Re-measurement, comprising actuarial gains and losses is reflected in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur.

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

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

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

3.13 Financial Instruments

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

Financial assets

Initial recognition

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

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

Subsequent measurement

Financial assets are classified into the following specified categories:

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

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

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

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

Amortized cost and effective interest method

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

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

Trade and other receivables

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

Cash and Bank balances

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

Impairment of financial assets

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

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

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

De-recognition of financial assets

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

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

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

Financial liabilities

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

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

Financial liabilities measured subsequently at amortized cost

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

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

De-recognition of financial liabilities

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

Offset

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

3.15 Current and deferred tax

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

In this case the tax is also recognized in other comprehensive income or directly in equity respectively. Current tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Tanzania Income Tax Act (2004). The current tax charge is calculated on the basis of the tax enacted or substantively enacted at the statement of financial position date.

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

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

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

3.16 Joint arrangements

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

3.18 Investment in associates and joint ventures

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

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

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

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

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

The Corporation determines at 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.

3.19 Construction costs

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

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

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

The Corporation's interest bearing financial assets are the 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 th June, 2020 TZS '000	30 th June, 2019 TZS '000
Cash at bank	31,417,398	17,707,344
Trade receivables (gross)	41,537,754	34,614,158
Staff receivables	4,137,169	4,760,542
	<u>77,092,321</u>	<u>57,082,044</u>

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

	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
Past due but not impaired:		
Up to 90 days	3,726,039	3,360,536
Above 90 days but less than 1 year	2,496,027	1,385,923
Construction Debtors	10,313,397	9,715,746
Total past due but not impaired	16,535,463	14,462,205
Impaired	20,317,159	19,562,850
	<u>36,852,622</u>	<u>34,025,055</u>

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

All receivables from ex-tenants and those tenants subject to court cases are considered fully impaired. The value of these receivables as at 30th June, 2020 was TZS 18,220 million (30th June, 2019: TZS 11,857 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, KCB Bank, NCBA 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
30th June, 2020				
Trade and other payables	51,730,480	-	-	51,730,480
Borrowings	42,788,235	33,771,991	143,119,398	219,679,624
Bank overdraft	5,242,378	-	-	5,242,378
Rental deposits	-	-	17,148,898	17,148,898
	99,761,093	33,771,991	160,268,296	293,801,380
30th 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

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 30th June, 2019 were as follows:

	30 th June, 2020	30 th June, 2019
	TZS '000	TZS '000
Total borrowings (Note 24)	(219,679,624)	(242,786,657)
Less: cash and bank balances (Note 20)	26,194,225	8,551,498
Net borrowings	(193,485,399)	(234,235,159)
Total equity	3,245,100,367	2,910,391,049
Gearing ratio	5.96%	8.05%

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Receivables

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

Investment property

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

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 3.5.

Income Tax

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

NATIONAL HOUSING CORPORATION (NHC)

	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
6 REVENUE		
Rental income	89,520,493	93,107,560
Sale of inventory properties-Own constructed Projects (Note 6a)	16,183,274	20,285,191
Contracts income-Third party projects (Note 6b)	33,578,833	6,635,713
Sale of open plots (Note 6c)	577,651	4,720,142
	<u>139,860,251</u>	<u>124,748,606</u>
(6a) Own Constructed Projects		
Kibada project	440,388	299,963
Medeli project	474,902	1,108,442
ECO project	-	210,916
Mtanda project	270,547	119,775
Levolosi project	-	82,109
Iyumbu project	62,050	1,333,090
Ubungo project	209,860	-
Ilembo project	39,661	-
Kongwa project	54,153	-
Longido project	51,576	-
Muleba project	97,740	-
Safari City(affordable houses)project	170,000	-
Chato project	46,740	86,700
Victoria Apartment project	-	10,904,979
Mvomero project	-	429,132
Mkuzo project	-	44,391
Mwongozo project	4,110,887	5,665,694
Plot 274 Chato street DSM	9,160,800	-
Mbarali project	838,983	-
Mlote Project	154,987	-
	16,183,274	20,285,191
(6b) Third Party Projects		
Busokelo project	-	5,500
Momba project	-	189,270
Msalato secondary school project	45,984	11,460
Mzumbe secondary school project	77,195	60,435
Kilakala secondary school project	112,529	52,269
Mwenge secondary school project	208,243	52,669
Pugu secondary school project	-	18,909
Malinyi District Council project	742,907	1,057,162
ERB boundary fence project	-	46,067
Tanzania Education Authority-Head Office project	-	36,964
Tanzania Airport Authority project	223,131	386,133
Medical Store Department project	12,246	36,911

NATIONAL HOUSING CORPORATION (NHC)

	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
6.		
6b) Third Party Projects (continued)		
Ministry of Finance project	109,879	831,631
Ministry of Land, Housing and Human Settlement project	17,529	923,060
Ministry of Energy project	9,399	927,166
Ministry of Industry project	111,053	829,552
Wanging'ombe project	607,866	755,423
Ardhi University project	521,213	272,048
Malinyi DC residential	185,136	48,244
Hai DC Office	715,531	74,126
Vingunguti Abattoir	8,117,085	20,714
Musoma Referral Hospital	4,041,118	-
Tanzania Forest Agency	8,952,877	-
Mtwara Referral Hospital	5,418,727	-
Public Procurement Regulatory Authority	171,754	-
Mbuye Special School	2,778,692	-
National Board of Accountants and Auditors	87,177	-
Tanzania Medical Devices Agency	311,563	-
	33,578,834	6,635,713
6(c) Sales of open plots		
Safari City plots	577,651	1,077,842
Luguruni plots	-	3,642,300
	577,651	4,720,142
7. OTHER GAINS AND LOSSES		
Loss on demolition of investment properties	(510,639)	
Inventory property write down	-	(20,484)
Net foreign exchange losses	(399,583)	(1,280,629)
Miscellaneous income	1,269,105	1,038,423
	358,883	(262,690)
8. (a) CONSTRUCTION COSTS		
(i) Own Constructed Projects		
Kibada project	502,714	347,068
Medeli project	263,994	615,986
ECO project	-	210,916
Mtanda project	270,538	119,775
Levolosi project	-	62,275
Iyumbu project	45,331	973,291
Ubungo project	151,828	-
Ilembo project	42,707	-
Muleba project	77,914	-
Chato project	35,722	71,440
Mvomero project	-	429,132
Mkuzo project	-	43,722
Mwongozo project	3,435,432	4,972,293
Victoria Project	-	14,676,344
Mlote Project	155,815	-

