

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



**NATIONAL HOUSING CORPORATION**

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL AND  
COMPLIANCE AUDIT FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2023**

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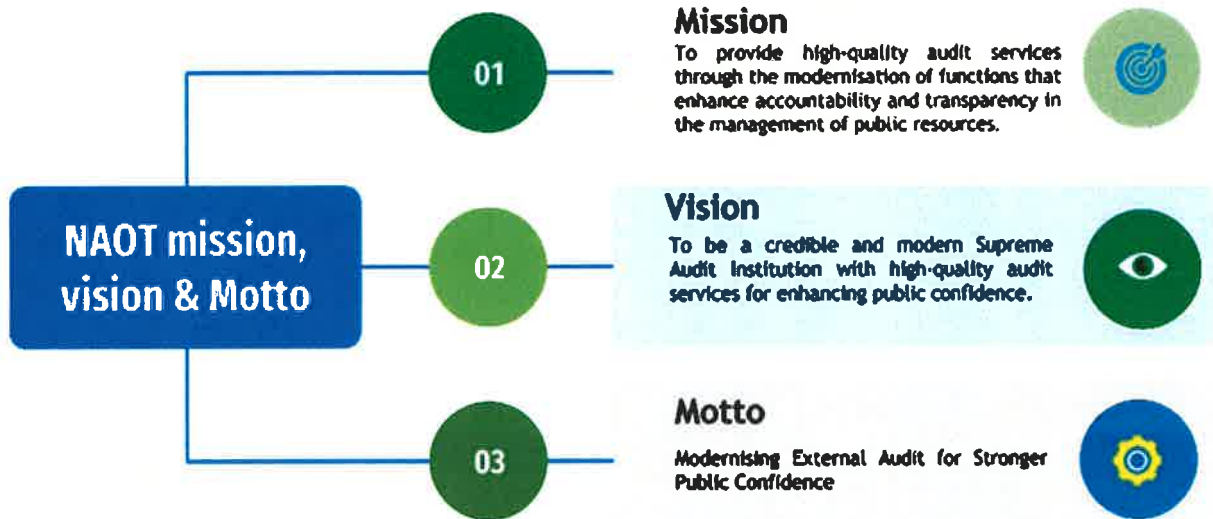
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January 2024

AR/PA/NHC/2022/2023

**Mandate**

The statutory mandate and responsibilities of the Controller and Auditor-General are provided for under Article 143 of the Constitution of the United Republic of Tanzania of 1977 and in Section 10 (1) of the Public Audit Act, Cap 418[R.E 2021]



**Independence and objectivity**

We are an impartial public institution, independently offering high-quality audit services to our clients in an unbiased manner.

**Teamwork Spirit**

We value and work together with internal and external stakeholders.

**Results-Oriented**

We focus on achievements of reliable, timely, accurate, useful, and clear performance targets.



**Professional competence**

We deliver high-quality audit services based on appropriate professional knowledge, skills, and best practices

**Integrity**

We observe and maintain high ethical standards and rules of law in the delivery of audit services.

**Creativity and Innovation**

We encourage, create, and innovate value-adding ideas for the improvement of audit services.

© This audit report is intended to be used by National Housing Corporation 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.

NATIONAL HOUSING CORPORATION

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## NATIONAL HOUSING CORPORATION

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| <b>ABBREVIATION</b> | <b>MEANING</b>  |
|---------------------|---|
| ICT                 | Information and Communication Technology                      |
| IFRSs               | International Financial Reporting Standards                   |
| ISSAI               | International Standards of Supreme Audit Institutions         |
| NAO                 | National Audit Office   |
| NHC                 | National Housing Corporation                                  |
| NHIF                | National Health Insurance Fund                                |
| No.                 | Number  |
| PhD                 | Doctor of Philosophy  |
| TAMICO              | Tanzania Mines, Energy, Construction and Allied workers Union |
| TZS                 | Tanzania Shillings  |
| UDSM                | University of Dar es Salaam                                   |
| URT                 | United Republic of Tanzania                                   |

## NATIONAL HOUSING CORPORATION

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### CORPORATE INFORMATION

#### REGISTERED OFFICE

Medeli Magharibi  
P.O. Box 2422  
Dodoma

#### BANKERS

CRDB Bank Plc  
Ali Hassan Mwinyi Road  
P.O. Box 268  
Dar es Salaam

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

NMB Bank Plc  
Ohio Street  
P.O. Box 9213  
Dar es Salaam

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

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

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

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

#### COMPANY SECRETARY

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

#### PRINCIPAL AUDITORS

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

## 1.0 INDEPENDENT REPORT OF THR CONTROL AND AUDITOR GENERAL

Board Chairperson,  
National Housing Corporation,  
P.O. Box 2422,  
Dodoma, Tanzania

### 1.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

#### Unqualified Opinion

I have audited the financial statements of National Housing Corporation which comprise the statement of financial position as at 30 June 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement 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 30 June 2023, and its profit or loss and other comprehensive income and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### Basis for Opinion

I conducted my audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). 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.

#### Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of financial statements as a whole and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

### **Other Information**

Management is responsible for the other information. The other information comprises the Report by Those Charged with Governance, 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 IFRS 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 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 ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

## NATIONAL HOUSING CORPORATION

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As part of an audit in accordance with ISSAIs, 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; and
- 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 of such communication.



In addition, Section 10 (2) of the Public Audit Act, Cap 418 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 requires me to state in my annual audit report whether the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.

## 1.2 REPORT ON COMPLIANCE WITH LEGISLATIONS

### 1.2.1 Compliance with the Public Procurement laws

#### Subject matter: Compliance audit on procurement of works, goods and services

I performed a compliance audit on procurement of works, goods and services in the National Housing Corporation for the financial year ended 30 June 2023 as per the Public Procurement laws.

#### Conclusion

Based on the audit work performed, I state that procurement of works, goods and services of the National Housing Corporation is generally in compliance with the requirements of the Public Procurement Public Procurement laws.

### 1.2.2 Compliance with the Budget Act and other Budget Guidelines

#### Subject matter: Budget formulation and execution

I performed a compliance audit on budget formulation and execution in the National Housing Corporation for the financial year ended 30 June 2023 as per the Budget Act and other Budget Guidelines.

#### Conclusion

Based on the audit work performed, I state that Budget formulation and execution of National Housing Corporation is generally in compliance with the requirements of the Budget Act and other Budget Guidelines.



Charles E. Kicheře  
Controller and Auditor General,  
Dodoma, United Republic of Tanzania.  
January 2024



## **2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE, 2023**

The Directors submit their report together with the audited financial statements for the year ended 30 June 2023, 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.

### **2.1 ESTABLISHMENT**

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

### **2.2 CORPORATION'S VISION**

To be a leading real estate development and management firm in Africa.

### **2.3 CORPORATION'S MISSION**

To provide and facilitate the provision of quality housing and other buildings for use by the general public.

### **2.4 CORE VALUE**

Professionalism, Efficiency, Transparency, Integrity, Team Work and Innovativeness (PETITI)

### **2.5 PRINCIPAL ACTIVITIES**

The principal activities of the Corporation are 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.

### **2.6 RESULTS**

The net profit for the period ended 30 June 2023 are TZS 58,673 million (2022: Net profit of TZS 66, 975 million) has been transferred to retained earnings. The Corporation did not pay any dividend to its shareholders but contributed to the Government Consolidated fund an amount of TZS 1.0 billion (2022: TZS 750 million) for the year ended 30 June 2023 as per the Treasury Registrar directives

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

**2.7 ADMINISTRATIVE MATTERS**

The day-to-day activities of the Corporation are overseen by the Director General who is assisted by eight (8) Directors and seven (4) Heads of Unit.

The Corporation Directorates comprises the following:-

- Property Management
- Construction
- Human Resource and Administration
- Business Development and Marketing
- Finance
- Innovation and Consultancy Services
- Planning, Risk, Research and Development
- Procurement

The 4 Units are:

- Internal Audit;
- ICT & Statistics;
- Legal Services;
- Public Affairs and Information.

**2.8 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.

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**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

**2.9. OPERATING AND FINANCIAL REVIEW**

**a) The Corporation's net worth**

During the year, the total value of the Corporation's net worth increased to TZS 3,454 billion from TZS 3,396 billion recorded in the prior year adjusted value. This increase is attributable to net profit generated during the year which also includes the increase in fair value of investment properties by TZS 43,592 million.

**b) Profitability**

During the year ended 30 June 2023, the Corporation made a profit before tax of TZS 83,612 million (2022: profit of TZS 92,934 million). The profit generated includes the increase in fair value of investment properties by TZS 43,592 million (2022: increase by TZS 32, 204 million). The Actual profit before tax excluding investment property fair value is TZS 40,020 million (2022: TZS 60, 729 million).

**c) Cash flows**

The Corporation's cash flows As per the cash flows statement are under three categories which are cash flows from operating activities, cash flows from investing activities and cash flows from financing activities. Therefore, the Corporation's cash flows analysis is summarized below:

**(i) Cash Flows from Operating Activities**

The net cash flows from operating activities of TZS 23.97 billion (30 June 2022: TZS (9.57) billion), was derived as the difference between cash receipts from customer amounting to TZS 192.41 billion (30 June 2022: TZS 167.16 Billion) from rental, sales of houses, plots, construction activities, interest, Penalties and other income revenue; and payments amounting to TZS 168.43 billion (30 June 2022: TZS 176.72 Billion) for suppliers, salaries and wages, employee benefits; Directors fees and other Board expenses; travelling, training and supplies, repairs and maintenance expenses; contribution to the Consolidated Fund; bank charges, interest, corporation tax and other payment.

**(ii) Cash Flows from Investing Activities**

The net cash flows from investing activities of TZS (6.03) billion (30 June 2022: TZS (1.05) billion), was derived from cash capital expenditures including acquisition of property and equipment amounting to TZS 3.74 Billion (30 June 2022: TZS 1.15 billion) and acquisition of intangible assets amounting to TZS 920.58 million (30 June 2022: TZS 310.94 million). Investment property amounting to TZS 1.79 Billion (30 June 2022: TZS 94.39 Million), Dividend received amounting TZS 420 Million (30 June 2022: 506 Million)

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

**(ii) Cash Flows from Financing Activities**

The net cash flows from financing activities of TZS (21.78) billion (30 June 2022: TZS (1.09) billion), was derived from proceeds from borrowing amounting TZS 56.71 Billion (30 June 2022: 31.68 billion and repayment of borrowings TZS 78.49 billion (30 June 2022:32.77 Billion)

**2.9. PERFORMANCE INDICATORS**

| Key Performance Indicator | Formula                     | Ratios    |           |
|---------------------------|-----------------------------|-----------|-----------|
|                           |                             | 2022/2023 | 2022/2023 |
| Current Ratio             | Current assets              | 2.50      | 2.14      |
|                           | Current liabilities         |           |           |
| Quick Ratio               | Current assets- inventories | 0.43      | 0.34      |
|                           | Current liabilities         |           |           |
| Return on Assets          | Profit before tax**         | 0.79%     | 1.21%     |
|                           | Total assets                |           |           |
| Debt to Equity Ratio      | Total debt*                 | 6.41%     | 7.35%     |
|                           | Equity                      |           |           |
| Profit before tax margin  | Profit before tax**         | 23.60%    | 23.55%    |
|                           | Revenue                     |           |           |

\*Total debt includes total principal of borrowings and accrued interests outstanding as at end of reporting period.

\*\*For the purpose of determination of these ratios, profit before tax excludes the gains from fair value movements of investment properties.

**2.10. BUSINESS PROFILE**

**(a) Investment Policy**

The purpose of the investment policy is to guide the management of NHC in effectively identifying, implementing, supervising, monitoring and evaluating investments of NHC assets. The policy also helps to guide management with regards to day-to-day investment activities of the Corporation.

NHC investment policy outlines different sources of funds for investments. These are;

- Internal generated funds from day to day activities e.g. rental collections from existing properties and interest earned from NHC deposits;

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

**2.11. BUSINESS PROFILE (CONTINUED)**

**(a) Investment Policy (continued)**

- Money earned by selling new housing units and or existing units;
- Money earned from construction and consultancy services;

Funds sourced from external sources either on shore or offshore from the financial markets, DFIs, Government or any other source as approved by the NHC Act. NHC partnership model in the joint venture policy directs the Corporation to work with strategic Partners in any of the following models

- Land as Equity Contribution (LEC);
- Land and Finance as Equity Contribution (LFEC);
- Revenue Sharing Model (RSM) under this model NHC invites the strategic investors to invest in the Corporation's land and in return, the Corporation receives the share of revenue as percentage of the total revenues from sales of properties developed.

**(b) Construction Activities**

**(i) Houses for Sale**

During the year ended 30 June 2023, the following projects were in progress:

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

This project is of 16 floors (G + M +15 floors). It comprises of 184 residential units as follows: two bed room-8 units, three bed rooms (normal)-144 units, four bedrooms (normal) - 8 units, four bedroom (duplex) - 16 units, pent house duplex-8 units, shops, gym, swimming pool, kids playing ground and other facilities to support the residences. The project was in suspension as at 30 June 2023.

• **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 practically completed on residential part and unit handed over to customer, other part which is commercial is still at the practical completion stage as at 30 June 2023.

## 2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

### 2.11 BUSINESS PROFILE (CONTINUED)

#### (b) Construction Activities (Continued)

##### (i) Houses for Sale (Continued)

- **Kawe-Plot no 711/1 - Dar es salaam**

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 30 June 2023. The corporation is in the process of negotiation with the contractor to resume construction.

##### (i) **Iyumbu Affordable Housing Project - Dodoma**

The project comprises of 300 affordable housing units of 79, 85 and 115 square meters of three bedrooms each. This project has been constructed in three phases of 151, 81 and 68 units each. Phase one was completed during the year ended June 2018, phase two completed 2020 whereas phase three was still in progress as at 30 June 2023.

- **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 June 2019) and other 10 houses were still in progress as at 30 June 2023.

- **Iyumbu (1,000 houses) - Dodoma**

The project comprises 300 units of three bedrooms and two bedrooms and 2shops. The project was in practical completion stage as at 30 June year 2023.

- **Kawe (Samia housing scheme- Phase one)**

The project comprises construction of 10 blocks of flats with a total number of 560 apartments and associated facilities like external works, landscaping and access roads to mention just a few. The project is under Samia Housing scheme (SHS) aiming to construct 5,000 affordable across the country. The project was in progress as at 30 June 2023.

- **Chamwino (1000 Houses) - Dodoma**

The project comprises 100 units of three bedrooms, two bedrooms and two shops. The project was practically completed during the year 2023.



**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

**2.11. BUSINESS PROFILE (CONTINUED)**

**(b) Construction Activities (Continued)**

**(ii) Investment projects)**

These projects are constructed for generation of revenue through renting or capital appreciation. During the period under review there was one project in progress;

- **Bukondamoyo Kahama shops**

The project comprises 50 commercial shops built in Kahama Municipality. The project was in progress at 30 June 2023.

**(iii) Construction contracts projects**

- **Vingunguti Abattoir**

This project involves construction of Vingunguti Abattoir which include basement and ground floor with approximately total area of 4,575 m<sup>2</sup> to be built on Plot No.3003 & 3004 block B at Vingunguti Industrial area, Ilala Municipal council. The project was sectionally completed as at 30 June 2023.

- **Musoma Referral Hospital**

This project involves construction of Health facilities of Mara Referral Hospital at Kwangwa Area in Mara Region. The project was at practical completion stage as at 30 June 2023.

- **Mtwara Referral Hospital**

This project involves construction of Health facilities of Mtwara Zonal Referral Hospital at Mikindani Area. The project was practically completed during the year 2023.

- **Tanzania Forest Services Agency**

This project involves construction of offices and residential houses in different locations in Tanzania. The project was practically completed during the year.

- **Mbuye Special School**

The project involves the construction of Mbuye Special School Infrastructure at Chato District Council. The project was in suspension stage as at June 2023.

- **Buzirayombo Livestock Secondary Market -Geita**

The project involves the construction of Buzirayombo Livestock Secondary Market and its associated works at Chato District in Geita Region. The project was practically completed during the year.



**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

**2.11 BUSINESS PROFILE (CONTINUED)**

**(iii) Construction contracts projects (Continued)**

• **School of Economics - UDSM**

The project involves proposed design and construction of University of Dar es salaam School of economics (UDSoE) Building. The project was in progress as at 30 June 2023.

• **Ministry of Minerals**

The project involves the construction office building second phase for Ministry of minerals at Mtumba, Dodoma. The project was in progress as at 30 June 2023.

• **Ministry of Home Affairs**

The project involves the construction office building second phase for Ministry of Home Affairs at Mtumba, Dodoma. The project was in progress as at 30 June 2023.

• **Ministry of Culture Arts and Sports**

The project involves the construction office building second phase for Ministry of Culture Arts and sports at Mtumba, Dodoma. The project was in progress as at 30 June 2023.

• **Ministry of Livestock and Fisheries**

The project involves the construction office building second phase for Ministry of Livestock and Fisheries at Mtumba, Dodoma. The project was in progress as at 30 June 2023.

• **Ministry of Industry**

The project involves the construction office building second phase for Ministry of Industry at Mtumba, Dodoma. The project was in progress as at 30 June 2023.

• **Ministry of Communication and Information Technology**

The project involves the construction office building second phase for Ministry of Communication and Information Technology at Mtumba, Dodoma. The project was in progress as at 30 June 2023.

• **Ministry of Energy**

The project involves the construction office building second phase for Ministry of Energy at Mtumba, Dodoma. The project was in progress as at 30 June 2023.

• **Ministry of Land, housing and human settlement.**

The project involves the construction office building second phase for Ministry of Land at Mtumba, Dodoma. The project was in progress as at 30 June 2023.

## 2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

### 2.11. BUSINESS PROFILE (CONTINUED)

#### (iii) Construction contracts projects (Continued)

- **Jakaya Kikwete Cardiac Institute**

The project involves the construction of extension block for administration and diagnostic unit for Jakaya Cardiac Institute. The project was in progress as at 30 June 2023.

- **Partition of NHIF Mara Office**

The project involves the procurement of materials for Partitioning of NHIF Mara office together with fitting. The project was in progress as at 30 June 2023

- **Vingunguti Executive Ward**

The project involves the construction of executive ward office at Vingunguti. The project was in progress as at 30 June 2023.

- **Government Procurement Services Agency**

The project involves the design and construction of GPSA offices in Songwe, Dodoma, Simiyu and Kibaha in Coastal region. The projects were in progress as at 30 June 2023.

- **Masasi Warehouse**

The project involves the design and building of Masasi Warehouse at Masasi District Council. The projects were in progress as at 30 June, 2023.

- **Rehabilitation of National Repository and President office**

The project involves rehabilitation of National Repository for President Office, Records and Archives Management Department Upanga, Dar es Salaam. The project was completed during the year.

- **2 storey OPD Building - Ligula RRH**

The project involves the construction of two storey OPD Building at Ligula RRH procurement under Tanzania Covid 19 Social Economic Recovery Plan (TCRP). The project was in progress as at 30 June 2023.

- **Tanzanite Trading Centre**

The project involves the design and building of Tanzanite Trading Centre at Mirerani Township Authority. The project was in progress as at 30 June 2023.