NATIONAL HOUSING CORPORATION (NHC)

	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
(i) Own Constructed Projects		
Mbarali Project	799,555	-
Safari city Project	140,778	-
Plot 274 Project	6,336,544	-
Kongwa Project	37,801	-
Longido Project	48,565	-
	<u>12,345,238</u>	<u>22,522,242</u>
(ii) Third Party Projects		
Busokelo project	-	5,350
Momba project	-	151,724
Msalato secondary school project	30,495	12,444
Mzumbe secondary school project	440	55,176
Kilakala secondary school project	3,566	47,116
Mwenge secondary school project	7,540	51,689
Pugu secondary school project	-	11,232
Malinyi District Council project	661,168	940,847
ERB boundary fence project	-	38,178
Tanzania Education Authority-Head Office project	-	32,287
Tanzania Airport Authority project	180,466	319,432
Medical Store Department project	3,169	36,774
Nganza secondary school project	-	14,553
Ministry of Finance project	28,720	831,631
Ministry of Land, Housing and Human Settlement project	1,518	923,060
Ministry of Energy project	11,564	927,166
Ministry of Industry, Trade and Investment project	79,933	829,552
Wanging'ombe project	561,903	645,002
Ardhi University project	455,866	237,940
Malinyi District Council Residential	190,064	41,008
Hai District Council Office	634,551	58,573
Vingunguti Abattoir	7,352,588	18,748
Musoma referral hospital	3,233,494	-
Tanzania Forest Service Agency	6,630,738	-
Mtwara referral hospital	4,884,149	-
Public Procurement Regulatory Authority	137,404	-
Mbuye special school	2,222,954	-
National Board of Accountant and Auditors	82,069	-
Tanzania Medicine and Medical Authority	267,609	-
	<u>27,661,968</u>	<u>6,229,482</u>
(iii) Open Plots		
Safari City	288,432	674,669
Luguruni plots	-	728,433
	<u>288,432</u>	<u>169,271</u>
	<u>40,295,638</u>	<u>30,154,826</u>

NATIONAL HOUSING CORPORATION (NHC)

	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
8. (b) PROPERTY MANAGEMENT COSTS		
Repair and maintenance rental houses	4,033,372	5,686,556
Estate management expenses	1,481,877	1,714,087
Land rent and property tax	1,053,585	1,145,303
Property valuation fees	402,597	137,527
City service levy	322,535	324,468
	<u>7,293,966</u>	<u>9,007,941</u>
9. ADMINISTRATIVE EXPENSES		
Training and seminar costs	224,829	270,930
Security and insurance services	691,220	888,590
Printing and stationeries	452,138	428,567
Computer expenses and software maintenance cost	351,865	367,512
Auditors remuneration	320,000	534,277
Other audit costs	13,124	43,358
Repair and maintenance office buildings	79,793	246,879
Internet costs and network	591,459	600,541
Consultancy fee	176,286	84,898
Water and electricity	373,198	402,018
Postage and telephone	302,881	353,469
Travelling on duty	1,472,351	1,415,770
Directors' fees and board expenses	317,775	102,214
Motor vehicle fuel and maintenance	1,858,480	1,978,302
VAT write off, penalties and fines	1,188,090	1,757,522
Donation	139,783	141,155
Repairs and maintenance office equipment	207,610	94,518
Legal fees	118,111	87,536
Provision for legal cases	-	1,268,424
Bank charges	134,350	140,488
Office expenses	165,256	150,077
National festivals	19,800	54,601
Procurement expenses	164,411	173,083
Contribution to exchequer	550,000	1,200,000
General cleaning expenses	404,152	369,907
Other administrative expenses	35,236	40,718
	<u>10,352,198</u>	<u>13,195,354</u>

NATIONAL HOUSING CORPORATION (NHC)

	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
10. SALES AND MARKETING EXPENSES		
Business promotion	675,984	554,230
Sales expenses and marketing expenses	6,263	51,033
Advertising and publicity	214,856	184,436
	<u>897,103</u>	<u>789,699</u>
11. EMPLOYEE BENEFITS EXPENSES		
Salaries and wages	10,427,175	10,520,556
Housing allowance	2,373,927	2,561,951
Terminal benefits	-	(45,851)
Defined benefit obligation expense	1,238,936	1,895,405
Staff welfare	96,424	120,243
Staff canteen services	386,810	423,493
Staff transport services	366,546	346,831
Staff uniforms and clothing	39,746	41,485
Pension contributions	1,377,857	1,462,279
Medical costs	568,087	635,720
Master workers council	75,503	109,390
Leave travel allowance	773,555	869,239
Transfer and disturbance allowance	194,449	359,697
Skills and development levy	692,081	718,942
Gratuity provision expense	64,368	224,831
Workers' compensation fund	62,759	66,067
Annual incentive and service award	4,500	-
	<u>18,742,723</u>	<u>20,310,278</u>
12. FINANCE INCOME AND COSTS		
Finance income		
Interest on bank term deposits	8,945	190,396
Interest on rental receivables	398,671	516,919
	<u>407,616</u>	<u>707,315</u>
Finance costs		
Interest on borrowings	(22,527,606)	(23,940,135)
Loan-related charges	(1,584,374)	(699,723)
	<u>(24,111,980)</u>	<u>(24,639,858)</u>
Net finance cost	<u>(23,704,364)</u>	<u>(23,932,543)</u>

NATIONAL HOUSING CORPORATION (NHC)

	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
13. INCOME TAX		
(a) Tax (income)/charge		
Current tax-current period	5,884,751	4,043,330
Current tax- prior period overprovision	(176,653)	(747,559)
Deferred tax income-current period (Note 23)	129,214,229	(10,915,126)
Deferred tax charge/(income)-prior periods (Note 23)	1,492,394	79,665,463
	<u>136,414,721</u>	<u>72,046,108</u>
(b) Reconciliation of income tax expense		
The tax on the Corporation's income tax differs from the theoretical amount that would arise using the statutory income tax rate on the applicable profit as follows:		
	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
Profit/(Loss) before tax	449,951,390	(25,121,367)
Tax calculated at the statutory income tax rate of 30%	134,985,417	(7,536,410)
Tax effect of:		
Non-taxable income	(167,205)	(249,351)
Expenditure permanently disallowed for tax purpose	381,890	913,965
Decrease in deferred tax from fair value losses	(101,121)	-
Current tax relating to prior periods	(176,653)	(747,559)
(Under)/Over- provision of deferred tax from prior year	1,492,393	79,665,463
	<u>136,414,721</u>	<u>72,046,108</u>
(c) Tax movement		
Balance at beginning of the year	5,657,360	5,778,949
Current tax charge for the year	5,884,751	4,043,330
Tax interest and penalties-prior period	-	113,729
Current tax- prior period overprovision	(176,653)	(747,559)
Tax paid during the year	(6,824,435)	(3,531,089)
Balance as at the end of the year	<u>4,541,023</u>	<u>5,657,360</u>

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
30th June, 2020				
Opening balance	3,281,978,469	172,781,600	565,343,354	4,020,103,423
Additions: Monetary	-	-	1,332,913	1,332,913
Additions: Non-monetary	-	-	23,396,014	23,396,014
Transfers from inventory	5,797,180	-	-	5,797,180
Transfer in/(out)	7,066,519	-	(7,066,519)	-
Transfer to inventory of buildings	(35,722)	-	-	-
Disposal	(73,386)	-	-	(35,722)
Fair value gain/(loss)	317,523,204	52,852,281	43,465,203	(73,386)
	3,612,256,262	225,633,881	626,470,967	4,464,361,110
30th June, 2019				
Opening balance	3,282,744,844	163,123,851	605,822,077	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)
	3,281,978,468	172,781,600	565,343,355	4,020,103,423

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 28.15 million (2019: TZS 1,027 million).

NATIONAL HOUSING CORPORATION (NHC)

The Corporation is satisfied that the fair value of all its investment properties under construction at 30th June, 2020 were reliably determinable on continuing basis. The Corporation investment properties were revalued at 30th June, 2020 through review by independent professionally qualified valuers who hold a recognized relevant professional qualification and have recent experience in the location and categories of investment properties valued.

Properties being constructed or developed for future use as investment properties were valued at TZS 626 billion (2019: TZS 565 billion) as follows:

30 th June, 2020	Total value of the investment property TZS'000	NHC percentage share %	NHC share of ownership TZS'000
Investment properties under construction (Joint venture properties)	61,381,531	100	61,381,531
Investment properties under construction (NHC owned properties)	10,037,580	100	10,037,580
Undeveloped plots	555,051,858	100	555,051,858
	626,470,968		626,470,968
30 th June, 2019			
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	503,579,800	100	503,579,800
	565,343,354		565,343,354

As at the end of the period, investment properties with value of TZS 573,593 million (30th June, 2019: TZS 573,593 million), were pledged as security on bank borrowings as detailed in Note 25.

15. PROPERTY AND EQUIPMENT

	Land and 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
30th June, 2020								
Opening net book value	17,186,871	842,675	205,121	414,755	829	183,842	5,307,823	24,141,915
Additions: Monetary (at cost)	-	392,419	-	16,571	-	32,854	-	441,844
Additions: Non-monetary (at cost)	26,246,188	-	-	-	-	-	-	-
Disposals	(510,639)	-	-	-	-	-	(5,307,823)	20,938,366
Depreciation charge	(515,797)	(246,105)	(91,013)	(324,239)	(664)	(85,770)	-	(510,639)
								(1,263,588)
Closing net book value	42,406,623	988,988	114,107	107,086	165	130,928	-	43,747,897
Cost	44,575,698	2,893,741	6,384,571	5,636,914	52,061	2,840,574	-	62,383,559
Accumulated depreciation	(2,169,075)	(1,904,753)	(6,270,464)	(5,529,828)	(51,896)	(2,709,646)	-	(18,635,662)
Net book value	42,406,623	988,988	114,107	107,086	165	130,928	-	43,747,897
30th June, 2019								
Opening net book value	17,565,190	1,026,234	420,551	996,183	1,493	82,151	5,307,823	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	5,307,823	24,141,915
Cost	18,918,612	2,501,323	6,384,571	5,620,343	52,061	2,807,721	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	17,186,871	842,675	205,121	414,755	829	183,842	5,307,823	24,141,915

*Land and Building are separable and are accounted for as so. They are just combined on the column for presentation. Consequently in the next reporting date they will be separated to allow more disclosure.