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

**2.11. BUSINESS PROFILE (CONTINUED)**

- (iii) Construction contracts projects (Continued)**
- (iii) Joint venture projects**

During the year ended 30 June 2023, the Corporation had 108 projects under joint venture arrangements. Out of these, 82 were completed and 26 are still under construction. Moreover, there are 24 new joint venture projects that are at various stages of signing. Most of these projects are located in Dar es Salaam, Mwanza and Arusha

**(c) Rental Buildings Activities**

**Rental revenue**

During the year ended 30 June 2023, rental revenue decreased slightly to TZS 89,899 million from TZS 90,763 recorded during 12 months' period ended 30 June 2022. This translates into an average monthly rental of TZS 7,492million from TZS 7,564 million in the previous year. The decrease resulted from a slight increase in vacancy rate of commercial spaces.

**(d) Property maintenance**

During the year the Corporation's expenditure on property maintenance has slightly decreased to TZS 4,768 million as compared to TZS 5,368 million reported in the 12 months' period ended 30 June 2022.

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

**2.12. EMPLOYEES WELFARE**

Employees play an important role in contributing to the long-term success and performance of the Corporation. The Corporation believes that its employees are the most valuable assets, and it always makes an effort to improve their abilities and productivity. It encourages a productive work culture, builds a good relationship with staff at every level, and encourages staff to express their views and share their ideas of improvement towards achieving the corporate vision.

This is based on the conviction that a pleasant and safe working environment which has trained, active and motivated workforce, is a critical success factor for the business. The Corporation strives to create an environment responsive to different cultures and fosters productive relations with employees, customers, visitors, suppliers, contractors, government and investors in the communities it operates. The following are parameters to enhance employee's welfare;

**(a) Staff disposition**

The total number of staff as at 30 June 2023 was 470 (2022: 485).

**(b) Affirmative action**

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

During the year under review, the Corporation's workforce comprised of 288 male and 182 female employees (2022: 303 male and 182 female employees). The fall down of male staffs mostly resulted by high retirement rate and resignation looking for green pasture for male staffs, On the other hand, the Corporation continued to promote female employees to senior level positions. As at 30 June 2023, the composition of female employees in various senior and middle level officers' positions was as follows:

|                         | <b>30 June 2023</b> | <b>%</b> | <b>30-Jun-2022</b> | <b>%</b> |
|-------------------------|---------------------|----------|--------------------|----------|
| Directors/Heads of Unit | 4 out of 13         | 31       | 4 out of 8         | 50       |
| Line Managers           | 5 out of 18         | 28       | 3 out of 14        | 21       |
| Regional Managers       | 6 out of 23         | 26       | 6 out of 23        | 26       |
| Senior Officers         | 25 out of 63        | 40       | 35 out of 89       | 39       |
| Middle level Officers   | 94 out of 216       | 44       | 89 out of 229      | 39       |

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023  
(CONTINUED)**

**2.12. EMPLOYEES WELFARE (CONTINUED)**

**(c) Persons with disabilities**

The Corporation gives equal opportunities to disabled persons for vacancies they are able to fill. It also provides medical facilities to staff who become disabled while on duty. As at 30 June 2023, the Corporation had one employee with physical disabilities (2022: 1 employee).

**(d) Management - employee's relations**

During the year under review 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 Leaders participating in the Master Workers' Council to discuss the annual budget and employees' welfare.

**(e) Retirement benefits**

The Corporation pays contributions to a publicly administered pension plan on mandatory basis which qualifies to be a defined contribution plan.

**(f) Training**

During the year under review a total of TZS 1,008 million was spent on staff training (2022: TZS 1,172 million). Training activities are guided by the training policy and the annual training plan. Trainings held during the year were focused on short-term and long-term professional competence as well as improving professional skills.

**(g) Staff health**

The Corporation provides medical services to its employees and their family members through medical insurance scheme from NHIF Supplementary package. It also has various health initiatives such as gym facilities, health education and check-up.

**(h) Staff loans**

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, car insurance and normal cash advance loans.

**(i) Other staff incentives**

Various staff retention measures have also been initiated so as to improve staff welfare. Currently we are reviewing the incentive scheme, once finalized it will be presented to the board.

for approval. Other initiatives aimed at improving staff welfare include: provision of transport to staff and subsidized lunch

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**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)****2.13. CORPORATE GOVERNANCE**

The Corporation is founded on strong principles of good corporate governance, which we conceive as integral to our prosperity. We understand the depth of the responsibility placed upon us by our shareholders to safeguard their investments. Therefore, the Corporation confirms its commitment to the principles of good governance, openness, integrity and accountability. We have a diverse board of directors that has the right balance of skills and experience to steer our corporation into prosperity. The Corporation has Risk Management Framework which forms an integral part of its corporate governance. It defines the corporation high-level governance structure; it documents the key responsibilities and accountabilities that are in place to manage risks inherent in the Corporation business and operations.

**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.

NATIONAL HOUSING CORPORATION

2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

2.1.3. CORPORATE GOVERNANCE (CONTINUED)

THE COMPOSITION OF THOSE CHARGED WITH GOVERNANCE.

As of 30 June 2023, those charged with governance “the board” comprised eight members. The Board Chairperson held office from October 2018.

| Name                        | Position     | Nationality | Age (Years) | Qualification  | Remarks  |
|-----------------------------|--------------|-------------|-------------|--|--|
| Dr. Sophia Kongela          | Chairperson  | Tanzanian   | 48          | <ul style="list-style-type: none"> <li>- PhD (Real Estate Development), International Real Estate Business School (IREBS), Regensburg University, Germany, 2009-2013;</li> <li>- MBA (Finance), University of Dar Es Salaam, 2003-2005; and</li> <li>- B.Sc. (Land Management and Valuation), University of Dar Es Salaam, (1999-2003).</li> </ul>                   | Appointed on 30 October 2018 (renewed term in 2021)                          |
| Mr. Charles Gambageu Singli | Board Member | Tanzanian   | 66          | <ul style="list-style-type: none"> <li>- Bachelor of Commerce (Accounting) from University of Dar es Salaam, Tanzania, (1988);</li> <li>- Diploma in Business Administration from College of Business Education, Tanzania, (1983); and</li> <li>- CPA (T) - (Certified Public Accountant) from National Board of Accountants and Auditors (NBAA), (1991).</li> </ul> | Appointed on 20 May 2019 (expired in May 2022), Reappointed in November 2022 |
| Eng. Johnny Kalupale        | Board Member | Tanzanian   | 66          | <ul style="list-style-type: none"> <li>- Master of Science in Highway; Engineering from University of Strathclyde University, United Kingdom, (1992); and Advance Diploma in Civil Engineering from Dar es Salaam Tech. College, (1986).</li> </ul>  | Appointed on 20 October 2021   |



NATIONAL HOUSING CORPORATION

2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

2.13 CORPORATE GOVERNANCE (CONTINUED)

| Name                           | Position     | Nationality | Age (Years) | Qualification   | Remarks                    |
|--------------------------------|--------------|-------------|-------------|---|----------------------------|
| Dr. Frank George Haule Hawassi | Board Member | Tanzanian   | 56          | -PhD in Production and Marketing from Sokoine University of Agriculture (2006)<br>-Master of Science in Agricultural Economics from Sokoine University of Agriculture (1997)<br>-Bachelor of Science in Agriculture from Sokoine University of Agriculture (1993) | Appointed in October 2021  |
| Mr. Eliud Betri Sanga          | Board Member | Tanzanian   | 62          | - Master's degree in Development Administration from the Australian National University, Canberra, in Australia.<br>-Bachelor of Arts in Economics from the University of Dar es Salaam, Tanzania   | Appointed in November 2022 |
| Ms. Dorothy Stanley Mwanyika   | Board Member | Tanzanian   | 63          | - Bachelor's Degree in Economics from the University of Dar es Salaam.<br>-Master of Science in Agricultural Economics from Sokoine University of Agriculture   | Appointed in November 2022 |
| Prof. Wilbard Jackson Kombe    | Board Member | Tanzanian   | 69          | - Emeritus Professor - Ardhi University<br>- PhD Urban Land Management from Technical University of Dortmund, Germany<br>- Masters of Art in Urban Design from Royal Danish Academy School of Architecture Copenhagen, Denmark                                    | Appointed in November 2022 |



NATIONAL HOUSING CORPORATION

2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

2.13 CORPORATE GOVERNANCE (CONTINUED)

| Name                 | Position         | Nationality | Age (Years) | Qualification   | Remarks                                       |
|----------------------|------------------|-------------|-------------|---|---|
| Dr. Tausi Mbaga Kida | Board Member     | Tanzanian   | 52          | <ul style="list-style-type: none"> <li>- PhD in Development Economics from International Institute of Social Studies (ISS) of Erasmus University Rotterdam, The Netherlands</li> <li>- Postgraduate Diploma in Universalizing Social Security for the Poor from International Institute of Social Studies (ISS) of Erasmus University Rotterdam, The Netherlands</li> <li>- Master's degree in Economics (Majoring Public Finance, Monetary Economics) from University of Dares Salaam</li> <li>- Bachelor's degree in Economics from University of Dares Salaam</li> </ul> | Appointed on November 2022                    |
| Mr. Hamad Abdallah   | Director General | Tanzanian   | 51          | <ul style="list-style-type: none"> <li>- B.Sc. (Hons) Land Management &amp; Valuation from University of Dares Salaam., University College of Lands and</li> <li>- Architectural, Studies): Training on Real Estate Marketing and Management, UK,</li> <li>- Training on Property and facilities Management, Property Development and</li> <li>- Urban Renewal - Housing Development Administration of Turkey (TOKI)</li> </ul>   | Appointed on 24 <sup>th</sup> February, 2023. |

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

**2.13. CORPORATE GOVERNANCE (CONTINUED)**

**Board Meetings**

The board has in place an annual work plan that sets out the board activities in a year. The board ordinary meetings are conducted at least four times a year, and, when necessary extraordinary meetings are conducted. The Board Chairperson together with the Company Secretary and Director General prepare the annual work plan and agenda for each meeting. The notice, agenda and detailed board papers are circulated fourteen days in advance of the meetings.

During the year the Board held two (2) ordinary meeting as planned and four (4) times extraordinary meetings. During the meetings board had several discussions regarding the operations of the Corporation. Below are some of the matters discussed during the meetings;

- The Board had a discussion on the quarterly performance of all KPIs of the Corporation as presented by the management and directed management accordingly on expected performance of the Corporation.
- The Board discussed and approved the Corporations' budget and strategy for year 2023 as presented by the management by adding inputs and enlightening management on its expectations on the implementation of the strategy and budget.
- During the meetings, the Board also discussed the reports received from all board committees and deliberated accordingly.

The Board Chairperson is appointed by the President of United Republic of Tanzania whereas the board members are appointed by the Minister responsible for the Housing and human settlement.

## NATIONAL HOUSING CORPORATION

### 2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2.13. CORPORATE GOVERNANCE (CONTINUED)

##### Overall meeting attendance

Below is the summary indicating the number of meetings attended by each board member during the year ended 30 June 2023.

| Name                           | Position      | Number of meetings attended |
|--------------------------------|---------------|-----------------------------|
| Dr. Sophia M. Kongela          | Chairperson   | 5/6                         |
| Mr. Eliud Sanga                | Vice Chairman | 5/6                         |
| Prof. Wilbard Kombe            | Director      | 6/6                         |
| Mrs. Dorothy Mwanyika          | Director      | 6/6                         |
| Dr. Frank George Haule Hawassi | Director      | 4/6                         |
| Eng. Johnny Kalupale           | Director      | 6/6                         |
| Dr. Tausi Mbagi Kida           | Director      | 2/6                         |
| Mr. Charles Singili            | Director      | 6/6                         |

##### Board Committees

The Board is comprised of three (3) committees namely Business Development Committee (BDC); Audit, Risk and Compliance Committee (ARC) and Finance and Human Resources Committee (FHRC). The composition of the committees during the year ended 30 June 2023 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 three meetings during the year ended 30 June 2023. The following Directors served in the Business Development Committee during the year.

| Name                           | Position | Nationality | Number of meetings attended |
|--------------------------------|----------|-------------|-----------------------------|
| Mr. Eliud B. Sanga             | Chairman | Tanzanian   | 3/3                         |
| Eng. Johnny Kalupale           | Member   | Tanzanian   | 3/3                         |
| Prof. Wilbard Kombe            | Member   | Tanzanian   | 2/3                         |
| Dr. Tausi Mbagi Kida           | Member   | Tanzanian   | 1/3                         |
| Dr. Frank George Haule Hawassi | Member   | Tanzanian   | 1/3                         |

##### Finance and Human Resources Committee

This Committee is composed of four (4) members. The main responsibility of the Committee is to advise the Board on financial and personnel related matters that need consideration of the Board. The Committee held three meetings during the year ended 30 June 2023.

NATIONAL HOUSING CORPORATION

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

**2.13. CORPORATE GOVERNANCE (CONTINUED)**

**Board Committees (Continued)**

**Finance and Human Resources Committee (Continued)**

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

| Name                           | Position    | Nationality | Number of meetings attended |
|--------------------------------|-------------|-------------|-----------------------------|
| Mrs. Dorothy Mwanyika          | Chairperson | Tanzanian   | 3/3                         |
| Prof. Wilbard Kombe            | Member      | Tanzanian   | 3/3                         |
| Mr. Eliudi Sanga               | Member      | Tanzanian   | 3/3                         |
| Dr. Frank George Haule Hawassi | Member      | Tanzanian   | 2/3                         |

**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 30 June 2023.

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   | 3/3                         |
| Eng. Johnny Kalupale           | Member   | Tanzanian   | 3/3                         |
| Dr. Frank George Haule Hawassi | Member   | Tanzanian   | 2/3                         |
| Dr. Tausi Mbagha Kida          | Member   | Tanzanian   | 1/3                         |
| Prof. Wilbard Kombe            | Member   | Tanzanian   | 1/3                         |

During the year under review two joint committee meetings were held as per below details

| Name                              | Position       | Number of meetings attended |
|-----------------------------------|----------------|-----------------------------|
| <b>Joint ARC and FHRC Meeting</b> |                |                             |
| Mr. Charles Singili               | Chairman       | 1/1                         |
| Mrs. Dorothy Mwanyika             | Co-Chairperson | 1/1                         |
| Mr. Eliudi Sanga                  | Member         | 1/1                         |
| Eng. Johnny Kalupale              | Member         | 1/1                         |
| Prof. Wilbard Kombe               | Member         | 0/1                         |
| Dr. Frank George Haule Hawassi    | Member         | 1/1                         |
| Dr. Tausi Kida                    | Member         | 0/1                         |

NATIONAL HOUSING CORPORATION

**2.13. CORPORATE GOVERNANCE (CONTINUED)**

| Name                              | Position        | Number of meetings attended |
|-----------------------------------|-----------------|-----------------------------|
| <b>Joint FHRC and BDC Meeting</b> |                 |                             |
| Mr. Eliudi Sanga                  | Chairman        | 1/1                         |
| Mrs. Dorothy Mwanyika             | Co- Chairperson | 1/1                         |
| Eng. Johnny Kalupale              | Member          | 1/1                         |
| Prof. Wilbard Kombe               | Member          | 1/1                         |
| Dr. Frank George Haule<br>Hawassi | Member          | 1/1                         |
| Dr. Tausi Kida                    | Member          | 0/1                         |

**Conflict of interest and Related party transactions**

Members of the Board, the Director General and Management shall not engage directly or indirectly in any business activity that competes or conflicts with the Corporation's interest. These activities include, although not necessarily limited to, the following:

**a) Material interest in Corporation's Contracts**

Members of the Board, the Director General and Management shall disclose to the Board any interest they may have, whether directly or indirectly, in any material contract being considered to be entered into by the Corporation at the opening of the meeting of the members of the Board at which the transaction is to be discussed.

A Member of the Board, the Director General and Management with a material personal or related interest in a matter being considered by the Board shall not be present when the matter is being considered, unless otherwise invited by the Board and shall not vote on such matter.

In such circumstances, a member of the Board or the Director General or any Management member is required to disclose to the Board the actual or apparent conflict of interest or of any of the related parties and, the extent the discussion or decision concerns any matter in which he or she has an interest, shall exclude himself or herself from further attendance at the meeting and should not be counted for purposes of determining a quorum required for that discussion.

In addition, any member of the Board, the Director General and member of Management who has a conflict of interest in connection with any matter being considered by the Board or a Standing Board Committee will not receive a copy of any document in respect of that matter.

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

**2.13. CORPORATE GOVERNANCE (CONTINUED)**

**Conflict of interest and Related party transactions (Continued)**

**b) Outside Financial Interest**

Where a member of the Board, the Director General or a member of Management has a financial interest in a customer, /tenant such an interest must be disclosed immediately. Thereafter, the affected Board member or the Director General or member of Management should not be directly involved in the Corporation's dealings with the customer so long as the interest continues to exist.

**Members of the Board's Training and Development**

The weighty responsibilities placed upon members of the Board, the level of commitment called for and the fast-changing corporate environment dictates that the Corporation must now increasingly prepare those expected to assume these roles.

The Corporation commits to all Board members receiving formal training on their roles, duties, responsibilities and obligations as induction on Board practices and procedures on first appointment. It is therefore desirable that Board members are exposed on matters relevant to legal reforms, corporate governance, changing corporate environment, business/commercial risks and other matters that may be of interest in the execution of their duties.

**Board Performance Evaluation**

For the Board to be continuously effective, it undertakes thorough annual evaluation of the entire Board, its Committees and individual members so as to identify measurable improvement in Board's performance.

The evaluation criteria includes time commitment, participation through meetings, committees, and self-education on current issues while ascertaining what to do in order to increase level of performance. Additionally, the evaluation includes, among other things, an assessment of the Board's:

- i. Composition and independence;
- ii. Performance against its objectives at the beginning of the year;
- iii. Its effectiveness in the Corporation's strategic direction;
- iv. Response to problems and crises;
- v. Responsiveness to stakeholders' concerns;
- vi. Maintenance and implementation of the Board's governance principles; and
- vii. Access to and review of information from management and the quality of such information.

## 2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

### 2.13. CORPORATE GOVERNANCE (CONTINUED)

#### Members of the Board's Training and Development (Continued)

Board members attended training on Corporate Governance and Audit Committee members attended ISACA annual Audit, Risk and Cybersecurity Conference. In order to improve Board performance evaluation is supposed to be done annually by means of self - evaluation of the Board as a whole, its committees and the contribution of each and every Director including the Chairman or may take any other form as the Board may design. The Corporation is required to disclose in the annual report that this has been done.

The Board will also review the performance of each of the Board Committee as well as their composition and TOR's to ensure that the Committee continues to provide effective assistance to the Board in the areas in which they function.

An external facilitator may be deployed to assist and manage the entire process.

### 2.14. RISK MANAGEMENT AND CONTROL

The board ensures that the Corporation has sound risk management and an internal control system that is appropriate to its activities. The risk management and internal control systems are based on the NHC's corporate values, ethics guidelines and principles for sustainability and corporate social responsibility ("CSR"). It is the responsibility of the Management to ensure that adequate internal control systems are developed and maintained on an ongoing basis to provide reasonable assurance regarding:

- Operational effectiveness and efficiency;
- Safeguarding of the Corporation's assets;
- Reliability of accounting records;
- Responsible behaviours towards all stakeholders
- Compliance with applicable laws and regulations; and
- Business continuity.