	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
16. INTANGIBLE ASSETS		
Net book value at the beginning of the year	10,519	42,075
Additions	-	-
Amortisation charge	(10,519)	(31,556)
Netbook value at the end of the year	-	10,519
Cost	1,203,292	1,203,293
Accumulated amortisation	(1,203,292)	(1,192,774)
Net book value	-	10,519
17. (a) INVESTMENT IN JOINT VENTURES		
At the beginning of the year	19,916,704	19,332,293
Share of profit from joint ventures	499,326	810,486
Dividend received during the year	(1,765,657)	(387,439)
Share of other comprehensive income	4,300	161,364
At the end of the year	18,654,673	19,916,704

The table below summarizes details of assets and liabilities as at 30th June, 2020, and financial results for the year then ended accruing to the Corporation:

JV Name	Country of incorporation	% interest held	Assets	Liabilities	Revenue	Profit after tax
30 th June, 2020			TZS '000	TZS '000	TZS '000	TZS '000
NHC/PPF - IPS Building Company Limited	Tanzania	50	15,982,545	(133,526)	668,878	(553,786)
NHC House Company Limited	Tanzania	50	3,723,423	(917,769)	2,647,533	1,502,575
			19,705,968	(1,051,295)	3,316,411	948,789
30 th 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

NATIONAL HOUSING CORPORATION (NHC)

	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
17. (b) ADVANCES TOWARD SHARES IN OTHER ENTITIES		
At the beginning of the year	52,583,619	52,531,134
Cash paid during the year	3,695	52,485
Investment termination-Land value	(22,800,177)	-
At the end of the year	<u>29,787,137</u>	<u>52,583,619</u>
Below is the summary of advances held:		
Kawe Special Purpose Vehicle	6,682,039	6,678,344
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
	<u>29,787,137</u>	<u>52,583,619</u>
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
	<u>3,133,764</u>	<u>3,133,764</u>
18. INVENTORIES		
(i) Inventory properties (Completed houses)		
Kibada Project-Dar es Salaam at cost	263,588	766,302
Levolosi Project- Arusha at cost	62,275	62,275
Ubungu Project- Dar es Salaam at cost	23,701	175,529
Mkuzo Project- Ruvuma at cost	125,508	125,508
Medeli Project- Dodoma at cost	7,039,845	7,303,839
Muleba Project- Kagera at cost	38,957	116,871
Mrara Project- Manyara at cost	684,962	684,962
Longido Project- Arusha at cost	48,565	97,130
Bombambili Project- Geita at cost	56,566	56,566
Mlote Project- Kigoma at cost	492,281	648,096
Mvomero Project- Morogoro at cost	159,836	159,836
Uyui Project- Tabora at cost	38,367	38,367
Kongwa Project- Dodoma at cost	453,611	491,411
Unyankumi Project- Singida at cost	92,893	92,893
Ilembo Project- Katavi at cost	128,120	170,827
Mtanda Project-Lindi at cost	300,168	537,046
Buswelu Project	4,768,309	4,234,657
Shangani Project-Mtwara at cost	-	1,924,382
Iyumbu project-Dodoma at cost	1,658,594	1,703,926
Safari City project-Arusha at cost	303,718	594,350
Monduli project	715,514	715,514
Buhare project	33,651	33,651
Mwongozo project	2,384,191	8,982,704

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

Plot 274 Chato street DSM at cost	934,628	-
Zongomela at cost	1,918,539	-
	22,726,387	29,716,642

(ii) Inventory properties (Ongoing projects)

Ushindi Residential-Plot 36&37 Victoria	27,928,505	27,451,881
Morocco square-Plot 1-3 & 44 Morocco	149,150,234	148,244,034
Victoria- Plot 300	4,755,025	4,755,025
Jangwani-Plot 149/1, 3-13 Block H	1,349,691	1,073,955
Golden Premier Residential-Plot no 711/2 Kawe	29,804,375	29,789,607
Bukondamoyo Affordable Housing Scheme	-	1,778,101
Makete Affordable Housing Scheme	1,317,092	1,315,095
Inyonga Affordable Housing Scheme	631,682	623,366
Igunga Affordable Housing Scheme	1,265,502	1,238,372
Mbarali Affordable Housing Scheme	-	772,196
Manyoni Affordable Housing Scheme	15,675	15,675
Luguruni Low costing Houses Project	19,710	19,710
Kawe-Plot no. 711/1	23,444,589	23,444,589
Chato Residential-Plot 274 Chato	-	6,822,367
Masasi Affordable Housing Scheme	1,557,906	1,446,333
Burka (Safari city)	1,013,826	975,954
Ipogolo Affordable Housing Scheme	11,734	11,734
Vijibweni Alykhan-Plot 270,288 & 289 Magore	14,065	14,065
Iyumbu Affordable Housing Scheme	3,938,921	2,882,841
CRDB head office-Plot 25&26 A.H Mwinyi Road & Obama Drive	65,119,758	56,501,324
Muheza Affordable Housing Scheme (Chatur)	383,365	328,846
EWURA Head Office	8,023,469	3,370,199
Chato plots Project	227,672	724,168
Consultancy for Ministry of Finance	615,892	-
	320,588,688	313,599,437

(iii) Plots for sale

Safari city project	8,058,604	8,334,948
Luguruni project	-	-
	8,058,604	8,334,948

NATIONAL HOUSING CORPORATION (NHC)

	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
18.		
Building materials	2,744,819	897,513
Stationeries	216,057	274,109
Spare Parts (Motor Vehicles)	2,150	-
	<u>2,963,026</u>	<u>1,171,622</u>
Allowance for obsolete inventories	(246,057)	(246,057)
	<u>2,716,969</u>	<u>925,565</u>
Total inventories	<u><u>354,090,648</u></u>	<u><u>352,576,592</u></u>

Inventory property refers to completed houses or ongoing construction projects for sale. Out of total additions to inventories from on-going projects during the year is capitalized borrowing costs amounting to TZS 0 million (2019: TZS 5,946 million).

NATIONAL HOUSING CORPORATION (NHC)

	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
19. TRADE AND OTHER RECEIVABLES		
Rental receivables - current tenants	8,307,369	12,970,842
Rental receivables - ex tenants	18,219,892	11,856,687
Tenant purchase receivables	5,580	5,580
Receivables from the sale of buildings	11,749,954	10,035,911
	<u>38,282,795</u>	<u>34,869,020</u>
Other receivables	3,254,959	2,083,508
Less: Allowances for doubtful debts	(23,888,986)	(21,819,027)
	<u>17,648,768</u>	<u>15,133,501</u>
Staff receivables	4,137,169	4,760,542
Advance to contractors	8,871,113	9,678,909
	<u>30,657,050</u>	<u>29,572,952</u>

Movements in the impairment allowance:

	Receivables TZS'000	Other financial assets TZS'000	Total TZS'000
30th June, 2020			
At beginning of the year	21,494,763	324,263	21,819,026
Charge for the year	1,845,791	224,169	2,069,960
At end of the year	<u>23,340,554</u>	<u>548,432</u>	<u>23,888,986</u>
30th June, 2019			
At beginning of the year	16,614,409	-	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	734,246.00
At end of the year	<u>21,494,763</u>	<u>324,263</u>	<u>21,819,026</u>

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

20. CASH AND BANK BALANCES

	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
Bank balances	31,417,398	17,707,344
Cash on hand	19,205	19,000
Cash and bank balances as per statement of financial position	31,436,603	17,726,344
Bank overdrafts (Note 24)	(5,242,378)	(9,174,846)
Cash and cash equivalents as per statement of cash-flows	<u>26,194,225</u>	<u>8,551,498</u>

21. 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.

22. CAPITAL RESERVE

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

23. DEFERRED TAX

Deferred tax is calculated using balance sheet approach at the enacted income tax rate of 30% (30th June, 2019: 30%). The movement on the deferred tax account is as follows:

	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
At the beginning of the year	1,119,963,560	1,051,433,686
Deferred tax (credit)/charge -current period (Note 13(a))	129,214,229	(10,915,126)
Deferred tax (credit)/charge- prior periods (Note 13(a))	1,492,393	79,665,463
Deferred tax on IFRS 9 initial application	-	(220,463)
At the end of the year	<u>1,250,670,182</u>	<u>1,119,963,560</u>

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
30th June, 2020				
Deferred tax liabilities				
Fair value of investment properties	179,541,595	(1,512,110)	13,039,561	191,069,046
Accelerated capital allowances	959,389,367	532,696	116,139,917	1,076,061,980
	<u>1,138,930,962</u>	<u>(979,414)</u>	<u>129,179,478</u>	<u>1,267,131,026</u>
Deferred tax assets				
Provisions and other deductible temporary differences	((18,967,402))	2,471,807	34,750	(16,460,845)
Net deferred income tax liability	<u>1,119,963,560</u>	<u>1,492,393</u>	<u>129,214,228</u>	<u>1,250,670,181</u>
30th 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
	<u>1,067,574,210</u>	<u>79,665,463</u>	<u>(8,308,711)</u>	<u>1,138,930,962</u>
Deferred tax assets				
Other deductible temporary differences	(16,140,524)	(220,463)	(2,606,415)	(18,967,402)
Net deferred income tax liability	<u>1,051,433,686</u>	<u>79,445,000</u>	<u>(10,915,126)</u>	<u>1,119,963,560</u>

NATIONAL HOUSING CORPORATION (NHC)

	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
24. BORROWINGS		
Bank and other borrowings	210,838,838	229,029,368
Accrued interest on principal from banks and other borrowings	8,840,786	13,757,290
Bank overdrafts	5,242,378	9,174,846
	<u>224,922,002</u>	<u>251,961,504</u>
Current		
Bank overdraft	5,242,378	9,174,846
Bank and other borrowings	42,788,235	70,503,033
Accrued interest	8,840,786	13,757,290
Current principal from bank and other borrowings	33,947,449	56,745,743
	<u>48,030,613</u>	<u>79,677,879</u>
Non-current		
Bank and other borrowings	176,891,388	172,383,625
	<u>224,922,001</u>	<u>251,961,504</u>
Movement in bank and other borrowings (principal only):		
At the beginning of the year	229,029,368	264,580,774
Additional borrowings	17,672,507	-
Repayments	(34,488,128)	(40,090,017)
Unrealized foreign exchange losses	(1,374,909)	4,538,611
At the end of the year	<u>210,838,838</u>	<u>229,029,368</u>

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

Lender's name	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000	Effective interest rate %	Tenur e years
Shelter Afrique	4,973,902	13,803,340	LIBOR+3.7%	10
CBA (T) Limited	-	1,543,854	7%	7
CRDB Bank Plc (Loan II)	23,195,875	25,372,228	15%	10
Public Service Social Security Fund (PSSSF)	7,179,981	7,948,293	15.30%	11
ABC (T) Limited	-	528,651	15%	5
TIB Development Bank	22,498,383	26,490,351	15%	4
Azania Bank Limited	4,646,000	635,509	14%	7
NMB Bank Plc	15,883,443	23,923,019	15.36%	7
SEM (T) Limited	32,338,016	32,654,693	13%	10
CRDB Bank Plc (Loan III)	31,421,510	33,996,083	16.5%	7
Bank M (T) Limited / Azania Bank	5,907,707	9,070,143	16.0%	6
East African Development Bank (EADB)	62,677,842	66,820,494	LIBOR+5.5%	7
CBA (T) Limited-TZS Loan	8,956,965	-	15%	5
	<u>219,679,624</u>	<u>242,786,658</u>		

Bank and other borrowings are secured on investment property to the value of TZS 573,593 million (2019: TZS 573,593 million).

Loan from Shelter Afrique

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

The loan carries interest at 6 months LIBOR + 3.7% per annum spread/margin. The loan is repayable over a period of 10 years (inclusive of 2 years grace period) effective from March 2015. As at 30th June, 2020 the outstanding balance included principal balance of TZS 4.97 billion and interest of TZS 352.1 million.