To ensure the internal controls, remain adequate, the Corporation has a fully-fledged Risk and Compliance function that coordinates and oversees the implementation of enterprise-wide risk management framework within the Corporation. The audit committee on behalf of the board assess issues related to financial review and internal control, and the external audit of Corporation's accounts.



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**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

**2.14. RISK MANAGEMENT AND CONTROL (CONTINUED)**

The board ensures that the Corporation can produce reliable annual reports and that the external auditor's recommendations are given thorough consideration. During the year, internal control systems were assessed by the board and was found to be at an acceptable level.

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 detailed explanation on risk are found in note 4 to the financial statement

**2.15. IT GOVERNANCE**

IT governance is part of the overall corporate governance of the Corporation which aimed at improving the overall management and implementation of IT structure to derive value from investment in information technology. The Corporation has established IT charter and policies to govern the structure and operations of ICT and its implementation is being reviewed annually. The charter enables the Corporation to manage IT risks effectively and ensure that the activities associated with information and technology are aligned with the overall Corporation business objectives.

**2.16. FINANCIAL REPORTING AND AUDITING**

Those charged with governance are responsible for preparing the Annual Report, including the Corporation Financial Statements in accordance with International Financial Reporting Standards (IFRS). In preparing these financial statements, those charged with governance are required to:

- Adopt the going concern basis unless it is inappropriate to do so;
- Select suitable accounting policies and then apply them consistently; and
- Make judgments and accounting estimates that are reasonable and prudent

The external auditor presented the result of the audit to the audit committee and the board in the meeting dealing with the annual financial statements, including presenting any material changes in the Corporation's accounting principles and significant accounting estimates, and reported on whether the financial statements give a true and fair view of the state of affairs of the Corporation. 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.



**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

**2.17. CORPORATE SOCIAL RESPONSIBILITY**

NHC is committed to making a positive difference in fostering sustainable development. As a leader in real estate business, NHC has a responsibility to conduct the CSR activities based on the highest ethical standards. When evaluating the viability of real estate business around the country, NHC takes into account social, cultural, economic, environmental and governmental factors. Through this constructive approach, NHC aims to work collaborative to identify the needs, priorities and create sustainable development programs. At NHC, CSR is not and-add on, it is fundamental to the corporate strategy. The Corporation continued with its principle of corporate social responsibility and committed itself to active participation in education development, 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 construction of classrooms, promoting health facilities to reduce health challenges and other community initiatives support to create a bigger impact. The amount spent on the activities is as analyzed below:

- TZS 52.5 million towards the education sector;
- TZS 48.7 million towards health support to institutions;
- TZS 7 million to support youth initiatives; and
- TZS 303 million to support community initiatives.
- TZS 38 million to support sports initiatives.

**2.18. CORPORATE IMAGE**

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

- Improving government and stakeholder's relations;
- Building trust towards the Corporation by dealing honestly with stakeholders;
- Increased staff awareness on our core values and corporate culture; and
- Imparting employees with customer care skills.
- Advertising the Corporation's products and services

**2.19. OPERATING ENVIRONMENT**

The operating environment remained stable, including political, social and economic environment in the Country maintained stable, global trade and economy continues to recover from the adverse impacts of the COVID-19 pandemic that happened previous years. The Real Estate sector also continued to recover from the effect of the pandemic in 2023.

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**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

**2.19. OPERATING ENVIRONMENT (CONTINUED)**

**Macro and micro economic overview**

Tanzania has sustained relatively high growth in economy this year, bolstered by strengthened private consumption and recovered exports as global restrictions has been eased. GDP grew by 5.2% in 2023 supported by the large infrastructure spending. The Construction sector recorded a marginal growth rate of 7.0 percent in the year ending June 2023 compared to 4.0 percent in 2022. The growth was attributed to an increase in local production of construction materials like iron and steels which are proxies for construction activities.

Demand for housing and housing loans remains extremely high as it is constrained by inadequate supply of equitable houses and high interest rates charged on housing loans. Most lenders offer loans for home purchase and equity release while a few offer loans for self-construction which continue to be expensive beyond the reach of the average Tanzanians. While interests on mortgage loans improved from 22 - 24 percent in 2010 to 15 - 19 percent offered today, market interest rates are still relatively high hence negatively affecting affordability. Additionally, cumbersome processes around issuance of titles (especially unit titles) continue to pose a challenge by affecting borrowers' eligibility to access mortgage loans.

The current housing deficit of 3,000,000 units with an annual growth in demand of 200,000 units [Ministry of Lands, research]. The current deficit coupled with the annual growth in demand and the urban population growth; offer a big hyper-growth opportunity for the national economy. NHC intends to increase the housing sector contribution to GDP to 4% in five (5) years' time.

**Competitive Position**

The growth of housing at the top end of the market has been remarkable. Few institutional developers have been targeting the niche market leaving the middle and low ends to individual household funding. The latter types of houses have mainly been concentrated in unplanned and un-serviced settlements.

The housing supply has greatly been hampered by the long standing problem of near absence of formal mortgage finance which now stand at 0.29% of the GDP. This problem has led to around 99% of the houses to be built out of pockets. Such houses are built on incremental basis taking 5 to 10 years to complete instead of 9 to 12 months. Consequently, colossal amount of capital is immobilized for a long time. This tied up capital is likely to be greater than total bank deposits in the country.

NATIONAL HOUSING CORPORATION

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

**2.19. OPERATING ENVIRONMENT (CONTINUED)**

**Competitive Position (Continued)**

The above housing market situation is both a challenge and an opportunity to NHC. It is a challenge because the corporation will be required to devise mechanisms for reaching the majority of house seekers and including government employees as well as competing with emerging developers. In terms of opportunity, the serious housing shortage unfolds a ready market for envisaged housing schemes. Being a major real estate firm in Tanzania, NHC is expected to address these challenges.

**2.20. STAKEHOLDERS NEEDS AND INTERESTS**

As a real estate developer, we are deeply connected and committed to the environment we operate in and societies we serve. Our ability to deliver value is dependent on our relationships and the contributions and activities of our stakeholders. We engage in dialogue with our stakeholders to understand their needs and seek to meet their expectations to create value for them and for NHC.

Below table shows key stakeholders with respective needs and expectations:

| Stakeholder                               | Stakeholder Needs and expectations   |
|---|--|
| Employees                                 | <ul style="list-style-type: none"> <li>• Career development and advancement opportunities</li> <li>• Challenging work, with opportunities to make a difference</li> <li>• Employment at a company with a strong brand</li> <li>• An empowering and enabling environment that embraces diversity and inclusivity.</li> <li>• Fair remuneration, effective performance management, and recognition</li> <li>• A safe and healthy work environment</li> </ul> |
| Customers                                 | <ul style="list-style-type: none"> <li>• Innovative housing solutions and services.</li> <li>• Affordability and value for money of NHC Product offering.</li> <li>• Excellence in client service.</li> </ul>  |
| Suppliers                                 | Fair bidding process and timely payments   |
| Shareholders/                             | Shareholder value creation through Corporation growth and sustainable dividend stream  |
| The Government Ministries and Departments | Continuous engagement to inform their investment decisions.  |
| Regulators and policy makers              | <ul style="list-style-type: none"> <li>• Compliance with all legal and regulatory requirements</li> <li>• Being a responsible taxpayer</li> <li>• Active participation and contribution to industry and regulatory working groups</li> </ul>   |

## NATIONAL HOUSING CORPORATION

### 2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2.20. STAKEHOLDERS NEEDS AND INTERESTS (CONTINUED)

| Stakeholder                     | Stakeholder Needs and expectations   |
|---------------------------------|--|
| Society                         | <ul style="list-style-type: none"><li>• NHC influencing its stakeholders to act responsibly in environmental, social and governance matters</li><li>• NHC partnering with the community to address common social and environmental issues to build a thriving society.</li></ul> |
| Banks and Financial Institution | <ul style="list-style-type: none"><li>• A healthy business relationship</li><li>• Be responsible and timely meets obligations</li></ul>  |

#### 2.21. FUTURE DEVELOPMENTS

The Corporation has continued being dependent on its rental portfolio as its main source of income since its inception. In order for the Corporation to improve and diversify its products and services to meet public demand, NHC has conducted a recent survey which has shown that there are potential markets for sale and lease of new products and services in the housing industry.

Sale opportunities include selling of houses and construction materials; leasing includes lease of residential houses, office/commercial spaces, warehouses, services include construction and consultancy services offered to third party projects. The Corporation will undertake a strategy of establishing new products and services through;

- Enhancing its Construction business by acquisition of more plants and equipment.
- Undertake more construction activities especially government projects in order to increase its revenues and contribution to the government
- Undertake more consultancy services to increase its revenue diversity.
- Undertake to develop prime plots whose buildings have been condemned due to structural weaknesses and required conformity to the Urban Planning Regulations and Zoning Conditions, or old and dilapidated buildings, which though not condemned are in need of being rebuilt or renovated to increase revenues and modernize cities in accordance with Township Rules and Regulations

Besides diversification of its products, The Corporation in its effort to improve its capacity to deliver products and services to meet future demand it is undertaking its information system integration to connect and synchronize all its operations. This will enable the Corporation work more effectively and efficiently. This will also include applications of technology-oriented solutions in its operations especially in estate management.

The immediate measure is the implementation of the new Joint venture policy in order to attract equity investments in its projects.

NATIONAL HOUSING CORPORATION

**2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)**

**2.22. FIDUCIARY RESPONSIBILITIES**

The Corporation's Board members as stewards of public trust always acted for the good of the organization, rather than for the benefit of themselves throughout the year ended 30 June 2023. Reasonable care was exercised in all decisions taken by the Corporation, without placing the Corporation under unnecessary risk.

**2.23. RELATED PARTY TRANSACTIONS AND BALANCES**

All related party transactions and balances are disclosed in Note 6.38 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.

**2.24. ENVIRONMENTAL MATTERS AND IMPACT TO CORPORATION BUSINESS OPERATIONS**

The Corporation is committed to promote environmentally sound and sustainable development. 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.

**2.25. POLITICAL DONATIONS**

There were no political donations made during the year.

**2.26. SERIOUSLY PREJUDICIAL**

No impending new developments are under consideration by the Corporation.

**2.27. AUDITOR**

The Controller and Auditor General is the statutory independent auditor of the National Housing Corporation for the financial year ended 30 June 2023 by virtue of Article 143 of the Constitution of the United Republic of Tanzania as amplified under section 10 (1) of the Public Audit Act, Cap 418 (R.E 2021).

**BY ORDER OF THE BOARD**



Dr. Sophia Kongela  
Chairperson

Date: 13/12/2023

### 3.0 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 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

Date: 13/12/2023



#### 4.0 DECLARATION OF DIRECTOR 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 T. Kasegenya** being the Director of Finance of National Housing Corporation hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30 June 2023 have been prepared in compliance with International Financial Reporting Standards (IFRS) 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.



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CPA. Adolph T. Kasegenya (ACPA 1791)

Director of Finance.

Date: 13/12/2023

NATIONAL HOUSING CORPORATION

5.0 FINANCIAL STATEMENTS

5.1 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

|  | Notes   | 30 June 2023<br>TZS '000    | 30 June 2022<br>Restated<br>TZS '000 | 1 July 2021<br>Restated<br>TZS '000 |
|--|---------|-----------------------------|--------------------------------------|-------------------------------------|
| <b>ASSETS</b>                            |         |                             |                                      |                                     |
| <b>Non-current assets</b>                |         |                             |                                      |                                     |
| Investment property                      | 6.14    | 4,622,906,566               | 4,600,673,160                        | 4,562,116,542                       |
| Property, plant and equipment            | 6.15    | 52,098,051                  | 50,739,396                           | 44,561,198                          |
| Intangible assets                        | 6.16    | 1,100,231                   | 513,751                              | -                                   |
| Investment in joint venture              | 6.17(a) | 18,762,458                  | 18,914,452                           | 18,504,668                          |
| Advances toward shares in other entities | 6.17(b) | 29,757,252                  | 29,757,252                           | 29,787,137                          |
| Equity Investments                       | 6.17(c) | 3,133,764                   | 3,133,764                            | 3,133,764                           |
|  |         | <b>4,727,758,322</b>        | <b>4,703,731,775</b>                 | <b>4,658,103,309</b>                |
| <b>Current assets</b>                    |         |                             |                                      |                                     |
| Inventories                              | 6.18    | 296,189,966                 | 274,821,622                          | 328,044,566                         |
| Trade and other receivables              | 6.19    | 54,593,805                  | 42,108,419                           | 35,767,211                          |
| Cash and Bank balances                   | 6.20    | 6,231,690                   | 10,064,430                           | 21,766,596                          |
|  |         | <b>357,015,461</b>          | <b>326,994,471</b>                   | <b>385,578,373</b>                  |
| <b>TOTAL ASSETS</b>                      |         | <b><u>5,084,773,783</u></b> | <b><u>5,030,726,246</u></b>          | <b><u>5,043,681,682</u></b>         |
| <b>EQUITY AND LIABILITIES</b>            |         |                             |                                      |                                     |
| <b>Equity</b>                            |         |                             |                                      |                                     |
| Capital fund                             | 6.21    | 15,485,554                  | 15,485,554                           | 15,485,554                          |
| Capital reserve                          | 6.22    | 2,395,444                   | 2,395,444                            | 2,395,444                           |
| Revaluation reserve                      | 6.23    | 2,957,490                   | 1,286,923                            | (468,100)                           |
| Retained earnings                        |         | 3,433,338,212               | 3,377,334,946                        | 3,303,158,206                       |
|  |         | <b>3,454,176,700</b>        | <b>3,396,502,867</b>                 | <b>3,320,571,104</b>                |
| <b>Non-current liabilities</b>           |         |                             |                                      |                                     |
| Deferred tax liability                   | 6.24    | 1,306,643,154               | 1,286,481,267                        | 1,273,234,103                       |
| Bank & other borrowings                  | 6.25    | 145,371,715                 | 162,456,698                          | 176,019,614                         |
| Rental deposits                          | 6.31    | 23,271,898                  | 20,484,808                           | 18,770,387                          |
| Defined benefit obligation               | 6.26    | 12,423,625                  | 12,300,528                           | 12,223,802                          |
|  |         | <b>1,487,710,392</b>        | <b>1,481,723,301</b>                 | <b>1,480,247,906</b>                |



5.0 FINANCIAL STATEMENTS

5.1 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONTINUED)

|                                     |         |                             |                             |                             |
|-------------------------------------|---------|-----------------------------|-----------------------------|-----------------------------|
| Current liabilities                 |         |                             |                             |                             |
| Bank & other borrowings             | 6.25    | 55,306,265                  | 61,019,554                  | 46,084,532                  |
| Current tax liability               | 6.13(c) | 4,712,023                   | 8,666,033                   | 2,465,821                   |
| Trade and other payables            | 6.27    | 73,836,532                  | 70,110,574                  | 182,559,160                 |
| Accruals                            | 6.28    | 5,651,131                   | 4,551,578                   | 4,454,013                   |
| Provisions                          | 6.29    | 3,380,740                   | 8,152,339                   | 7,299,146                   |
|                                     |         | <b>142,886,691</b>          | <b>152,500,078</b>          | <b>242,862,672</b>          |
| <b>TOTAL EQUITY AND LIABILITIES</b> |         | <b><u>5,084,773,783</u></b> | <b><u>5,030,726,246</u></b> | <b><u>5,043,681,682</u></b> |

The financial statements were approved and authorized for issue by the Board of Directors on 13/12/2023 and signed on its behalf by:



Dr. Sophia Kongela  
Chairperson



Mr. Hamad Abdallah  
Director General

NATIONAL HOUSING CORPORATION

**5.2 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023**

|  | Notes   | 30 June 2023      | 30 June 2022       |
|--|---------|-------------------|--------------------|
|  |         | TZS '000          | TZS '000           |
| Revenue  | 6.6     | 169,572,155       | 257,467,228        |
| Net fair value gain from investment properties         | 6.14    | 43,592,037        | 32,204,529         |
| Net gain/(losses) on foreign exchange and other income | 6.7     | 5,302,073         | 1,277,151          |
| Cost of sales - inventory properties                   | 6.8(a)  | (68,536,988)      | (131,805,512)      |
| Property management costs                              | 6.8(b)  | (8,916,241)       | (8,853,494)        |
| Depreciation of property and equipment                 | 6.15    | (2,380,344)       | (1,344,171)        |
| Amortization of intangible assets                      | 6.16    | (334,106)         | -                  |
| Net Reversal for Impairment of financial assets        | 6.19    | 703,814           | (1,876,480)        |
| Administrative expenses                                | 6.9     | (15,502,915)      | (14,807,486)       |
| Sales and marketing expenses                           | 6.10    | (1,574,402)       | (1,626,908)        |
| Employee benefit expenses                              | 6.11    | (24,340,891)      | (23,201,127)       |
| <b>Operating profit</b>                                |         | <b>97,584,192</b> | <b>107,433,730</b> |
| Dividend income from equity investments                | 6.17(c) | 39,852            | 29,776             |
| Interest on bank term bank deposits                    | 6.12    | 273,196           | 36,014             |
| Finance costs on borrowings                            | 6.12    | (14,421,898)      | (16,028,050)       |
| Share of profit of joint ventures                      | 6.17(a) | 137,058           | 1,021,053          |
| <b>Profit before tax</b>                               |         | <b>83,612,400</b> | <b>92,933,676</b>  |
| Tax expense  | 6.13(a) | (24,938,490)      | (25,958,801)       |
| <b>Profit for the year</b>                             |         | <b>58,673,910</b> | <b>66,974,875</b>  |
| <b>Other Comprehensive Income (OCI)</b>                |         |                   |                    |
| Gain/(Loss) from joint ventures                        | 6.17(a) | 130,948           | (104,868)          |
| Actuarial gain from defined benefit obligation         | 6.26    | 1,539,619         | 1,859,891          |
| <b>Total comprehensive profit for the year</b>         |         | <b>60,344,479</b> | <b>68,729,898</b>  |

The financial statements were approved and authorized for issue by the Board of Directors on 13/12/2023 and signed on its behalf by:



Dr. Sophia Kongela  
Chairperson



Mr. Hamad Abdallah  
Director General

NATIONAL HOUSING CORPORATION

**5.3 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023**

|  | Capital fund      | Capital reserve  | Retained earnings    | Revaluation and Actuarial Reserve | Total                |
|--|-------------------|------------------|----------------------|-----------------------------------|----------------------|
|  | TZS '000          | TZS '000         | TZS '000             | TZS '000                          | TZS '000             |
| <b>30 June 2023</b>  |                   |                  |                      |                                   |                      |
| At beginning of the year   | 15,485,554        | 2,395,444        | 3,377,334,946        | 1,286,923                         | 3,396,502,867        |
| Correction of opening balance (Note 6.36)                          | -                 | -                | (2,670,644)          | -                                 | (2,670,644)          |
| Opening amount at the beginning of the year                        | 15,485,554        | 2,395,444        | 3,374,664,302        | 1,286,923                         | 3,393,832,223        |
| Profit for the period  | -                 | -                | 58,673,910           | -                                 | 58,673,910           |
| Share of profit/loss from joint ventures                           | -                 | -                | -                    | 130,948                           | 130,948              |
| Actuarial gain (loss) from defined benefit obligation              | -                 | -                | -                    | 1,539,619                         | 1,539,619            |
| <b>At the end of year</b>  | <b>15,485,554</b> | <b>2,395,444</b> | <b>3,433,338,212</b> | <b>2,957,490</b>                  | <b>3,454,176,700</b> |
| <b>30<sup>th</sup> June 2022</b>                                   |                   |                  |                      |                                   |                      |
| At beginning of the year   | 15,485,554        | 2,395,444        | 3,303,158,206        | (468,100)                         | 3,320,571,104        |
| Effect of correction of opening balance                            | -                 | -                | (233,789)            | -                                 | (233,789)            |
| Opening amount at the beginning of the year as previously reported | 15,485,554        | 2,395,444        | 3,302,924,417        | (468,100)                         | 3,320,337,315        |
| <b>At the beginning of the period as restated</b>                  | <b>15,485,554</b> | <b>2,395,444</b> | <b>3,302,924,417</b> | <b>(468,100)</b>                  | <b>3,320,337,315</b> |
| <b>Comprehensive income:</b>                                       |                   |                  |                      |                                   |                      |
| Profit for the period  | -                 | -                | 66,974,875           | -                                 | 66,974,875           |
| Additional Capital   | -                 | -                | -                    | -                                 | -                    |
| <b>Other comprehensive income:</b>                                 |                   |                  |                      |                                   |                      |
| Share of other comprehensive income from joint venture             | -                 | -                | -                    | (104,868)                         | (104,868)            |
| Actuarial gain / (loss) from defined benefit obligation            | -                 | -                | -                    | 1,859,891                         | 1,859,891            |
| At end of year - as previous stated                                | 15,485,554        | 2,395,444        | 3,369,899,292        | 1,286,923                         | 3,389,067,213        |
| Restatement to correct prior period adjustments                    | -                 | -                | 7,435,654            | -                                 | 7,435,654            |
| At year end-restated   | <u>15,485,554</u> | <u>2,395,444</u> | <u>3,377,334,946</u> | <u>1,286,923</u>                  | <u>3,396,502,867</u> |

NATIONAL HOUSING CORPORATION

**5.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023**

|   | Notes    | 30 June 2023        | 30 June 2022       |
|---|----------|---------------------|--------------------|
|   |          | TZS '000            | TZS '000           |
| <b>Cash flows from operating activities</b>                   |          |                     |                    |
| Cash receipts from customers                                  | 6.32     | 192,137,663         | 167,119,391        |
| Interest received   | 6.12     | 273,196             | 36,014             |
| Cash paid to suppliers  | 6.33     | (117,442,668)       | (131,159,326)      |
| Cash paid in respect of staff cost                            | 6.34     | (22,582,575)        | (21,274,327)       |
| Interest paid   | 6.35     | (19,108,637)        | (17,777,030)       |
| Tax paid  | 6.13 (c) | (9,300,335)         | (6,511,425)        |
| <b>Net Cash used in operating activities</b>                  |          | <b>23,976,644</b>   | <b>(9,566,703)</b> |
| <b>Cash flows from investing activities</b>                   |          |                     |                    |
| Purchase of property and equipment                            | 6.15     | (3,738,999)         | (1,147,955)        |
| Purchase of intangible assets                                 | 6.16     | (920,586)           | (310,944)          |
| Additions to the investment property                          | 6.14     | (1,792,449)         | (94,389)           |
| Dividend received from joint venture                          | 6.17(a)  | 420,000             | 506,401            |
| <b>Net cash used in investing activities</b>                  |          | <b>(6,032,034)</b>  | <b>(1,046,887)</b> |
| <b>Cash flows from financing activities</b>                   |          |                     |                    |
| Proceeds from borrowings                                      | 6.25     | 56,712,993          | 31,679,255         |
| Repayments of borrowings                                      | 6.25     | (78,490,342)        | (32,767,831)       |
| <b>Net cash (used in)/generated from financing activities</b> |          | <b>(21,777,349)</b> | <b>(1,088,576)</b> |
| Net decrease in cash and cash equivalent                      |          | (3,832,740)         | (11,702,166)       |
| Cash and cash equivalents at the beginning of the year.       |          | 10,064,430          | 21,766,596         |
| <b>Cash and cash equivalent at the end of year</b>            | 6.20     | <b>6,231,690</b>    | <b>10,064,430</b>  |

## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS

#### 6.1 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 3.

#### 6.2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS)

##### *a) New standards and amendments to published standards effective for the year ended 30 June 2023*

The following new and revised IFRSs have been applied in the current year and however it had no material impact on the amounts reported in these financial statements.

## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS) CONTINUED

**IFRS 17 Amendments to IFRS 17 insurance contracts** IFRS 17 contains more detailed, complex and prescriptive guidance for recognizing, measuring and disclosing insurance contracts.

The definition of an insurance contract will change from that under IFRS 4 Insurance Contracts, meaning that some contracts issued by companies could be an insurance contract, even if they are not called insurance contracts including product breakdown contracts or warranties.

IFRS 17 defines an insurance contract as a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

#### **Impact**

With changes to the definition of an insurance contract and additional scope exemptions under the new standard, accounting for contracts in the scope of IFRS 17, The corporation required to identify and perform assessment of its contracts and determine whether it issues any insurance contracts in the scope of IFRS 17. Contracts that meet the definition of an insurance contract are not automatically accounted for under IFRS 17. IFRS 17 includes various scope exclusions or allows an entity to choose to account for the contract applying another IFRS Accounting Standard.

The amendments to IFRS 17 are effective for financial reporting period starting January 2023.

#### **Disclosure**

IFRS 17 requires an entity to disclose an explanation of when it expects to recognize the contractual service margin remaining at the end of the reporting period in profit or loss, either quantitatively, in appropriate time bands, or by providing qualitative information

NATIONAL HOUSING CORPORATION

6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6.2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS) CONTINUED

- a) *New standards and amendments to published standards effective for the year ended 30 June 2023 (Continued)*



## NATIONAL HOUSING CORPORATION

### Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021 the IASB issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures.

The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are consistent with the refined definition of material, "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements".

#### Impact

An entity is now required to disclose its material accounting policy information instead of its significant accounting policies.

#### Effective date and transition

The amendments are applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2.

## NATIONAL HOUSING CORPORATION

**Definition of Accounting Estimates Amendments to IAS 8** - The International Accounting Standards Board issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to clarify how the corporation should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that the corporation should develop an accounting estimate to achieve the objective set out by an accounting policy.

### Effective date and transition

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

### Impact

Corporation had insignificant impact by its adoption, however will be recognised as income or expense in current period with more disclose note for the effect to be presented.

Currently, there is diversity in practice when accounting for deferred tax on transactions that involve recognizing both an asset and a liability with a single tax treatment related to both.

**Deferred tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12**

For example, a company may be entitled to a tax deduction on a cash basis for a lease transaction that involves recognising a right-of-use (ROU) asset and a corresponding lease liability under IFRS 16 Leases. A temporary difference may then arise on initial recognition of the ROU asset and the lease liability. When applying the Initial Recognition Exemption (IRE) to this temporary difference, a company may currently apply one of the following approaches.

### Effective date and transition

The amendments apply for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Accounting standard(s) affecting the Corporation on future reporting period(s)

## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS) (CONTINUED)

##### *b) New standards and amendments to published standards effective for the year ended 30 June 2023 (Continued)*

**Non-current Liabilities with Covenants Amendments to IAS 1 and Classification of Liabilities as Current or Non-current Amendments to IAS 1** Under the amendments to IAS 1 Presentation of Financial Statements the classification of certain liabilities as current or non-current may change (e.g. convertible debt). In addition, companies may need to provide new disclosures for liabilities subject to covenants

The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with early application permitted. They also specify the transition requirements for companies that may have early adopted.

to IAS 1

**Lease Liability in a Sale and Leaseback Amendments to IFRS 16** IFRS 16 Leases ended sale-and-leaseback transactions as an off-balance sheet financing proposition. Assessing whether a transaction qualifies for sale-and-leaseback accounting under IFRS 16 is a key judgment.

##### **Impact**

Amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019. The amendments to IFRS 16 are effective for financial reporting period starting January 2024.

##### **c) Early adoption of standards**

The Corporation did not early adopt any new or amended standards in the year ended 30 June, 2023.

#### 6.3 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.

##### 6.3.1 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards and the National Housing Corporation Act, 1990.

## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.2 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.

##### 6.3.3 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 based 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.

##### 6.3.4 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.

## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.4 Functional currency and translation of foreign currencies (continued)

###### (ii) Transactions and balances

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

##### 6.3.5 Investment property

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

Land held under operating leases is classified and accounted for by the Corporation as investment property when the rest of the definition of investment property is met.

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

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

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

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

## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.5 Investment property (Continued)

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

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

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

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

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

##### 6.3.6 Property and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably.



## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.6 Property and equipment (continued)

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.

##### 6.3.7 Intangible assets

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

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

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



## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 6.3.8 Inventories

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

#### 6.3.9 Trade receivables

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

#### 6.3.10 Payables

Trade Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at cost and subsequently measured at amortized cost using the effective interest method.

#### 6.3.11 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.

## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.11 Borrowings and borrowings cost (Continued)

###### *(ii) Borrowing costs (continued)*

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.

##### 6.3.12 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with bank, 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.

##### 6.3.13 Employee benefits

###### *(i) Retirement benefit obligations*

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

## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.13 Employee benefits (Continued)

###### *(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;
- Current service cost;
- Net interest expense or income; and
- Re-measurement.

The Corporation presents the above four components of defined benefit cost in profit or loss and other comprehensive income, where the first three components as part of staff costs while the last component as actuarial gain or loss.

##### 6.2.15 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.

## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.15 Financial Instruments (Continued)

###### Financial assets (Continued)

###### *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 Corporation's financial assets are initially measured at cost or fair value, depending on the classification of financial 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.

## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.15 Financial Instruments (Continued)

###### Financial assets (Continued)

###### *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.



## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.15 Financial Instruments (Continued)

###### **Financial assets (Continued)**

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.

##### **6.3.16 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.

## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.16 Current and deferred tax (continued)

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.

##### 6.3.17 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 recognizes its interest in the joint venture properties as an investment and accounts for it based on the equity based method that recognizes the Corporation's proportionate share of the jointly controlled investment property.

##### 6.3.18 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.

##### 6.3.19 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.



## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 6.3.19 Investment in associates and joint ventures Continued)

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.

##### 6.3.20 Construction costs

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

##### 6.3.21 Lease

###### *Corporation as Lessor*

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

The Corporation's activities expose it to a variety of financial risks including credit risk, market risk (foreign exchange risk and interest rate risk) and liquidity risk. The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance, but the Corporation does not hedge any risks. Risk management is carried out by the Risk Management Unit under policies approved by the board of directors.

## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.4 FINANCIAL RISK MANAGEMENT AND OBJECTIVES AND POLICIES

##### 6.4.1 *Market risk*

###### (i) Foreign exchange risk

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

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

The Corporation 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.

##### 6.4.2 *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 Director of Finance. The Director of Finance assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The Corporation does not grade the quality of receivables.

|                           | 30 June 2023<br>TZS '000 | 30 June 2022<br>TZS '000 |
|---------------------------|--------------------------|--------------------------|
| Cash at hand and bank     | 6,231,690                | 10,064,430               |
| Trade receivables (gross) | 61,711,277               | 52,938,928               |
| Staff receivables         | 6,454,269                | 4,279,224                |
|                           | <u>74,397,236</u>        | <u>67,282,582</u>        |

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

|                                    | 30 June 2023<br>TZS '000 | 30 June 2022<br>TZS '000 |
|------------------------------------|--------------------------|--------------------------|
| Past due but not impaired:         |                          |                          |
| Up to 90 days                      | 2,203,157                | 2,622,824                |
| Above 90 days but less than 1 year | 49,320,610               | 13,686,038               |
| Total past due but not impaired    | <u>51,523,767</u>        | <u>16,308,862</u>        |
| Impaired                           | 24,894,783               | 25,271,991               |
|                                    | <u>76,418,550</u>        | <u>41,580,852</u>        |

## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.4 FINANCIAL RISK MANAGEMENT AND OBJECTIVES AND POLICIES (CONTINUED)

##### 6.4.3 Credit risk (Continued)

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

All receivables from ex-tenants and those tenants subject to court cases are considered fully impaired. The value of these receivables as at 30 June 2023 was TZS 19,362 million (30 June 2022: TZS 19, 923 million).

##### Bank balances

The Corporation has bank 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.

##### 6.3.4 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 groups based on the remaining period at the balance sheet date to the contractual maturity date.

|                          | Less than<br>1 year<br>TZS'000 | Between<br>1 and 2 years<br>TZS'000 | Over<br>2 years<br>TZS'000 | Total<br>TZS'000   |
|--------------------------|--------------------------------|-------------------------------------|----------------------------|--------------------|
| <b>30 June 2023</b>      |                                |                                     |                            |                    |
| Trade and other payables | 25,773,805                     | -                                   | -                          | 25,773,805         |
| Borrowings               | 55,306,265                     | 37,723,502                          | 107,648,213                | 200,677,980        |
| Rental deposits          | -                              | -                                   | 23,271,898                 | 23,271,898         |
|                          | <b>81,080,070</b>              | <b>37,723,502</b>                   | <b>130,920,111</b>         | <b>249,723,683</b> |
| <b>30 June 2022</b>      |                                |                                     |                            |                    |
| Trade and other payables | 37,466,024                     | -                                   | -                          | 37,466,024         |
| Borrowings               | 61,019,554                     | 37,723,502                          | 125,591,596                | 224,334,652        |
| Rental deposits          | -                              | -                                   | 20,484,808                 | 20,484,808         |
|                          | <b>98,485,578</b>              | <b>37,723,502</b>                   | <b>146,076,404</b>         | <b>282,285,484</b> |

## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.4 FINANCIAL RISK MANAGEMENT AND OBJECTIVES AND POLICIES (CONTINUED)

##### 6.4.5 Market risk

Market risk is the risk of changes in market prices, such as foreign-exchange rates and interest rates, affecting the Corporation's income or the value of its financial instruments.

The Corporation market risk include the possibility of fluctuations in property values and rental income due to changes in economic conditions, interest rates, and demographic shifts. Corporation manage its market risk by conducting thorough market research through its established business development in collaboration with research unit before making any investment decisions. This includes analysing local economic indicators, population growth, employment rates, and market trends.

##### 6.4.6 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 of 30 June 2023 and 2022 were as follows:

|  | 30 June 2023         | 30 June 2022         |
|--|----------------------|----------------------|
|  | TZS '000             | TZS '000             |
| Total borrowings (Note 25)             | (200,677,980)        | (224,334,652)        |
| Less: cash and bank balances (Note 20) | 6,231,690            | 10,064,430           |
| Net borrowings                         | <u>(194,446,290)</u> | <u>(213,411,822)</u> |
| Total equity                           | <u>3,454,176,702</u> | <u>3,396,502,867</u> |
| Gearing ratio                          | <u>-5.63%</u>        | <u>-6.28%</u>        |

#### 6.5 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.

## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

##### 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 general approach.

##### 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 is determined by using valuation techniques, as set out in note 6.3.5.

##### 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 6.3.6.

##### Income Tax

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

**6.0 NOTES TO THE FINANCIAL STATEMENTS**  
**(CONTINUED)**

|   | 30 June 2023<br>TZS '000 | 30 June 2022<br>TZS '000 |
|---|--------------------------|--------------------------|
| <b>6.6 REVENUE</b>  |                          |                          |
| Rental income   | 90,204,577               | 91,203,756               |
| Sale of inventory properties-Own constructed Projects<br>(Note 6.6.a) | 12,318,249               | 121,947,552              |
| Contracts income-Third party projects (Note 6.6.b)                    | 56,309,306               | 43,983,676               |
| Sale of open plots (Note 6.6.c)                                       | 10,740,023               | 773,397                  |
|   | <b>169,572,155</b>       | <b>257,908,381</b>       |
| <b>(6.6.a) Own Constructed Projects</b>                               |                          |                          |
| Medeli project  | 677,528                  | 316,601                  |
| Iyumbu project (1000 houses)  | 7,419,030                | -                        |
| Morocco Square Project  | 4,116,349                | -                        |
| Mwongozo project  | 105,342                  | -                        |
| Iyumbu project (Phase I)  | -                        | 775,990                  |
| Unyankumi project   | -                        | 46,610                   |
| Safari City (Affordable houses) project                               | -                        | 72,250                   |
| EWURA   | -                        | 10,384,100               |
| CRDB head office  | -                        | 110,352,001              |
|   | <b>12,318,249</b>        | <b>121,947,552</b>       |
| <b>(6.6.b) Third Party Projects</b>                                   |                          |                          |
| Ardhi University project  | -                        | 5,184                    |
| Burigi project  | -                        | 256,305                  |
| Buzirayombo livestock market  | 19,842                   | 1,979,473                |
| Construction of Vingunguti executive ward office                      | 33,010                   | 64,896                   |
| GPSA Dodoma office  | 507,923                  | 92,966                   |
| GPSA Head office  | -                        | 9,794                    |
| GPSA Kibaha office  | 453,703                  | 139,517                  |
| GPSA Simiyu office  | 460,894                  | 132,807                  |
| GPSA Songwe office  | 445,357                  | 161,156                  |
| Iringa Regional Commissioner conference                               | -                        | 279,501                  |
| Jakaya Kikwete cardiac institution                                    | 708,168                  | 470,665                  |
| Malinyi District Council project                                      | 33,259                   | 180,116                  |
| Masasi warehouse  | 659,437                  | 149,917                  |
| Mbuye Special School  | 17,422                   | 42,494                   |
| Ministry of arts, culture and sports                                  | 5,767,150                | 3,473,743                |
| Ministry of Energy project  | 5,822,693                | 3,153,790                |
| Ministry of home affairs  | 4,653,070                | 3,469,275                |
| Ministry of Industry project  | 5,032,388                | 3,079,034                |
| Ministry of information and communication technology                  | 5,396,093                | 5,775,699                |
| Ministry of Land, Housing and Human Settlement project                | 7,295,325                | 4,072,276                |
| Ministry of livestock and fisheries                                   | 4,507,406                | 3,386,980                |
| Ministry of minerals  | 5,701,042                | 4,742,625                |
| Mtwara Refferal Hospital  | 474,907                  | 1,824,405                |
| Musoma Refferal Hospital  | 1,173,264                | 2,542,625                |
| Nane Nane Pavilion  | -                        | 4,303                    |



NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

|  | <u>30 June 2023</u> | <u>30 June 2022</u> |
|--|---------------------|---------------------|
|  | TZS '000            | TZS '000            |
| <b>6. REVENUE (CONTINUED)</b>  |                     |                     |
| <b>6.6.b) Third Party Projects (continued)</b>                                   |                     |                     |
| National Board of Accountants and Auditors                                       | -                   | 20,208              |
| NIMRI primary production   | 6,211               | 317,611             |
| OPD building - LIGULA RRH  | 1,603,686           | 245,420             |
| Partition of NHIF Mara regional office   | 572                 | 45,740              |
| Rehabilitation of national repository and present office record and archives-DSM | 439,060             | 10,393              |
| Renovation of Mtwara regional land office  | -                   | 24,036              |
| Tanzania Medical Devices Agency  | 132,607             | 869,639             |
| Tanzanite trade centre (Mererani township authority)                             | 2,204,812           | 46,444              |
| UDSM school of economics   | 2,581,378           | 1,790,165           |
| Vingunguti Abartoir project  | 145,757             | 1,105,529           |
| Wanging'ombe project   | 32,868              | 18,945              |
|  | <u>56,309,306</u>   | <u>43,983,676</u>   |
| <b>6.6.c Sales of open plots</b>   |                     |                     |
| Safari City plots  | 730,103             | 773,397             |
| Plots No.123, 124 & 265 Lot no. 122 Samora street, Ilala                         | 10,009,920          | -                   |
|  | <u>10,740,023</u>   | <u>773,397</u>      |
| <b>6.7 NET GAIN/(LOSSES) ON FOREIGN EXCHANGE AND OTHER INCOME</b>                |                     |                     |
| Net foreign exchange losses  | (870,506)           | (231,191)           |
| Miscellaneous income   | 6,172,579           | 1,508,342           |
|  | <u>5,302,073</u>    | <u>1,277,151</u>    |
| <b>6.8 (a) CONSTRUCTION COSTS</b>  |                     |                     |
| <b>(i) Own Constructed Projects</b>  |                     |                     |
| Medeli project   | 351,992             | 175,996             |
| Iyumbu (1000 houses) project   | 6,363,397           | -                   |
| Morocco Squire Project   | 4,052,387           | -                   |
| Mwongozo project   | 111,700             | -                   |
| Iyumbu project (phase I)   | -                   | 687,126             |
| Unyankumi project  | -                   | 46,446              |
| Safari city Project  | -                   | 57,198              |
| EWURA  | -                   | 10,376,846          |
| CRDB head office   | -                   | 81,820,557          |
|  | <u>10,879,476</u>   | <u>93,164,169</u>   |



NATIONAL HOUSING CORPORATION

6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

|  | 30 June 2023<br>TZS '000 | 30 June 2022<br>TZS '000 |
|--|--------------------------|--------------------------|
| <b>6.8 (a) CONSTRUCTION COSTS (CONTINUED)</b>                                    |                          |                          |
| <b>(ii) Third Party Projects</b>   |                          |                          |
| Ardhi University project   | -                        | 4,500                    |
| Burigi project   | -                        | 263,744                  |
| Buzirayombo livestock market   | 17,328                   | 1,728,690                |
| Construction of Vingunguti executive ward office                                 | 33,010                   | 52,726                   |
| GPSA Dodoma office   | 507,923                  | 75,533                   |
| GPSA Head office   | -                        | 7,957                    |
| GPSA Kibaha office   | 388,182                  | 113,355                  |
| GPSA Simiyu office   | 408,131                  | 107,903                  |
| GPSA Songwe office   | 445,357                  | 130,936                  |
| Iringa Regional Commissioner conference  | -                        | 287,372                  |
| Jakaya Kikwete cardiac institution   | 604,604                  | 401,835                  |
| Malinyi District Council   | 29,600                   | 160,299                  |
| Masasi warehouse   | 533,972                  | 121,394                  |
| Mbuye special school   | 16,704                   | 40,743                   |
| Ministry of arts, culture and sports   | 5,085,007                | 3,030,841                |
| Ministry of energy project   | 4,956,100                | 2,697,366                |
| Ministry of home affairs   | 4,057,060                | 2,948,346                |
| Ministry of industry project   | 4,257,290                | 2,603,314                |
| Ministry of information and communication technology                             | 4,538,700                | 4,909,345                |
| Ministry of land, housing and human settlement project                           | 5,880,660                | 3,281,056                |
| Ministry of livestock's and fisheries  | 3,771,964                | 2,878,835                |
| Ministry of minerals   | 5,025,606                | 4,031,232                |
| Mtwara refferal hospital   | 456,841                  | 1,755,004                |
| Musoma refferal hospital   | 1,196,844                | 2,465,101                |
| Nane nane pavilion   | -                        | 3,630                    |
| National Board of Accountant and Auditors  | -                        | 19,024                   |
| NIMRI primary production   | 5,678                    | 290,358                  |
| OPD building - LIGULA RRH  | 1,457,897                | 223,109                  |
| Partition of NHIF Mara regional office   | 450                      | 35,957                   |
| Rehabilitation of national repository and present office record and archives-DSM | 394,313                  | 9,037                    |
| Renovation of Mtwara regional land office  | -                        | 22,690                   |
| Tanzania Forest Service Agency   | -                        | 311,942                  |
| Tanzania Medicine and Medical Authority  | 113,900                  | 746,956                  |
| Tanzanite trade centre (Mererani township authority)                             | 1,609,672                | 67,402                   |
| UDSM school of economics   | 2,414,473                | 1,627,423                |
| Vingunguti Abartoir  | 144,260                  | 762,213                  |
| Wanging'ombe project   | 28,064                   | 16,176                   |
|  | <b>48,379,590</b>        | <b>38,233,344</b>        |

## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### CONSTRUCTION COSTS (CONTINUED)

##### (iii) Open Plots

|  |                   |                   |
|--|-------------------|-------------------|
| Safari City  | 270,660           | 407,999           |
| Plots no.123, 124 & 265 Lot no. 122 Samora street, Ilala | 9,007,262         | -                 |
|  | <u>9,277,922</u>  | <u>407,999</u>    |
|  | <u>68,536,988</u> | <u>131,805,51</u> |

#### 6.8 (b) PROPERTY MANAGEMENT COSTS

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Repair and maintenance rental houses | 4,768,075        | 5,368,401        |
| Estate management expenses           | 1,939,776        | 1,657,557        |
| Land rent and property tax           | 1,447,825        | 1,062,535        |
| Property valuation fees              | 456,878          | 58,025           |
| City service levy                    | 303,687          | 706,976          |
|                                      | <u>8,916,241</u> | <u>8,853,494</u> |

#### 6.9 ADMINISTRATIVE EXPENSES

|   |           |           |
|---|-----------|-----------|
| Training and seminar costs                      | 1,008,866 | 1,171,917 |
| Security and insurance services                 | 728,938   | 460,736   |
| Printing and stationeries                       | 574,966   | 495,482   |
| Computer expenses and software maintenance cost | 859,253   | 215,897   |
| Auditors' remuneration                          | 400,000   | 389,967   |
| Other audit costs                               | 35,710    | 13,124    |
| Repair and maintenance office buildings         | 550,290   | 380,748   |
| Internet costs and network                      | 563,400   | 630,785   |
| Consultancy fee                                 | 123,211   | 105,192   |
| Water and electricity                           | 409,962   | 358,391   |

## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

|  | 30 June 2023<br>TZS '000 | 30 June 2022<br>TZS '000 |
|--|--------------------------|--------------------------|
| <b>6.9 ADMINISTRATIVE EXPENSES (CONTINUED)</b> |                          |                          |
| Postage and telephone                          | 308,955                  | 246,958                  |
| Travelling on duty                             | 2,105,749                | 3,050,466                |
| Directors' fees and board expenses             | 197,927                  | 212,872                  |
| Motor vehicle fuel and maintenance             | 3,475,176                | 2,816,806                |
| VAT write off, penalties and fines             | 300,174                  | 548,393                  |
| Donation                                       | 449,221                  | 415,164                  |
| Repairs and maintenance office equipment       | 229,297                  | 219,854                  |
| Legal fees                                     | 21,750                   | 40,384                   |
| Provision for legal cases                      | -                        | 853,193                  |
| Bank charges                                   | 136,905                  | 119,383                  |
| Office expenses                                | 254,795                  | 576,389                  |
| National festivals                             | 41,105                   | 52,326                   |
| Procurement expenses                           | 467,049                  | 306,165                  |
| Contribution to exchequer                      | 1,000,000                | 750,000                  |
| General cleaning expenses                      | 373,861                  | 349,816                  |
| Rent Expenses                                  | 187,240                  | -                        |
| Inauguration Ceremony                          | 198,574                  | -                        |
| Honoraria                                      | 456,150                  | -                        |
| Other administrative expenses                  | 44,391                   | 27,078                   |
|  | <b>15,502,913</b>        | <b>14,807,486</b>        |
| <b>6.10 SALES AND MARKETING EXPENSES</b>       |                          |                          |
| Business promotion                             | 589,941                  | 986,893                  |
| Sales expenses and marketing expenses          | 33,108                   | 85,825                   |
| Advertising and publicity                      | 951,353                  | 554,190                  |
|  | <b>1,574,402</b>         | <b>1,626,908</b>         |
| <b>6.11 EMPLOYEE BENEFITS EXPENSES</b>         |                          |                          |
| Salaries and wages                             | 14,121,365               | 13,464,610               |
| Housing allowance                              | 485,598                  | 455,356                  |
| Electricity Allowance                          | 109,745                  | 119,721                  |
| Furniture Allowance                            | 120,000                  | 384,000                  |
| Sitting Allowance                              | 43,053                   | 46,240                   |
| Extra duty payments                            | 596,029                  | 75,025                   |
| Subsistence Allowance                          | 18,232                   | -                        |
| House servant allowance                        | -                        | 2,994                    |
| Acting Allowance                               | 154,224                  | -                        |
| Defined benefit obligation expense             | 2,242,533                | 3,091,407                |
| Staff welfare                                  | 80,266                   | 131,280                  |
| Staff canteen services                         | 807,111                  | 722,208                  |
| Staff transport services                       | 342,393                  | 282,575                  |
| Staff uniforms and clothing                    | 89,599                   | 110,341                  |
| Pension contributions                          | 2,029,873                | 1,713,890                |
| Medical costs                                  | 1,477,426                | 1,017,097                |
| Master workers council                         | 82,608                   | 52,976                   |

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## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) EMPLOYEE BENEFITS EXPENSES (CONTINUED)

|   |                   |                   |
|---|-------------------|-------------------|
| Leave travel allowance                        | 105,254           | 28,356            |
| Transfer and disturbance allowance            | 451,454           | 556,113           |
| Skills and development levy                   | 703,880           | 683,507           |
| NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) |                   |                   |
| Gratuity provision expense                    | 99,692            | 45,535            |
| Workers' compensation fund                    | 76,256            | 69,324            |
| Annual incentive and service award            | 104,300           | 148,572           |
|   | <u>24,340,891</u> | <u>23,201,127</u> |

### 6.12 FINANCE INCOME AND COSTS

#### Finance income

|                                |                |               |
|--------------------------------|----------------|---------------|
| Interest on bank term deposits | 273,196        | 36,014        |
|                                | <u>273,196</u> | <u>36,014</u> |

#### Finance costs

|                        |                     |                     |
|------------------------|---------------------|---------------------|
| Interest on borrowings | (12,942,015)        | (14,840,672)        |
| Loan-related charges   | (1,479,883)         | (1,187,378)         |
|                        | <u>(14,421,898)</u> | <u>(16,028,050)</u> |
| Net finance cost       | <u>(14,148,702)</u> | <u>(15,992,036)</u> |

### 6.13 INCOME TAX

#### (a) Tax (income)/charge

|   |                   |                   |
|---|-------------------|-------------------|
| Current tax-current period                                | 5,138,996         | 13,180,653        |
| Current tax- prior period (overprovision)/under provision | 486,003           | (469,016)         |
| Deferred tax liability-current period (Note 24)           | 19,194,424        | 15,244,184        |
| Deferred tax charge/(income)-prior periods (Note 23)      | -                 | (1,997,020)       |
|   | <u>24,819,423</u> | <u>25,958,801</u> |

#### (b) Reconciliation of income tax expense

The tax on the Corporation's income tax differs from the theoretical amount that would arise using the statutory income tax rate on the applicable profit as follows:

|   | 30 June 2023<br>TZS '000 | 30 June 2022<br>TZS '000 |
|---|--------------------------|--------------------------|
| Profit/(Loss) before tax                                | <u>83,612,402</u>        | <u>92,933,676</u>        |
| Tax calculated at the statutory income tax rate of 30%  | 25,083,721               | 27,880,103               |
| Tax effect of:  |                          |                          |
| Non-taxable income                                      | (53,073)                 | (315,248)                |
| Expenditure permanently disallowed for tax purpose      | (697,228)                | 445,624                  |
| Decrease in deferred tax from fair value losses         | -                        | 414,358                  |
| Current tax relating to prior periods                   | 486,003                  | (469,016)                |
| (Under)/Over- provision of deferred tax from prior year | -                        | (1,997,020)              |
|   | <u>24,819,423</u>        | <u>25,958,801</u>        |

NATIONAL HOUSING CORPORATION

6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

INCOME TAX (CONTINUED)

(c) Tax movement

|   |                         |                         |
|---|-------------------------|-------------------------|
| Balance at beginning of the year        | 8,666,033               | 2,465,821               |
| Current tax charge for the year         | 5,310,453               | 13,180,653              |
| Tax interest and penalties-prior period | (450,131)               | -                       |
| Current tax- prior period overprovision | 486,003                 | (469,016)               |
| Tax paid during the year                | <u>(9,300,335)</u>      | <u>(6,511,425)</u>      |
| Balance as at the end of the year       | <u><u>4,712,023</u></u> | <u><u>8,666,033</u></u> |

NATIONAL HOUSING CORPORATION

6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

|                                    | Land and rental<br>buildings<br>TZS'000 | Joint<br>arrangements<br>land and rental<br>buildings<br>TZS'000 | Work in progress<br>and undeveloped<br>land<br>TZS'000 | Total<br>TZS'000     |
|------------------------------------|---|--|--|----------------------|
| <b>6.14 INVESTMENT PROPERTIES</b>  |   |  |  |                      |
| <b>30 June 2023</b>                |   |  |  |                      |
| Opening balance                    | 3,739,156,586                           | 241,374,578  | 620,141,996  | 4,600,673,160        |
| Additions: Monetary                | 389,651                                 | -  | 1,402,798  | 1,792,449            |
| Additions: Non-monetary            | 4,157,553                               | -  | 1,313,173  | 5,470,726            |
| Transfer in/(out)                  | (3,682,104)                             | -  | 3,682,104  | -                    |
| Transfer from/(to) inventory       | 742,378                                 | -  | (3,069,748)  | (2,327,370)          |
| Disposal                           | -                                       | -  | (12,957,262.25)  | (12,957,262.25)      |
| Transfer to inventory of buildings | (4,937,201)                             | -  | (8,399,974)  | (13,337,175)         |
| Fair value gain/(loss)             | 43,298,386                              | (1,815,086)  | 2,108,737  | 43,592,037           |
|                                    | <b>3,779,125,249</b>                    | <b>239,559,492</b>   | <b>604,221,824</b>                                     | <b>4,622,906,565</b> |
| <b>30 June 2022</b>                |   |  |  |                      |
| Opening balance                    | 3,707,017,407                           | 234,121,909  | 620,977,226  | 4,562,116,542        |
| Additions: Monetary                | -                                       | -  | 94,389   | 94,389               |
| Additions: Non-monetary            | 535,771                                 | -  | 5,490,010  | 6,025,781            |
| Transfer in/(out)                  | 9,700,017                               | 2,791,250  | (12,491,267)   | -                    |
| Transfer from inventory            | 231,920                                 | -  | -  | 231,920              |
| Transfer to inventory of buildings | -                                       | -  | -  | -                    |
| Fair value gain/(loss)             | 21,671,471                              | 4,461,419  | 6,071,638  | 32,204,528           |
|                                    | <b>3,739,156,586</b>                    | <b>241,374,578</b>   | <b>620,141,996</b>                                     | <b>4,600,673,160</b> |

Investment property refers to completed, ongoing construction houses for renting and undeveloped land. Out of total capitalized work-in-progress as at year end is capitalized borrowing costs amounting to TZS 963.74 million (2022: TZS 531.08 million).

NATIONAL HOUSING CORPORATION

**6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6.14 INVESTMENT PROPERTIES (CONTINUED)**

The Corporation is satisfied that the fair value of all its investment properties under construction at 30 June 2023 were reliably determinable on continuing basis. The Corporation investment properties were revalued at 30 June 2023 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 604 billion (2022: TZS 620 billion) as follows:

| <b>30 June 2023</b>   | <b>Total value of the<br/>investment<br/>property<br/>TZS'000</b> | <b>NHC<br/>percentage<br/>share<br/>%</b> | <b>NHC share of<br/>ownership<br/>TZS'000</b> |
|---|---|---|---|
| Investment properties under construction (Joint venture properties) | 58,475,284  | 100                                       | 58,475,284                                    |
| Investment properties under construction (NHC owned properties)     | 1,034,567   | 100                                       | 1,034,567                                     |
| Undeveloped plots   | 544,711,974   | 100                                       | 544,711,974                                   |
|   | <u><b>604,221,824</b></u>   |   | <u><b>604,221,824</b></u>                     |
| <b>30 June 2022</b>   |   |   |   |
| Investment properties under construction (Joint venture properties) | 58,494,279  | 100                                       | 58,494,279                                    |
| Investment properties under construction (NHC owned properties)     | 13,566,070  | 100                                       | 13,566,070                                    |
| Undeveloped plots   | 548,081,647   | 100                                       | 548,081,647                                   |
|   | <u><b>620,141,996</b></u>   |   | <u><b>620,141,996</b></u>                     |

As at the end of the period, investment properties with value of TZS 625,753 million (30 June 2022: TZS 573,593 million), were pledged as security on bank borrowings as detailed in Note 25.