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

The first loan facility agreement of USD 15 million was signed on 06th 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 30th June, 2020, the loan was fully repaid.

The second loan facility agreement of USD 3.99 million equivalent to TZS 9.23 billion was signed on 17th December, 2019 for partly taking over Shelter Afrique Loan. The loan carries interest at 15% per annum, charged monthly based on the reducing balance. As at 30th June, 2020, outstanding balance included principal of TZS 8.86 billion and interest of TZS 3.50 billion.

Loan from CRDB Bank Plc (Loan II)

The facility agreement of TZS 35 billion was signed on 2nd 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 30th June, 2020, outstanding balance included principal of TZS 23.2 billion and interest of TZS 13.06 billion.

Loan from PSSSF (Formerly Local Authority Pensions Fund (LAPF))

The facility agreement of TZS 15 billion was signed on 26th 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 30th June, 2020 outstanding principal balance amounted to TZS 7.2 billion and interest of TZS 3.5 billion.

Loan from African Banking Corporation (T) Limited

The first loan facility of TZS 4.2 billion was signed on 7 August 2015 and was acquired for the purpose of financing the construction of 4 blocks comprising 80 residential apartments (Ubungu 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. As of 30th June, 2020, the loan was fully repaid.

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.

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 30th June, 2019, outstanding balance included principal of TZS 14.9 billion and interest of TZS 11.3 billion.

Loan from Azania Bank Limited

The first facility agreement of TZS 7 billion was signed on 30th January, 2012 for the purpose of financing the construction of 60 residential apartments located on plot 574, Mindu Street, Upanga West, Ilala Municipality, and Dar es Salaam. The loan is secured by a first charge legal mortgage on six landed properties in Dar es Salaam. The loan carries a floating interest rate (Treasury bills 182 days plus 200 bps) per annum, charged monthly on the outstanding balance. The loan has a grace period of twelve months from the date of first disbursement. Interest accrued during the grace period is capitalised and the loan is repayable in 84 monthly instalments effective from March 2013. As at 30th June, 2020, the loan was fully repaid.

The second facility agreement of TZS 23.2 billion was signed on 11th March, 2020 for the purpose of taking over part (USD 10 billion) of loan from East African Development Bank (EADB). The agreement was disbursement to be made direct to EADB by Azania Bank. However as at 30th June, 2020 Azania Bank Limited had only disbursed TZS 4.6 billion to East African Development Bank

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 Wakulima Streets, Kinondoni-Dar-es-Salaam. Interest on the loan is pegged on last auction 182 T-bills plus 300bps. Term of the loan is 108 months from the date of signing the agreement including the 24 months of the grace period.

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 30th June, 2020 outstanding balance from both facilities included principal balance of TZS 15.9 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 30th June, 2020 the outstanding balance included outstanding principal of TZS 32.3 billion.

Loan from CRDB Bank Plc (Loan III)

The facility agreement of TZS 40 billion was signed on 28 September 2015 for financing construction of Morocco Square Project. The loan is secured by a first charge legal mortgage on twenty landed properties in Dar es Salaam. The loan carries interest at 16.5% per annum accrued daily on outstanding balance and paid semi-annually effective from March 2016. The loan is repayable in 7 years (including a grace period of twenty-four months. As at 30th June, 2020, outstanding balance included principal of TZS 31.4 billion and interest of TZS 12.2 billion.

24. BORROWINGS (CONTINUED)**Loan from Bank M (T) Limited / Azania Bank**

The loan facility agreement of TZS 15 billion was signed on 4th 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 30th June, 2020, outstanding balance included principal of TZS 5.9 billion and interest of TZS 2.1 billion.

Loan from East African Development Bank (EADB)

The facility agreement of USD 30 million was signed on 2nd 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 30th June, 2020, outstanding balance included principal of TZS 62.7 billion.

Overdraft facilities

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

Bank	Balance as at 30 th June, 2020	Limit	Interest	Effective date	Limit time
	TZS'000	TZS'000			
CRDB Bank Plc	933,772	5,000,000	17% per annum	2 Nov 2012	One year renewable
NMB Bank Plc	4,702,098	4,000,000	16.8% per annum	15 Nov 2013	One year renewable

25. 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 th June, 2020	30 th June, 2019
Discount rate	15.8%	17.4%
Salary inflation	1.0%	3.0%

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

	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
Recognized in profit or loss	1,238,936	1,895,405
- Current service cost	278,471	275,944
- Interest cost	960,465	1,619,461
Recognized in other comprehensive income		
- Actuarial loss / (gain) recognized in other comprehensive income	337,071	(3,198,989)
Net cost for the year	1,576,007	(1,303,584)

	30 th June, 2019 TZS '000	30 th June, 2018 TZS '000
The movement in the Corporation defined benefit obligation is as follows:		
Opening balance	6,083,280	9,310,781
Current service cost	278,471	275,944
Interest cost	960,465	1,619,461
Benefit paid during the year	(1,401,648)	(1,923,917)
Actuarial gain recognized in other comprehensive income	337,071	(3,198,989)
	6,257,639	6,083,280

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 th June, 2020 TZS '000	30 th June, 2019 TZS '000
26. TRADE AND OTHER PAYABLES		
Trade payables	25,668,899	18,987,137
Construction deposits	161,162,986	166,556,883
Rent advance	1,404,074	1,857,053
Value Added Tax (VAT) payable	2,124,654	3,573,180
Security and retention	2,666,580	1,833,298
Other payables	18,867,564	693,829
Employees related payables	998,709	1,275,205
	<u>212,893,466</u>	<u>194,776,585</u>
27. ACCRUED EXPENSES		
Accrued administrative expenses	5,741,508	5,381,325
Audit fee	267,291	470,000
Salary related expenses	427,988	1,236,993
Property tax	141,983	1,059,847
Land rent	619,308	411,924
Service fee	260,578	113,856
	<u>7,458,656</u>	<u>8,673,945</u>
28. PROVISIONS		
Legal cases	<u>6,876,650</u>	<u>6,876,650</u>
29. CONTINGENT LIABILITIES		
As at 30 th 30 June, 2020, the Corporation was a defendant in several lawsuits. The total amount claimed in the various lawsuits approximates to TZS 11,422 million. (2019: TZS 11,422 million), of which the Corporation has made a provision of TZS 6,876 million (2019: TZS 6,876 million). In the opinion of the Directors, after taking appropriate legal advice, no material additional liabilities are expected to crystallize from these lawsuits.		
30. RENTAL DEPOSITS		
These are balances which every tenant has to pay as security deposit at the beginning of lease term and they are refundable at the end of the lease term if the outgoing tenants have no arrears and have left NHC premises in original condition as it were when it was being leased. The movement in rental deposit balances are as follows;		
	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
Opening balance	15,243,754	12,337,747
Receipts during the year	2,257,058	3,325,224
Refund during the year	(351,914)	(419,217)
	<u>17,148,898</u>	<u>15,243,754</u>

NATIONAL HOUSING CORPORATION (NHC)

	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
31. CASH RECEIPTS FROM CUSTOMERS		
Deposits on Sale of Houses	31,671,845	48,713,845
Deposits on Sale of Plots	1,279,427	1,837,540
Contractee Deposits	40,262,931	27,903,530
Receipts from Rental Income	97,088,206	98,487,619
	<u>170,302,409</u>	<u>176,942,534</u>
32. CASH PAID TO SUPPLIERS		
Payments to Suppliers	66,167,687	57,505,580
Payments related to Accrued Expenses	878,523	490,369
Payments related to Provisions	1,519,786	2,649,965
Payments related to Property management cost	7,293,966	9,007,942
Payments related to Administrative expenses	10,339,074	12,375,354
Payments related to Sales and Marketing expenses	897,103	789,699
	<u>87,096,139</u>	<u>82,818,909</u>
33. CASH PAID IN RESPECT OF STAFF COST		
Salaries and wages	10,427,175	10,520,556
Housing allowance	2,373,927	2,561,951
Terminal benefits	1,401,648	(45,851)
Staff welfare	154,770	120,243
Staff canteen services	386,810	423,493
Staff transport services	366,546	346,831
Staff uniforms and clothing	39,746	41,485
Pension contributions	1,377,857	1,462,279
Medical costs	568,087	635,720
Master workers council	75,503	109,390
Leave travel allowance	773,555	869,239
Transfer and disturbance allowance	194,449	359,697
Skills and development levy	692,081	718,942
Gratuity provision expense	6,022	-
Workmans compensation	62,759	66,067
Annual incentive and service award	4,500	-
	<u>18,905,435</u>	<u>18,190,042</u>
34. INTEREST PAID		
Interest Related to Loan from Bank M/Azania Bank	2,207,746	-
Interest Related to Loan from Shelter Afrique	836,580	1,048,866
Interest Related to Loan from CBA (T) Limited	18,336	299,484
Interest Related to Loan from CRDB Bank Plc (Loan II)	2,664,802	3,825,614
Interest Related to Loan from PSSSF (Formerly Local Authority Pensions Fund (LAPF)	596,308	1,074,825

	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
Interest Related to Loan from ABC (T) Limited	11,945	268,671
Interest Related to Loan from TIB Development Bank	3,220,178	3,977,503
Interest Related to Loan from Azania Bank Limited	22,931	154,972
Interest Related to Loan from NMB Bank Plc	3,418,190	5,378,322
Interest Related to Loan from CRDB Bank Plc (Loan III)	3,146,051	6,378,937
Interest Related to Loan from East African Development Bank (EADB)	5,354,112	4,658,549
Interest Related to Loan from CBA Bank (Shelter Afrique)	418,785	-
Interest Related to Overdraft from NMB Overdraft	734,906	647,182
Interest Related to Overdraft from CRDB Overdraft	762,003	687,355
	<u>23,412,873</u>	<u>28,400,280</u>

35. CORRECTION OF OPENING BALANCE

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

Adjustment account:

	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
Land for office buildings (a)	18,785,930	-
Office buildings (b)	643,209	-
Office buildings (c)	353,077	-
Accrued charges payable-Administration (d)	1,007,087	-
Salary related accrued payables (e)	870,011	-
Security and retention deposits-projects (f)	83,651	-
Uyui Project (g)	(237,544)	-
:Debtors on sale of constructed houses	(1,579,776)	-
:Rental houses	1,189,364	-
:Purchase of house deposit control account (VAT exclusive)	87,712	-
:Value Added Tax-Out put	15,788	-
:Purchase of house deposit control account (VAT exclusive)	49,368	-
Net effect on retained earnings	21,505,421	-

- (a) Land of the Corporation's office buildings which were previous not included in the books of account that led to understatement of corporation's assets. They are now being recorded into books of account for the first time.

- (b) Corporate Offices of Dodoma, Mwanza and Ruvuma regions which were previous not included in the books of account that led to understatement of value of corporation's assets. They are now being recorded into books of account for the first time
- (c) The recorded values of the corporate office buildings for Ilala and Morogoro Region were very small and did not reflect reality that led to understatement of value of corporation's assets. They are now being adjusted to the correct value/amount
- (d) Errors in provision of contribution to exchequer hence led to understatement of profit, now being reversed.
- (e) Errors in provision of staff leave expenses hence led to understatement of profit, now being reversed.
- (f) Adjustment relate to errors in provision of retention for Mchikichini project hence led to overstatement project costs, now being reversed.
- (g) Adjustment relate to the change of contract terms between Uyui District Council and NHC where the Council purchased houses from the Uyui project and later decided to return all of them and remain with one house due to change in the terms of the contract.