NATIONAL HOUSING CORPORATION

**6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6.15 PROPERTY, PLANT AND EQUIPMENT**

|   | Land<br>TZS'000 | Buildings   | Plant and<br>Machinery<br>TZS'000 | Motor vehicle<br>TZS'000 | Office<br>equipment,<br>furniture and<br>fixtures<br>TZS'000 | Tricycle<br>and<br>motorcycle<br>TZS'000 | Computer<br>hardware<br>and<br>accessories<br>TZS'000 | Work in<br>progress<br>TZS'000 | Total<br>TZS'000 |
|---|-----------------|-------------|-----------------------------------|--------------------------|--|--|---|--------------------------------|------------------|
| <b>30<sup>th</sup> June 2023</b>                |                 |             |                                   |                          |  |  |   |                                |                  |
| Opening net book value                          | 18,785,930      | 22,589,102  | 2,169,647                         | 2,319,950                | 3,262,274  | 62,429                                   | 1,550,064   | -                              | 50,739,396       |
| Additions:                                      |                 |             |                                   |                          |  |  |   |                                |                  |
| Monetary (at cost)                              | -               |             | 1,428,196                         | 1,614,548                | 131,643  | -  | 564,612   | -                              | 3,738,999        |
| Additions: Non-monetary (at cost)               | -               | -           | -                                 | -                        | -  | -  | -   | -                              | -                |
| Depreciation related to disposals               | -               | (515,796)   | -                                 | -                        | -  | -  | -   | -                              | -                |
| Depreciation charge                             | -               |             | (285,833)                         | (634,942)                | (605,700)  | (11,319)                                 | (326,754)   | -                              | (2,380,344)      |
| Closing net book value                          | 18,785,930      | 22,073,306  | 3,312,010                         | 3,299,556                | 2,788,217  | 51,110                                   | 1,787,922   | -                              | 52,098,051       |
| <b>Cost</b>                                     | 18,785,930      | 25,789,768  | 5,036,287                         | 8,636,693                | 6,799,121  | 111,384                                  | 3,823,492   | -                              | 68,982,675       |
| Accumulated depreciation                        | -               | (3,716,462) | (1,724,277)                       | (5,337,137)              | (4,010,904)  | (60,274)                                 | (2,035,570)   | -                              | (16,884,624)     |
| <b>Net book value</b>                           | 18,785,930      | 22,073,306  | 3,312,010                         | 3,299,556                | 2,788,217  | 51,110                                   | 1,787,922   | -                              | 52,098,051       |
| <b>30<sup>th</sup> June 2022</b>                |                 |             |                                   |                          |  |  |   |                                |                  |
| Opening net book value                          | 18,785,930      | 23,104,898  | 1,474,122                         | 624,473                  | 452,842  | -  | 118,933   | -                              | 44,561,198       |
| Restatement to correct prior period adjustments | -               | -           | 991,376                           | 1,715,227                | 2,446,992  | 14,971                                   | 1,206,011   | -                              | 6,374,577        |
| Additions:                                      |                 |             |                                   |                          |  |  |   |                                |                  |
| Additions:                                      | -               |             | 23,127                            | 184,694                  | 541,069  | 59,322                                   | 339,743   | -                              | 1,147,955        |

NATIONAL HOUSING CORPORATION

|                                |                   |                    |                  |                  |                  |               |                  |          |                   |
|--------------------------------|-------------------|--------------------|------------------|------------------|------------------|---------------|------------------|----------|-------------------|
| Monetary (at cost)             | -                 | -                  | -                | -                | -                | -             | -                | -        | -                 |
| Additions: monetary (at cost)  | -                 | -                  | -                | -                | -                | -             | -                | -        | -                 |
| Disposals                      | -                 | -                  | -                | -                | -                | -             | -                | (1,458)  | (1,458)           |
| Depreciation related disposals | -                 | -                  | -                | -                | -                | -             | -                | 1,295    | 1,295             |
| Depreciation charge            | -                 | (515,796)          | (318,978)        | (204,444)        | (178,629)        | (11,864)      | (114,460)        | -        | (1,344,171)       |
| <b>Closing net book value</b>  | <b>18,785,930</b> | <b>22,589,1022</b> | <b>2,169,647</b> | <b>2,319,950</b> | <b>3,262,274</b> | <b>62,429</b> | <b>1,550,064</b> | <b>-</b> | <b>50,739,396</b> |
| Cost                           | 18,785,930        | 25,789,768         | 3,608,091        | 7,022,145        | 6,645,197        | 111,384       | 3,258,879        | -        | 65,221,394        |
| Accumulated depreciation       | -                 | (3,200,666)        | (2,429,820)      | (6,417,422)      | (5,829,915)      | (63,926)      | (2,914,826)      | -        | (20,856,575)      |
| Restatement prior-period       | -                 | -                  | 991,376          | 1,715,227        | 2,446,992        | 14,971        | 1,206,011        | -        | 6,374,577         |
| <b>Net book value</b>          | <b>18,785,930</b> | <b>22,589,102</b>  | <b>2,169,647</b> | <b>2,319,950</b> | <b>3,262,274</b> | <b>62,429</b> | <b>1,550,064</b> | <b>-</b> | <b>50,739,396</b> |

NATIONAL HOUSING CORPORATION

**6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6.15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Property and equipment refer to long term tangible assets held by the Corporation for operation. As at the end of the period, the Corporation reviewed useful life to property and equipment that have fully depreciated, as a result at the year end, no asset that are still in use have fully depreciated as categorized below:

|  | 30 June 2023<br>TZS '000 | 30 June 2022<br>TZS '000 |
|--|--------------------------|--------------------------|
| Machinery                                | -                        | 403,418                  |
| Motor vehicle                            | -                        | 6,163,953                |
| Office equipment, furniture and fixtures | -                        | 5,493,922                |
| Tricycle and motorcycle                  | -                        | 52,061                   |
| Computer hardware and accessories        | -                        | 2,807,720                |
|  | <u>-</u>                 | <u>14,921,074</u>        |

**6.16 INTANGIBLE ASSETS**

|   |                  |                |
|---|------------------|----------------|
| Net book value at the beginning of the year | 513,751          | -              |
| Prior Period Adjustments                    | -                | 202,807        |
| Additions                                   | 920,586          | 310,944        |
| Amortisation charge                         | (334,106)        | -              |
| Netbook value at the end of the year        | <u>1,100,231</u> | <u>513,751</u> |
| Cost  | 2,434,822        | 1,514,236      |
| Accumulated amortisation                    | (1,334,591)      | (1,203,292)    |
| <b>Net book value</b>                       | <u>1,100,231</u> | <u>513,751</u> |

**6.17 (a) INVESTMENT IN JOINT VENTURES**

|                                     |                   |                   |
|-------------------------------------|-------------------|-------------------|
| At the beginning of the year        | 18,914,452        | 18,504,668        |
| Share of profit from joint ventures | 137,058           | 1,021,053         |
| Dividend received during the year   | (420,000)         | (506,401)         |
| Share of other comprehensive income | 130,948           | (104,868)         |
| At the end of the year              | <u>18,762,458</u> | <u>18,914,452</u> |

The table below summarizes details of assets and liabilities as at 30 June 2023, and financial results for the year then ended accruing to the Corporation:

| JV Name                                | Country of incorporation | %interest held | Assets<br>TZS '000 | Liabilities<br>TZS '000 | Revenue<br>TZS '000 | Profit after tax<br>TZS '000 |
|--|--------------------------|----------------|--------------------|-------------------------|---------------------|------------------------------|
| <b>30 June 2023</b>                    |                          |                |                    |                         |                     |                              |
| NHC/PPF - IPS Building Company Limited | Tanzania                 | 50             | 14,247,822         | (211,995)               | 844,474             | 313,843                      |
| NHC House Company Limited              | Tanzania                 | 50             | 6,518,382          | (1,791,752)             | 1,232,714           | 457,626                      |
|  |                          |                | <u>20,766,204</u>  | <u>(2,003,747)</u>      | <u>2,077,188</u>    | <u>771,469</u>               |

NATIONAL HOUSING CORPORATION

6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6.17 (a) INVESTMENT IN JOINT VENTURES (CONTINUED)

| JV Name                                | Country of incorporation | % interest held | Assets            | Liabilities         | Revenue         | Profit after tax    |
|--|--------------------------|-----------------|-------------------|---------------------|-----------------|---------------------|
| 30 <sup>th</sup> June 2022             |                          |                 | <u>TZS '000</u>   | <u>TZS '000</u>     | <u>TZS '000</u> | <u>TZS '000</u>     |
| NHC/PPF - IPS Building Company Limited | Tanzania                 | 50              | 16,106,228        | (213,928)           | -               | 130,576             |
| NHC House Company Limited              | Tanzania                 | 50              | 4,876,832         | 1,854,680)          | 910,779         | 726,821             |
|  |                          |                 | <u>20,983,060</u> | <u>(2,068,608)</u>  | <u>910779</u>   | <u>857,397</u>      |
|  |                          |                 |                   | <u>30 June 2023</u> |                 | <u>30 June 2022</u> |
|  |                          |                 |                   | TZS '000            |                 | TZS '000            |

6.17 (b) ADVANCES TOWARD SHARES IN OTHER ENTITIES

|                              |                   |                   |
|------------------------------|-------------------|-------------------|
| At the beginning of the year | 29,757,252        | 29,787,137        |
| Cash paid during the year    | -                 | -                 |
| Investment termination       | -                 | (29,885)          |
| At the end of the year       | <u>29,757,252</u> | <u>29,757,252</u> |

Below is the summary of advances held:

|   |                   |                   |
|---|-------------------|-------------------|
| Kawe Special Purpose Vehicle                  | 6,682,039         | 6,682,039         |
| Kunduchi Riffle Range Special Purpose Vehicle | 23,075,213        | 23,075,213        |
|   | <u>29,757,252</u> | <u>29,757,252</u> |

6.17 (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> |

During the year, a total of dividend TZS 39.9 million was declared and received from Tanzania Mortgage Refinance Company Limited (TMRC).

NATIONAL HOUSING CORPORATION

6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6.18 INVENTORIES

(i) Inventory properties (Completed houses)

|  |                   |                  |
|--|-------------------|------------------|
| Medeli Project- Dodoma at cost               | 5,103,888         | 527,988          |
| Mrara Project- Manyara at cost               | 42,810            | 42,810           |
| Mvomero Project- Morogoro at cost            | 39,959            | 39,959           |
| Ilembo Project- Katavi at cost               | 85,413            | 85,413           |
| Buswelu Project                              | 120,394           | 120,394          |
| Iyumbu project (phase I) -Dodoma at cost     | 440,262           | 548,350          |
| Safari City project-Arusha at cost           | 246,520           | 246,520          |
| Mwongozo project                             | 231,942           | 343,642          |
| Morocco Squire project-Dar es Salaam at cost | 41,880,512        | -                |
| Chamwino project-Dodoma at cost              | 8,447,711         | -                |
| Iyumbu (1000 houses)-Dodoma at cost          | 15,232,713        | -                |
|  | <u>71,872,124</u> | <u>1,955,076</u> |

(ii) Inventory properties (Ongoing projects)

|   |                    |                    |
|---|--------------------|--------------------|
| Morocco square-Plot 1-3 & 44 Morocco          | 142,621,966        | 175,434,652        |
| Victoria- Plot 300                            | 4,982,167          | 4,766,215          |
| Golden Premier Residential-Plot no 711/2 Kawe | 29,817,536         | 29,817,536         |
| Makete Affordable Housing Scheme              | -                  | 1,712,593          |
| Inyonga Affordable Housing Scheme             | -                  | 965,891            |
| Igunga Affordable Housing Scheme              | -                  | 1,471,384          |
| Manyoni Affordable Housing Scheme             | 15,675             | 15,675             |
| Luguruni Low costing Houses Project           | 19,710             | 19,710             |
| Kawe-Plot no. 711/1                           | 25,935,175         | 25,935,175         |
| Burka (Safari city)                           | 967,097            | 990,385            |
| Ipogolo Affordable Housing Scheme             | 11,734             | 11,734             |
| Vijibweni Alykhan-Plot 270,288 & 289 Magore   | 14,065             | 14,065             |
| Iyumbu Affordable Housing Scheme              | 2,190,638          | 1,788,063          |
| Muheza Affordable Housing Scheme (Chatur)     | 749,424            | 397,684            |
| Chato plots Project                           | 50,672             | 50,672             |
| Iyumbu (1000 houses)                          | -                  | 15,382,455         |
| Kawe affordable Phase I                       | 6,138,337          | -                  |
|   | <u>213,514,196</u> | <u>258,773,889</u> |

(iii) Plot for sale

|                     |                  |                  |
|---------------------|------------------|------------------|
| Safari city project | 7,275,374        | 7,522,746        |
|                     | <u>7,275,374</u> | <u>7,522,746</u> |

NATIONAL HOUSING CORPORATION

6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6.18 INVENTORIES

(iv) Other inventories

|                                    |                    |                    |
|------------------------------------|--------------------|--------------------|
| Building materials                 | 3,563,903          | 6,540,734          |
| Stationeries                       | 210,426            | 273,084            |
| Spare Parts (Motor Vehicles)       | -                  | 2,150              |
|                                    | <u>3,774,329</u>   | <u>6,815,968</u>   |
| Allowance for obsolete inventories | <u>(246,057)</u>   | <u>(246,057)</u>   |
|                                    | <u>3,528,272</u>   | <u>6,569,911</u>   |
| Total inventories                  | <u>296,189,966</u> | <u>274,821,622</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 9,874 million (2022: TZS 8,100 million).

**6.19 TRADE AND OTHER RECEIVABLES**

|                                      | 30 June 2023      | 30 June 2022      |
|--------------------------------------|-------------------|-------------------|
|                                      | TZS '000          | TZS '000          |
| Rental receivables - current tenants | 5,602,986         | 7,374,351         |
| Rental receivables - ex tenants      | 19,362,533        | 19,922,729        |
| Tenant purchase receivables          | 5,580             | 5,580             |
| Trade and other receivables          | 9,489,396         | 14,001,778        |
| Less: Allowances for doubtful debts  | (24,894,783)      | (25,598,596)      |
|                                      | <u>9,565,712</u>  | <u>15,705,842</u> |
| Staff receivables                    | 6,454,269         | 4,279,224         |
| Advance to contractors               | 8,253,003         | 8,253,003         |
| Contract assets                      | 30,320,821        | 13,870,350        |
|                                      | <u>45,028,093</u> | <u>26,402,577</u> |
|                                      | <u>54,593,805</u> | <u>42,108,419</u> |

**Movements in the impairment allowance:**

|                                  | Receivables       | Other financial assets | Total             |
|----------------------------------|-------------------|------------------------|-------------------|
|                                  | TZS'000           | TZS'000                | TZS'000           |
| <b>30<sup>th</sup> June 2023</b> |                   |                        |                   |
| At beginning of the year         | 25,572,495        | 26,102                 | 25,598,597        |
| Charge for the year              | (703,814)         | -                      | (703,814)         |
| At end of the year               | <u>24,868,681</u> | <u>26,102</u>          | <u>24,894,783</u> |
| <b>30<sup>th</sup> June 2022</b> |                   |                        |                   |
| At beginning of the year         | 23,696,015        | 26,102                 | 23,722,117        |
| Charge for the year              | 1,876,480         | -                      | 1,876,480         |
| At the end of the year           | <u>25,572,495</u> | <u>26,102</u>          | <u>25,598,597</u> |

## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### Movements in the impairment allowance (continued)

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

#### 6.20 CASH AND BANK QUIVALENT

|   |                  |                   |
|---|------------------|-------------------|
| Bank balances   | 11,028,690       | 14,734,137        |
| Cash on hand  | 16,705           | 17,205            |
| Cash and bank balances at Bank                        | 11,045,395       | 14,751,342        |
| Bank overdrafts (Note 25)                             | (4,813,705)      | (4,686,912)       |
| Cash and Bank equivalents (including bank overdrafts) | <u>6,231,690</u> | <u>10,064,430</u> |

#### Overdraft facilities

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

| Interest      | Amount    | Limit time | Interest      | Effective date           | Limit time         |
|---------------|-----------|------------|---------------|--------------------------|--------------------|
|               | TZS'000   | TZS'000    |               |                          |                    |
| CRDB Bank Plc | 4,813,705 | 5,000,000  | 17% per annum | 2 <sup>nd</sup> Nov 2012 | One year renewable |

#### 6.21 CAPITAL FUND

The Capital Fund of TZS 15,486 million represents the initial amount of funds received from the Treasury of TZS 416 million, additional capital of TZS 15,000 million and grants of TZS 70 million received from several donors for financing construction of houses.

#### 6.22 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.

#### 6.23 REVALUATION RESERVE

The revaluation reserve represents the net comprehensive income or loss of shares valuation from joint ventures and actuarial gain or loss from defined benefit obligation.



NATIONAL HOUSING CORPORATION

**6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6.24 DEFERRED TAX**

Deferred tax asset is calculated using balance sheet approach at the enacted income tax rate of 30% (30 June 2023: 30%). The movement on the deferred tax account is as follows:

|   | <u>30 June 2023</u><br>TZS '000 | <u>30 June 2022</u><br>TZS '000 |
|---|---------------------------------|---------------------------------|
| At the beginning of the year                              | 1,286,481,267                   | 1,273,234,103                   |
| Deferred tax (credit)/charge -current period (Note 13(a)) | 19,194,424                      | 15,244,184                      |
| Deferred tax (credit)/charge- prior periods (Note 13(a))  | 1,019,853                       | (1,997,020)                     |
| At the end of the year                                    | <u>1,306,643,154</u>            | <u>1,286,481,267</u>            |

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

|   | <u>Opening<br/>balance<br/>TZS'000</u> | <u>Charge to<br/>P&amp;L prior<br/>year<br/>TZS'000</u> | <u>Charge to P<br/>&amp; L current<br/>year<br/>TZS'000</u> | <u>Closing<br/>balance<br/>TZS'000</u> |
|---|--|---|---|--|
| <b>30 June 2023</b>                                   |  |   |   |  |
| <b>Deferred tax liabilities</b>                       |  |   |   |  |
| Fair value of investment properties                   | 203,913,675                            | 1,019,853   | 19,142,034  | 222,377,632                            |
| Accelerated capital allowances                        | 1,100,637,890                          | -   | -   | 1,100,637,890                          |
|   | <u>1,304,551,565</u>                   | <u>1,019,853</u>  | <u>19,142,034</u>   | <u>1,324,713,452</u>                   |
| <b>Deferred tax assets</b>                            |  |   |   |  |
| Provisions and other deductible temporary differences | (18,070,298)                           | -   | -   | (18,070,298)                           |
| Net deferred income tax liability                     | <u>1,286,481,267</u>                   | <u>1,019,853</u>  | <u>19,142,034</u>   | <u>1,306,643,154</u>                   |

NATIONAL HOUSING CORPORATION

6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6.24 DEFERRED TAX (CONTINUED)

|  |                      | Charge to P & L<br>current year<br>ZS'000 | Closing<br>balance<br>TZS'000 |
|--|----------------------|---|-------------------------------|
| <b>30 June 2022</b>                    |                      |   |                               |
| <b>Deferred tax liabilities</b>        |                      |   |                               |
| Fair value of investment properties    | 190,666,511          | (1,997,020)                               | 15,244,184                    |
| Accelerated capital allowances         | 1,100,637,890        | -   | 24,575,910                    |
|  | <u>1,273,234,103</u> | <u>(1,997,020)</u>                        | <u>15,244,184</u>             |
|  |                      |   | <u>11,304,551,565</u>         |
| <b>Deferred tax assets</b>             |                      |   |                               |
| Other deductible temporary differences | (18,070,298)         | -   | -                             |
| Net deferred income tax liability      | <u>1,273,234,103</u> | <u>(1,997,020)</u>                        | <u>15,244,184</u>             |
|  |                      |   | <u>1,286,481,267</u>          |

**6.25 BORROWINGS**

|  |                    |                    |
|--|--------------------|--------------------|
| Bank and other borrowings                                    | 195,775,505        | 217,552,854        |
| Restatement to correct prior period adjustments note 36 (b)  | -                  | (858,270)          |
| Accrued interest on principal from Bank and other borrowings | 4,902,475          | 6,781,668          |
|  | <u>200,677,980</u> | <u>223,476,252</u> |
| <b>Current</b>   |                    |                    |
| Bank and other borrowings                                    | 55,306,265         | 61,019,554         |
| Accrued interest   | 4,902,475          | 6,781,668          |
| Current principal from Bank and other borrowings             | <u>50,403,790</u>  | <u>54,237,886</u>  |
|  | 55,306,265         | 61,019,554         |
| <b>Non-current</b>   |                    |                    |
| Bank and other borrowings                                    | 145,371,715        | 163,314,968        |
| Restatement to correct prior period adjustments              | -                  | (858,270)          |
|  | <u>200,677,980</u> | <u>223,476,252</u> |
| Movement in Bank and other borrowings (principal only):      |                    |                    |
| At the beginning of the year                                 | 217,552,854        | 218,641,430        |
| Additional borrowings  | 56,712,993         | 31,679,255         |
| Repayments   | (78,490,342)       | (32,767,831)       |
| Loans transfer   | -                  | -                  |
| Unrealized foreign exchange losses                           | -                  | -                  |
| At the end of the year                                       | <u>195,775,505</u> | <u>217,552,854</u> |

NATIONAL HOUSING CORPORATION

**6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6.25 BORROWINGS (CONTINUED)**

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

| Lender's name                               | 30 June 2023<br>TZS '000 | 30 June 2022<br>TZS '000 | Effective<br>interest rate<br>% | Tenure<br>Years |
|---|--------------------------|--------------------------|---------------------------------|-----------------|
| NMB-samia Housing loan                      | 2,543,080                | -                        | 12%                             | 7               |
| CRDB Bank Plc (Loan II)                     | 14,605,739               | 17,956,189               | 15%                             | 10              |
| CRDB Bank Plc (Loan III)                    | 13,401,069               | 20,369,122               | 16.5%                           | 7               |
| CRDB Bank Plc (Loan IV)                     | 10,632,363               | 3,775,497                | 12%                             | 7               |
| Public Service Social Security Fund (PSSSF) | 3,933,689                | 5,796,721                | 15.3%                           | 11              |
| TIB Development Bank                        | 8,658,881                | 14,429,360               | 15.0%                           | 4               |
| Bank M (T) Limited / Azania Bank            | 2,565,583                | 3,837,425                | 15%                             | 6               |
| Azania Bank Limited                         | 29,188,883               | 20,179,933               | 16.0%                           | 7               |
| Azania Loan (Chamwino and Iyumbu Projects)  | 23,101,891               | 21,564,792               | 6.8%                            | 15              |
| East African Development Bank (EADB)        | 11,892,264               | 41,901,725               | LIBOR+5.5%                      | 7               |
| NCBA (T) Limited-TZS Loan                   | 6,050,943                | 9,013,927                | 15%                             | 5               |
| NMB Bank Plc                                | 6,324,317                | 9,942,964                | 15.36%                          | 7               |
| NMB Loan (EADB Loan Takeover)               | 12,022,197               | 13,856,192               | 18%                             | 7               |
| NMB Overdraft Loan                          | 163,356                  | 2,215,987                | 16%                             | 4               |
| NMB Bridge Finance                          | 1,169,921                | 7,565,600                | 12%                             | 0.25            |
| SEM (T) Limited                             | 31,982,867               | 31,929,218               | 13%                             | 10              |
| CRDB (EADB Takeover)                        | 22,440,937               | -                        | 14%                             | 10              |
|   | <u>200,677,980</u>       | <u>224,334,652</u>       |                                 |                 |

Bank and other borrowings are secured on investment property to the value of TZS 625,753 million (2022: TZS 573,593 million).

The details of accrued Interest included in the loan balance above are summarized in the below table.

| Lender's Name                           | 30 June 2023<br>TZS '000 |
|---|--------------------------|
| CBA                                     | (70,997,450)             |
| EADB                                    | (86,161,406)             |
| Bank M                                  | (30,080,413)             |
| Azania Bank Limited (Chamwino & Iyumbu) | (3,101,891,389)          |
| Azania Bank Limited (EADB Takeover)     | (683,574,143)            |
| NMB Loan (15 Bill)                      | (38,940,543)             |
| CRDB IV                                 | (702,182,206)            |
| TIB Development Bank                    | (55,712,500)             |
| CRDB Bank Plc (Loan III)                | (49,382,947)             |
| CRDB Bank Plc (Loan II)                 | (83,552,320)             |
|   | <u>(4,902,475,317)</u>   |

## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.25 BORROWINGS (CONTINUED)

##### Loan from CRDB Bank Plc (Loan II)

The facility agreement of TZS 35 billion was signed on 2 July 2012 for financing construction of 15,000 housing units in different parts of Tanzania for sale and for rental in accordance with the five-year strategic plan. Treasury bond rate plus margin of 2%, with minimum of 15% per annum, accrued daily on outstanding balance and paid monthly effective from July 2013 repayable in 10 years (including a grace period of twenty-four months). As at 30th June 2023, outstanding balance included principal of TZS 14.5 billion and interest to maturity of TZS 3.8 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 carries interest at 15% per annum (reduced from 16.5% per annum in March 2020) accrued daily on outstanding balance and paid monthly effective from March 2016. The loan is repayable in 7 years (including a grace period of twenty-four months). As at 30 June 2023, outstanding balance included principal of TZS 13.3 billion and interest to maturity of TZS 1.7 billion.

##### Loan from CRDB Bank Plc (Loan IV)

The first loan facility agreement of TZS 25.7 Billion was signed on 21st March 2022 for the purpose to finance the completion of Morocco Square project which is in the final stage of completion. The loan carries interest at 12% 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 months inclusive of grace period. As at 30th June 2023 the outstanding balance include principal of TZS 9.9 billion and interest to maturity of TZS 3 billion

All the CRDB loans are secured by a first charge legal mortgage on sixty landed properties in Dar es Salaam and Mwanza Regions.

##### Loan from PSSF (Formerly Local Authority Pensions Fund (LAPF))

The facility agreement of TZS 15 billion was signed on 26 June 2012 for financing the construction of 150 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 capitalized and the loan is repayable in semi-annual instalment over a period of 10 years after the grace period, commencing from October 2013.

## 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6.25 BORROWINGS (CONTINUED)

From October 2019 the loan was restructured and paid in monthly. As at 30 June 2023 outstanding principal balance amounted to TZS 3.9 billion and interest to maturity of TZS 1.1 billion.

#### **Loan from TIB Development Bank**

The facility agreement of TZS 30 billion was signed on 22<sup>nd</sup> September 2014 for the purpose of financing the Construction of the Golden Premier Residence project at Kawe beach Dar Es Salaam. The loan is secured by a first charge legal mortgage on twenty-eight landed properties in Dar es Salaam, Mwanza and Arusha.

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. On 4<sup>th</sup> March 2021 the loan was restructured. As at 30<sup>th</sup> June 2023, outstanding balance included principal of TZS 8.6 billion and interest of TZS 1.1 billion.

#### **Loan from Bank M (T) Limited / Azania Bank**

The loan facility agreement of TZS 15 billion was signed on 4 July 2015 for financing construction of Victoria Place Project. The loan is secured by a first charge legal mortgage on five landed properties in Dar es Salaam. The loan carries interest at 14% per annum (reduced from 16% per annum after Azania Bank take over) accrued daily on outstanding balance and paid in 54 monthly instalments effective from September 2015. The loan is repayable in 6 years (including a grace period of eighteen months). As at 30 June 2023, outstanding balance included principal of TZS 2.5 billion and interest to maturity of TZS 292 Million.

#### **Loan from Azania Bank Limited**

The facility agreement of TZS 23.2 billion was signed on 11<sup>th</sup> 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. As at 30 June 2023, the outstanding balance included principal (including capitalized interest) of TZS 28.5 billion and interest to maturity of TZS 16.2 billion.

#### **Loan from Azania Bank (Azania Loan (Chamwino and Iyumbu Projects))**

The loan facility of TZS 20 billion was signed on 10<sup>th</sup> November 2020 and was acquired for the purpose of financing the construction of residential housing units and associated facilities for sale and rent located in Dodoma (phase 1).

**6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6.25 BORROWINGS (CONTINUED)**

The loan carries interest at 6.75% per annum, the loan has a grace period of 36 months from the date of first disbursement. Interest accrued during the grace period is capitalised and the loan is repayable monthly over a period of 12 years after the grace period and repayable over a period of 180 months (inclusive of a grace period of 36 months) effective from November 2020. As at 30th June 2023 outstanding principal balance amounted to TZS 20 billion and interest to maturity of 12.7 Billion.

**Loan from East African Development Bank (EADB)**

The facility agreement of USD 30 million was signed on 2<sup>nd</sup> 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). The loan was partly purchased by NMB, AZANIA and CRDB. As at 30 June 2022, outstanding balance included principal of TZS 11.8 billion and interest to maturity of TZS 86 Million.

**Loan from NCBA Bank (T) Limited ("NCBA")**

The facility agreement of TZS 12.6 billion was signed on 17<sup>th</sup> 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 30<sup>th</sup> June 2023, outstanding balance included principal of TZS 5.9 billion and interest to maturity of TZS 744 Million

**Loan from National Microfinance Bank Plc**

The first loan agreement was signed on 20<sup>th</sup> November 2013 for the facility of TZS 30 billion for the purpose of construction 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. As of 30 June 2023 outstanding balance from 30 billion facilities included principal balance of TZS 6.2 billion and interest to maturity of TZS 780 Million.

**Loan from National Microfinance Bank Plc (Cont'd)**

The second loan agreement is 4.7 billion signed on 04<sup>th</sup> May 2020 as restructured overdraft. The loan carries interest at 16% per annum accrued daily on outstanding balance and paid in 48 monthly instalments effective from August 2020. The loan is repayable in 4 years. As at 30<sup>th</sup> June 2023, outstanding balance included principal of TZS 163 Million and interest to maturity of TZS 2.1 Million.

## NATIONAL HOUSING CORPORATION

### **6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **6.25 BORROWINGS (CONTINUED)**

The third loan agreement is 16.3 billion signed on 13th May 2020 as restructured overdraft. The loan carries interest at 18% per annum accrued daily on outstanding balance and paid in 48 monthly instalments effective from August 2020. The loan is repayable in 84 months. As at 30 June 2023, outstanding balance included principal of TZS 12 billion and interest to maturity of TZS 4.4 billion.

The fourth loan is TZS 15 billion which was taken as a bridge finance to facilitate payments of suppliers of Reinforcement Bars for Government City Projects. This amount was drawn from the already approved facility of TZS 19 billion earmarked for Plot 300 Regent estate to help avoid price escalation of the Reinforcement bars which was being experienced then due to war in Ukraine. The amounts were payable within a period of 120 days. As at 30 June 2023, outstanding balance included principal of TZS 1.1 billion and interest to maturity of TZS 47.7million.

All facilities from NMB are secured by legal mortgage of 37 landed properties.

The fifth loan is TZS 30 billion for which was signed on 18 January 2023 for financing construction of residential properties on plot no.697 and plot no 709 Kawe affordable housing project (**Samia Housing**) located at Kawe in Dar es Salaam. The loan is secured by 53 properties located in Dar es Salaam and Mwanza.

The loan carries interest at 12% per annum. The loan is repayable over a period of 7 years (inclusive of 1 year's grace period) effective from April 2023. As at 30th June 2023, outstanding balance included principal of TZS 4 billion and interest of TZS 2 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 2023 the outstanding balance included outstanding principal of TZS 31.9 billion.

#### **Loan from CRDB (EADB TAKEOVER)**

The facility agreement of USD 10 Million for this loan was signed on 03 September 2020 to take over from East Africa Development Bank (EADB). The loan shall be secured by the legal Mortgage over landed properties covering the facility at a minimum of 125% forced Sale Value (FSV).

The loan carries interest at 14% per annum on local currency. The loan is repayable over a period of 10 years. As at 30th June 2023, outstanding balance included principal of TZS 22.4 billion and interest of TZS 22.1 billion



## NATIONAL HOUSING CORPORATION

### 6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.25 BORROWINGS (CONTINUED)

##### Loan from CRDB (EADB TAKEOVER)

The facility agreement of USD 10 Million for this loan was signed on 03 September 2020 to take over from East Africa Development Bank (EADB). The loan shall be secured by the legal Mortgage over landed properties covering the facility at a minimum of 125% forced Sale Value (FSV).

The loan carries interest at 14% per annum on local currency. The loan is repayable over a period of 10 years. As at 30th June 2023, outstanding balance included principal of TZS 22.4 billion and interest of TZS 22.1 billion

#### 6.26 DEFINED BENEFIT OBLIGATION

The Corporation operates a defined benefit plan in accordance with requirement of collective bargaining agreement contract with the Tanzania mines, Energy, Construction and Allied Workers Union (TAMICO) of 22<sup>nd</sup> October 2013. Under the plan, qualifying employees are entitled to a retirement benefit 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 which is based on assessments made by qualified actuary. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

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

|                       | 30 June 2023 | 30 June 2022 |
|-----------------------|--------------|--------------|
| Discount rate         | 13.6%        | 12.5%        |
| Salary inflation rate | 5.0%         | 5.0%         |
| Salary growth rate    | 5.0%         | 5.0%         |

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

|   | 30 June 2023<br>TZS '000 | 30 June 2022<br>TZS '000 |
|---|--------------------------|--------------------------|
| Current service cost  | 569,661                  | 1,063,291                |
| Interest cost   | 1,672,872                | 2,028,116                |
| Net cost recognized in profit or loss statement                 | 2,242,533                | 3,091,407                |
| Actuarial loss /(gain) recognized in other comprehensive income | (1,539,619)              | (1,859,891)              |
| <b>Net cost for the year</b>                                    | <b>702,914</b>           | <b>1,231,516</b>         |

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

|  |                   |                   |
|--|-------------------|-------------------|
| Opening balance  | 12,300,528        | 12,223,802        |
| Current service cost   | 569,661           | 1,063,291         |
| Interest cost  | 1,672,872         | 2,028,116         |
| Benefit paid during the year                                   | (579,817)         | (1,154,790)       |
| Actuarial loss (gain) recognized in other comprehensive income | (1,539,619)       | (1,859,891)       |
|  | <b>12,423,625</b> | <b>12,300,528</b> |

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 6.26 DEFINED BENEFIT OBLIGATION (CONTINUED)

Actuarial gain recorded during the year was due to a change in actuarial financial assumptions from prior year. Financial assumptions embedded in the plan are salary inflation and discount rates. Salary inflation remained stable at 5.0% as prior year. Whereas discount rate has increased from 12.5% in the prior year to 13.6% in the current year.

#### 6.27 TRADE AND OTHER PAYABLES

|                               |                   |                   |
|-------------------------------|-------------------|-------------------|
| Trade payables                | 15,028,706        | 21,503,173        |
| Construction deposits         | 43,443,150        | 30,590,187        |
| Deferred income               | 4,619,577         | 2,054,363         |
| Rent advance                  | 2,775,632         | 1,316,308         |
| Value Added Tax (VAT) payable | 32,189            | 565,080           |
| Security and retention        | 7,112,741         | 7,480,661         |
| Other payables                | 377,182           | 6,067,353         |
| Employees related payables    | 447,355           | 533,449           |
|                               | <u>73,836,532</u> | <u>70,110,574</u> |

#### 6.28 ACCRUALS

|                                 |                  |                  |
|---------------------------------|------------------|------------------|
| Accrued administrative expenses | 4,090,025        | 2,681,216        |
| Audit fee                       | 400,000          | 350,000          |
| Salary related expenses         | 303,959          | 229,934          |
| Property tax                    | 67,200           | 285,640          |
| Land rent                       | 684,733          | 563,534          |
| Service fee                     | 105,214          | 441,254          |
|                                 | <u>5,651,131</u> | <u>4,551,578</u> |

#### 6.29 PROVISION

|             |                  |                  |
|-------------|------------------|------------------|
| Legal cases | <u>3,380,740</u> | <u>8,152,339</u> |
|-------------|------------------|------------------|

#### 6.30 CONTINGENT LIABILITIES

As at 30<sup>th</sup> June 2023, the Corporation was a defendant in several lawsuits. The total amount claimed in the various lawsuits approximates to TZS 3,381 million. (2022: TZS 8,152 million), in the opinion of the Directors, after taking appropriate legal advice, no material additional liabilities are expected to crystallize from these lawsuits.

#### 6.31 RENTAL DEPOSITS

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

NATIONAL HOUSING CORPORATION

6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6.31 RENTAL DEPOSITS (CONTINUED)

|                          | 30 <sup>th</sup> June 2023<br>TZS '000 | 30 <sup>th</sup> June 2022<br>TZS '000 |
|--------------------------|--|--|
| Opening balance          | 20,484,808                             | 18,770,387                             |
| Receipts during the year | 4,143,270                              | 2,489,767                              |
| Refund during the year   | (1,356,180)                            | (775,346)                              |
|                          | <u>23,271,898</u>                      | <u>20,484,808</u>                      |

6.32 CASH RECEIPTS FROM CUSTOMERS

|                             |                    |                    |
|-----------------------------|--------------------|--------------------|
| Deposits on Sale of Houses  | 26,606,809         | 7,044,872          |
| Deposits on Sale of Plots   | 12,827,904         | 2,029,842          |
| Contractee Deposits         | 48,778,800         | 56,914,724         |
| Receipts from Rental Income | 102,508,091        | 100,806,995        |
| Consultancy Deposits        | 946,017            | 322,958            |
| Miscellaneous Income        | 470,040            | -                  |
|                             | <u>192,137,661</u> | <u>167,119,391</u> |

6.33 CASH PAID TO SUPPLIERS

|  |                    |                    |
|--|--------------------|--------------------|
| Payments to Suppliers                            | 93,001,658         | 111,699,613        |
| Payments related to Accrued Expenses             | 360,243            | 361,125            |
| Payments related to Provisions                   | 1,183,906          | 1,022,461          |
| Payments related to Property management cost     | 6,219,544          | 1,641,733          |
| Payments related to administrative expenses      | 15,102,913         | 14,807,486         |
| Payments related to Sales and Marketing expenses | 1,574,402          | 1,626,908          |
|  | <u>117,442,666</u> | <u>131,159,326</u> |

6.34 CASH PAID IN RESPECT OF STAFF COST

|                                    |                   |                   |
|------------------------------------|-------------------|-------------------|
| Salaries and wages                 | 14,121,365        | 13,464,610        |
| Housing allowance                  | 485,598           | 455,356           |
| Electricity Allowance              | 109,745           | 119,721           |
| Furniture Allowance                | 120,000           | 384,000           |
| Sitting Allowance                  | 43,053            | 46,240            |
| Extra duty payments                | 596,029           | 75,025            |
| Subsistence Allowance              | 18,232            | -                 |
| Acting Allowance                   | 154,224           | -                 |
| Terminal benefits                  | 579,817           | 1,154,790         |
| Staff welfare                      | 80,266            | 189,626           |
| Staff canteen services             | 807,111           | 722,208           |
| Staff transport services           | 342,393           | 282,575           |
| Staff uniforms and clothing        | 89,599            | 110,341           |
| Pension contributions              | 2,029,873         | 1,713,890         |
| Medical costs                      | 1,477,426         | 1,017,097         |
| Master workers council             | 82,608            | 52,976            |
| Leave travel allowance             | 105,254           | 28,356            |
| Transfer and disturbance allowance | 451,454           | 556,113           |
| Skills and development levy        | 701,591           | 683,507           |
| Workmans compensation              | 82,637            | 69,324            |
| Annual incentive and service award | 104,300           | 148,572           |
|                                    | <u>22,582,575</u> | <u>21,274,327</u> |

NATIONAL HOUSING CORPORATION

6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

|  | 30th June<br>2023 | 30 <sup>th</sup> June<br>2022 |
|--|-------------------|-------------------------------|
|  | TZS '000          | TZS '000                      |
| <b>6.35 INTEREST PAID</b>  |                   |                               |
| Interest Related to Loan from Bank M                               | 452,168           | 557,724                       |
| Interest Related to Loan from Shelter Afrique                      | -                 | 120,081                       |
| Interest Related to Loan from CRDB Bank Plc (Loan II)              | 2,491,317         | 2,917,195                     |
| Interest Related to Loan from Local Authority Pension Funds (LAPF) | 924,832           | 797,927                       |
| Interest Related to Loan from TIB Development Bank                 | 1,944,768         | 2,873,615                     |
| Interest Related to Loan from NMB Bank Plc                         | 1,330,345         | 1,867,845                     |
| Interest Related to Loan from CRDB Bank Plc (Loan III)             | 2,581,096         | 3,541,740                     |
| Interest Related to Loan from East African Development Bank (EADB) | 2,829,591         | 1,375,859                     |
| Interest Related to NMB Overdraft Loan                             | 185,963           | 450,547                       |
| Interest Related to Loan from CBA Bank (Shelter Afrique)           | 1,123,743         | 1,064,771                     |
| Interest Related to CRDB Overdraft                                 | -                 | -                             |
| Interest Related to Loan from NMB Bank Plc (EADB Loan Takeover)    | 1,955,734         | 2,209,726                     |
| Interest Related to Loan from CRDB Bank Plc (Loan IV)              | 68,890            | -                             |
| Interest Related to Loan from NMB Bank (Samia Housing)             | 47,631            | -                             |
| Interest Related to Loan from CRDB (EADB Takeover)                 | 2,487,449         | -                             |
| Interest Related to Loan from NMB Bank (Bridge Finance)            | 685,110           | -                             |
|  | <u>19,108,637</u> | <u>17,777,030</u>             |

**6.36 (a) CORRECTION OF OPENING BALANCE**

Retained earnings amounts has been adjusted to reflect prior period errors as follows:

Adjustment account:

|                                 | 30 June,<br>2023 | 30 June,<br>2022 |
|---------------------------------|------------------|------------------|
|                                 | TZS '000         | TZS '000         |
| <i>Kibla project (b)</i>        | -                | 175,314          |
| <i>Buswelu Project (c)</i>      | -                | 58,475           |
| Net effect on retained earnings | -                | <u>233,789</u>   |

During the year under review, Corporation assessed useful life to PPE that have zero BV, as per Treasury Circular No.2 of 2021/2022 instructing the review of useful life of PPE. The effect on accumulated depreciation amounting to TZS 6,577 and Reversal of PSSSF loan TZS 858,270 had adjusted to SOCE as prior year as follows.