36. COMMITMENTS

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

	30 th June, 2020 TZS'000	30 th June, 2019 TZS'000
Construction of property for rental (ongoing projects)	1,219,911	1,974,630
Construction of property for sale (ongoing projects)	195,401,783	183,662,168
	<u>196,621,694</u>	<u>185,636,798</u>

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 th June, 2020 TZS '000	30 th June, 2019 TZS '000
Salaries and other short-term employment benefits	1,589,574	1,120,336
Annual leave pay	96,476	187,533
House allowance	229,921	243,512
Loans to key management	799,097	799,325
	<u>2,715,068</u>	<u>2,350,706</u>

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

30th June, 2020

Types of Loan	Amount TZS '000	Terms of payments	Interest Rate
House loan	639,379	Repayable monthly for 15 years	Nil
Car loan	122,340	Repayable monthly for 6 years	Nil
Cash advance	37,378	Repayable monthly for 12 months	Nil
	<u>799,097</u>		

30th 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
	<u>799,325</u>		

The balance of gratuity payable to key management personnel as at 30th June, 2020 was Nil (June 2019: TZS 138 million). This was a remuneration which was payable at the end of contract expiry of top management.

	30 th June, 2020 TZS '000	30 th June, 2019 TZS '000
ii) Directors' remuneration		
Fees for services as director	<u>151,870</u>	<u>37,643</u>

38. FINANCIAL INSTRUMENTS BY CATEGORY

Categories of financial instruments and reconciliation of financial instruments to the statement of financial position at 30th June, 2020

30 th June, 2020	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	4,464,361,110	-	-	4,464,361,110
Intangible assets	-	-	-	-
Investment in Joint Venture	18,654,673	-	-	18,654,673
Advance towards shares in other entities	29,787,137	-	-	29,787,137
Equity Investments	3,133,764	3,133,764	-	-
Property, plant and equipment	43,747,897	-	-	43,747,897
Total non-current assets	4,559,684,581	3,133,764	-	4,556,550,817
Current assets				
Inventories	354,090,648	-	-	354,090,648
Trade and other receivables	30,657,050	18,433,233	-	12,223,817
Trade receivables	14,393,809	14,393,809	-	-
Other receivables	3,254,959	-	-	3,254,959
Advance to contractors	8,871,113	-	-	8,871,113
Staff receivable - Staff imprest	97,745	-	-	97,745
Staff receivable - Other receivables	4,039,424	4,039,424	-	-
Cash and bank balances	31,436,603	31,436,603	-	-
Cash on hand	19,205	19,205	-	-
Bank balances	31,417,398	31,417,398	-	-
Total current assets	416,184,301	49,869,836	-	366,314,465
Total assets	4,975,868,882	53,003,600	-	4,922,865,282
Equity and liabilities				
Capital and reserves				
Capital fund	485,554	-	-	485,554
Capital reserve	2,395,444	-	-	2,395,444
Revaluation reserve	4,941,049	-	-	4,941,049
Retained earnings	3,237,278,320	-	-	3,237,278,320
Total equity	3,245,100,367	-	-	3,245,100,367

NATIONAL HOUSING CORPORATION (NHC)

30 th June, 2020	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	1,250,670,182	-	-	1,250,670,182
Borrowings	176,891,388	-	176,891,388	-
Rental deposits	17,148,898	-	17,148,898	-
Defined benefit obligation	6,257,639	-	-	6,257,639
Total non-current liabilities	1,450,968,107		194,040,286	1,256,927,821
Current liabilities				
Trade and other payables	212,893,466	-	31,458,842	181,434,624
Trade payables	25,668,899	-	25,668,899	-
Other payables	18,867,564	-	-	18,867,564
Employees related payables	998,709	-	998,709	-
Security and retention	2,666,580	-	2,666,580	-
Rent advance	1,404,074	-	-	1,404,074
Construction deposits	161,162,986	-	-	161,162,986
Value Added Tax (VAT) payable	2,124,654	-	2,124,654	-
Bank overdraft	5,242,378	-	5,242,378	-
Accrued expenses	7,458,656	-	7,458,656	-
Provisions	6,876,650	-	-	6,876,650
Borrowings	42,788,235	-	42,788,235	-
Gratuity payable	-	-	-	-
Current tax liability	4,541,023	-	4,541,023	-
Total current liabilities	279,800,408	-	91,489,134	188,311,274
Total equity and liabilities	4,975,868,882	-	285,529,420	4,690,339,462

NATIONAL HOUSING CORPORATION (NHC)

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

30 th June, 2019	Financial assets amortised at Total 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

NATIONAL HOUSING CORPORATION (NHC)

30 th 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	-	307,343,5278	4,212,422,304

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 th June 2020	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>	TZS '000	TZS '000	TZS '000	TZS '000
Trade and other receivables	-	45,674,923	-	45,674,923
Cash and bank balances	31,436,603	-	-	31,436,603
Total	31,436,603	45,674,923	-	77,111,526
<u>Financial liabilities</u>				
Borrowings	-	176,891,388	-	176,891,388
Rental deposits	-	17,148,898	-	17,148,898
<u>Current financial liabilities</u>				
Borrowings	-	42,788,235	-	42,788,235
Bank overdraft	-	5,242,378	-	5,242,378
Trade and other payables	-	32,862,916	-	32,862,916
Total	-	274,933,815	-	274,933,815
 30 th June, 2019	 Level 1	 Level 2	 Level 3	 Total
<u>Financial assets</u>	TZS '000	TZS '000	TZS '000	TZS '000
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
<u>Financial liabilities</u>				
Borrowings	-	172,283,625	-	172,283,625
Gratuity payable	-	138,145	-	138,145
Rental deposits	-	15,243,754	-	15,243,754
<u>Current financial liabilities</u>				
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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

40. 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.