NATIONAL HOUSING CORPORATION

6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**36 (b) CORRECTION OF OPENING BALANCE**

|   | 30 June, 2023<br>TZS '000 | 30 June, 2022<br>TZS '000 |
|---|---------------------------|---------------------------|
| Accumulated Depreciation of PPE               | 6,374,572                 | -                         |
| Accumulated Amortization of Intangible Assets | 202,807                   | -                         |
| Reversal of PSSSF loan                        | 858,270                   | -                         |
| Net effect on retained earnings               | 7,435,653                 | -                         |

(c) Land amounting TZS 3.95 billion offered by Ministry of Land, Housing and Human Settlement Previously recognised as investment property, reversal of deferred tax and Land payment liability had adjusted in SOCE, had adjusted to SOCE as prior year as follows as follows.

|                                    | 30 June, 2023<br>TZS '000 | 30 June, 2022<br>TZS '000 |
|------------------------------------|---------------------------|---------------------------|
| Pending Payments for Land Purchase | 2,321,488                 | -                         |
| Investment property (Land)         | (3,950,000)               | -                         |
| Deferred Tax Liability             | (1,019,852)               | -                         |
| Accumulated Depreciation of PPE    | (22,280)                  | -                         |
| Net effect on retained earnings    | (2,670,644)               | -                         |

**(d) Share of profit from joint venture (Note 17)**

|   | 30 June, 2023<br>TZS '000 | 30 June, 2022<br>TZS '000 |
|---|---------------------------|---------------------------|
| prior adjustment on share of profit for IPS for the year ended June,2022                                    | 313,843                   | -                         |
| Prior adjustment on an increase of profit   | 113,954                   | -                         |
| Recognition of share of profit for NHC HOUSE for the year ended June, 2023.                                 | 648,574                   | -                         |
| Recognition of share of loss from NHC/PPF investment for the year ended 2023 after receive draft financials | (808,365)                 | -                         |
| Recognition of share of loss from NHC/PPF investment for the year ended 2023 after receive draft financials | (130,948)                 | -                         |
| Share of profit from joint venture  | 137,058                   | -                         |

**6.37 COMMITMENTS**

Capital expenditure contracted for as at 30 June 2023 but not recognised in the financial statements is as follows:

|  | 30 June 2023<br>TZS'000 | 30 June 2022<br>TZS'000 |
|--|-------------------------|-------------------------|
| Construction of property for sale (ongoing projects) | 156,535,736             | 166,864,226             |
|  | <u>156,535,736</u>      | <u>166,864,226</u>      |

6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NATIONAL HOUSING CORPORATION

**6.38 RELATED PARTY TRANSACTIONS AND BALANCES**

The Corporation is owned and controlled by the Government of the United Republic of Tanzania. The following transactions were carried out with related parties:

**(i) Key management compensation**

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the Corporation, comprising senior management at the level of director. Compensation to key management personnel that were recognised during the year under review-included salaries, annual leave pay, loans, house allowances and post-employment benefits as outlined below:

|   | 30 June 2023<br>TZS '000 | 30 June 2022<br>TZS '000 |
|---|--------------------------|--------------------------|
| Salaries and other short-term employment benefits | 1,545,554                | 1,283,371                |
| Annual leave pay                                  | -                        | -                        |
| House allowance                                   | 68,400                   | 71,561                   |
| Loans to key management                           | 950,989                  | 630,698                  |
|   | 2,564,943                | 1,985,630                |

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

**30 June 2023**

|              | Amount<br>TZS '000 | Terms of payments               | Interest<br>Rate |
|--------------|--------------------|---------------------------------|------------------|
| House loan   | 677,727            | Repayable monthly for 15 years  | Nil              |
| Car loan     | 229,622            | Repayable monthly for 6 years   | Nil              |
| Cash advance | 43,640             | Repayable monthly for 12 months | Nil              |
|              | 950,989            |                                 |                  |

**30 June 2022**

|              | Amount<br>TZS '000 | Terms of payments               | Interest<br>Rate |
|--------------|--------------------|---------------------------------|------------------|
| House loan   | 292,375            | Repayable monthly for 15 years  | Nil              |
| Car loan     | 303,282            | Repayable monthly for 6 years   | Nil              |
| Cash advance | 35,041             | Repayable monthly for 12 months | Nil              |
|              | 630,698            |                                 |                  |

|                                    | 30 <sup>t</sup> June 2023<br>TZS '000 | 30 June 2022<br>TZS '000 |
|------------------------------------|---------------------------------------|--------------------------|
| <b>ii) Directors' remuneration</b> |                                       |                          |
| Fees for services as director      | 72,000                                | 59,833                   |
|                                    | 72,000                                | 59,833                   |

NATIONAL HOUSING CORPORATION

6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6.39 FINANCIAL INSTRUMENTS BY CATEGORY

Categories of financial instruments and reconciliation of financial instruments to the statement of financial position at 30<sup>th</sup> June 2023

| 30 June 2023                             | Total                | Financial assets<br>amortised at<br>cost/fair value | Financial liabilities at<br>amortized<br>costs | Non-Financial<br>assets or<br>liabilities and<br>equity |
|--|----------------------|---|--|---|
|  | TZS'000              | TZS'000   | TZS'000  | TZS'000   |
| <b>Assets</b>                            |                      |   |  |   |
| <b>Non-current assets</b>                |                      |   |  |   |
| Investment property                      | 4,622,906,565        | -   | -  | - 4,624,177,164   |
| Intangible assets                        | 1,100,231            | -   | -  | - 1,100,231   |
| Investment in Joint Venture              | 18,762,458           | -   | -  | - 19,570,823  |
| Advance towards shares in other entities | 29,757,252           | -   | -  | - 29,757,252  |
| Equity Investments                       | 3,133,764            | 3,133,764   | -  | -   |
| Property, plant and equipment            | 52,098,051           | -   | -  | - 52,098,051  |
| <b>Total non-current assets</b>          | <b>4,727,758,321</b> | <b>3,133,764</b>                                    | <b>-</b>                                       | <b>- 4,724,624,557</b>                                  |
| <b>Current assets</b>                    |                      |   |  |   |
| Inventories                              | 296,189,966          | -   | -  | - 296,189,966   |
| Trade and other receivables              | 54,593,805           | 38,049,304  | -  | - 13,556,361  |
| Trade receivables                        | 4,919,056            | 4,919,056   | -  | -   |
| Contract Assets                          | 30,320,821           | 30,320,821  | -  | -   |
| Other receivables                        | 4,646,656            | -   | -  | - 4,729,060   |
| Advance to contractors                   | 8,253,003            | -   | -  | - 8,253,003   |
| Staff receivable - Staff imprest         | 574,298              | -   | -  | - 574,298   |
| Staff receivable - Other receivables     | 6,454,269            | 6,454,269   | -  | -   |
| Cash on hand                             | 16,705               | 16,705  | -  | -   |
| Bank balances                            | 6,198,280            | 6,198,280   | -  | -   |
| <b>Total current assets</b>              | <b>357,015,461</b>   | <b>46,104,249</b>                                   | <b>-</b>                                       | <b>- 310,911,212</b>                                    |
| <b>Total assets</b>                      | <b>5,084,773,782</b> | <b>49,238,013</b>                                   | <b>-</b>                                       | <b>- 5,035,535,769</b>                                  |
| <b>Equity and liabilities</b>            |                      |   |  |   |
| <b>Capital and reserves</b>              |                      |   |  |   |
| Capital fund                             | 15,485,554           | -   | -  | - 15,485,554  |
| Capital reserve                          | 2,395,444            | -   | -  | - 2,395,444   |
| Revaluation reserve                      | 2,957,490            | -   | -  | - 2,826,542   |
| Retained earnings                        | 3,433,338,214        | -   | -  | - 3,434,400,604   |
| <b>Total equity</b>                      | <b>3,454,176,702</b> | <b>-</b>  | <b>-</b>                                       | <b>- 3,455,108,144</b>                                  |



NATIONAL HOUSING CORPORATION

6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6.39 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Categories of financial instruments and reconciliation of financial instruments to the statement of financial position at 30<sup>th</sup> June 2023 (Continued)

| 30 June 2023                         | Financial<br>assets<br>amortised at<br>cost/fair<br>value<br>TZS'000 | Financial<br>liabilities at<br>amortized<br>costs<br>TZS'000 | Non-Financial<br>assets or<br>liabilities and<br>equity<br>TZS'000 |
|--------------------------------------|--|--|--|
| <b>Non-current liabilities</b>       |  |  |  |
| Deferred income tax liability        | 1,306,643,154  | -  | 1,306,643,154  |
| Borrowings                           | 145,371,715  | 145,371,715  | -  |
| Rental deposits                      | 23,271,898   | 23,271,898   | -  |
| Defined benefit obligation           | 12,423,625   | -  | 12,423,625   |
| <b>Total non-current liabilities</b> | <b>1,487,710,392</b>   | <b>168,643,613</b>   | <b>1,319,066,779</b>   |
| <b>Current liabilities</b>           |  |  |  |
| Trade and other payables             | 73,836,532   | -  | 53,158,019   |
| Deferred income                      | 4,619,577  | 4,619,577  | -  |
| Trade payables                       | 15,028,706   | 17,321,152   | -  |
| Other payables                       | 377,182  | -  | 333,765  |
| Employees related payables           | 447,355  | 447,355  | -  |
| Security and retention               | 7,112,741  | 7,112,741  | -  |
| Rent advance                         | 2,775,632  | -  | 2,775,632  |
| Construction deposits                | 43,443,150   | -  | 43,443,150   |
| Consultancy Deposits                 | 1,291,830  | -  | 1,291,830  |
| Value Added Tax (VAT) payable        | 32,189   | 32,189   | -  |
| Accrued expenses                     | 5,651,131  | 5,651,131  | -  |
| Provisions                           | 3,380,740  | -  | 3,380,740  |
| Borrowings                           | 55,306,265   | 55,306,265   | -  |
| Gratuity payable                     | -  | -  | -  |
| Current tax liability                | 4,712,023  | 4,712,023  | -  |
| <b>Total current liabilities</b>     | <b>142,886,691</b>   | <b>88,290,410</b>  | <b>54,596,281</b>  |
| <b>Total equity and liabilities</b>  | <b>5,084,773,785</b>   | <b>256,934,023</b>   | <b>4,827,839,762</b>   |

NATIONAL HOUSING CORPORATION

6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
6.39 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Categories of financial instruments and reconciliation of financial instruments to the statement of financial position at 30<sup>th</sup> June 2022

| 30 June 2022                             | Total                | Financial assets<br>amortised at<br>cost/fair value | Financial<br>liabilities<br>at<br>amortized<br>costs | Non-Financial<br>assets or<br>liabilities and<br>equity |
|--|----------------------|---|--|---|
|  | TZS'000              | TZS'000   | TZS'000  | TZS'000   |
| <b>Assets</b>                            |                      |   |  |   |
| <b>Non-current assets</b>                |                      |   |  |   |
| Investment property                      | 4,600,673,160        | -   | -  | 4,600,673,160   |
| Intangible assets                        | 513,751              | -   | -  | 513,751   |
| Investment in Joint Venture              | 18,914,452           | -   | -  | 18,914,452  |
| Advance towards shares in other entities | 29,757,252           | -   | -  | 29,757,252  |
| Equity Investments                       | 3,133,764            | 3,133,764   | -  | -   |
| Property, plant and equipment            | 50,739,396           | -   | -  | 50,739,396  |
| <b>Total non-current assets</b>          | <b>4,703,731,775</b> | <b>3,133,764</b>                                    | <b>-</b>   | <b>4,700,598,011</b>                                    |
| <b>Current assets</b>                    |                      |   |  |   |
| Inventories                              | 274,821,622          | -   | -  | 274,821,622   |
| Trade and other receivables              | 42,108,419           | 20,798,869  | -  | 21,309,550  |
| Trade receivables                        | 5,188,988            | 5,188,988   | -  | -   |
| Contract Assets                          | 11,634,490           | 11,634,490  | -  | -   |
| Other receivables                        | 10,516,854           | -   | -  | 10,516,854  |
| Advance to contractors                   | 8,253,003            | -   | -  | 8,253,003   |
| Staff receivable - Staff imprest         | 303,833              | -   | -  | 303,833   |
| Staff receivable - Other receivables     | 3,975,391            | 3,975,391   | -  | -   |
| Cash and bank balances                   | 10,064,430           | 14,751,342  | -  | -   |
| Cash on hand                             | 17,205               | 17,205  | -  | -   |
| Bank balances                            | 10,064,430           | 10,064,430  | -  | -   |
| <b>Total current assets</b>              | <b>326,994,471</b>   | <b>31,167,132</b>                                   | <b>-</b>   | <b>296,131,172</b>                                      |
| <b>Total assets</b>                      | <b>5,030,726,246</b> | <b>34,300,896</b>                                   | <b>-</b>   | <b>4,996,729,183</b>                                    |
| <b>Equity and liabilities</b>            |                      |   |  |   |
| <b>Capital and reserves</b>              |                      |   |  |   |
| Capital fund                             | 15,485,554           | -   | -  | 15,485,554  |
| Capital reserve                          | 2,395,444            | -   | -  | 2,395,444   |
| Revaluation reserve                      | 2,295,490            | -   | -  | 2,295,490   |
| Retained earnings                        | 3,433,388,212        | -   | -  | 3,433,388,212   |
| <b>Total equity</b>                      | <b>3,454,176,702</b> | <b>-</b>  | <b>-</b>   | <b>3,454,176,702</b>                                    |

NATIONAL HOUSING CORPORATION

6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
6.39 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Categories of financial instruments and reconciliation of financial instruments to the statement of financial position at 30<sup>th</sup> June 2022 (Continued)

| 30 June 2022                         | Total<br>TZS'000     | Financial<br>assets<br>amortised at<br>cost/fair<br>value<br>TZS'000 | Financial<br>liabilities<br>at<br>amortized<br>costs<br>TZS'000 | Non-Financial<br>assets or<br>liabilities and<br>equity<br>TZS'000 |
|--------------------------------------|----------------------|--|---|--|
| <b>Non-current liabilities</b>       |                      |  |   |  |
| Deferred income tax liability        | 1,286,481,267        | -  | -   | 1,286,481,267  |
| Borrowings                           | 162,456,698          | -  | 162,456,698   | -  |
| Rental deposits                      | 20,484,808           | -  | 20,484,808  | -  |
| Defined benefit obligation           | 12,300,528           | -  | -   | 12,300,528   |
| <b>Total non-current liabilities</b> | <b>1,481,723,301</b> | <b>-</b>   | <b>182,941,506</b>  | <b>1,298,781,795</b>   |
| <b>Current liabilities</b>           |                      |  |   |  |
| Trade and other payables             | 70,110,574           | -  | 30,082,363  | 40,028,211   |
| Deferred income                      | 2,054,363            | -  | -   | 2,054,363  |
| Other payables                       | 6,067,353            | -  | -   | 6,067,353  |
| Employees related payables           | 533,449              | -  | 533,449   | -  |
| Security and retention               | 7,480,661            | -  | 7,480,661   | -  |
| Rent advance                         | 1,316,308            | -  | -   | 1,316,308  |
| Construction deposits                | 30,590,187           | -  | -   | 30,590,187   |
| Consultancy Deposits                 | 345,813              | -  | -   | 345,813  |
| Value Added Tax (VAT) payable        | 565,080              | -  | 565,080   | -  |
| Accrued expenses                     | 4,551,578            | -  | 4,551,578   | -  |
| Provisions                           | 8,152,339            | -  | -   | 8,152,339  |
| Borrowings                           | 61,019,554           | -  | 61,019,554  | -  |
| Current tax liability                | 8,666,033            | -  | 8,666,033   | -  |
| <b>Total current liabilities</b>     | <b>152,500,078</b>   | <b>-</b>   | <b>104,319,528</b>  | <b>48,180,550</b>  |
| <b>Total equity and liabilities</b>  | <b>5,030,726,246</b> | <b>-</b>   | <b>287,261,034</b>  | <b>4,743,465,212</b>   |

NATIONAL HOUSING CORPORATION

**6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6.42 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).

| <b>30 June 2023</b>                         | <b>Level 1</b>    | <b>Level 2</b>     | <b>Level 3</b>  | <b>Total</b>       |
|---|-------------------|--------------------|-----------------|--------------------|
| <b><u>Financial assets</u></b>              | <b>TZS '000</b>   | <b>TZS '000</b>    | <b>TZS '000</b> | <b>TZS '000</b>    |
| Trade and other receivables                 | -                 | 68,165,546         | -               | 68,165,546         |
| Cash and bank balances                      | 6,231,690         | -                  | -               | 6,231,690          |
| <b>Total</b>                                | <b>6,231,690</b>  | <b>68,165,546</b>  | <b>-</b>        | <b>74,397,236</b>  |
| <b><u>Financial liabilities</u></b>         |                   |                    |                 |                    |
| Bank and other borrowings                   | -                 | 145,371,715        | -               | 145,371,715        |
| Rental deposits                             | -                 | 23,271,898         | -               | 23,271,898         |
| <b><u>Current financial liabilities</u></b> |                   |                    |                 |                    |
| Bank and other borrowings                   | -                 | 55,306,265         | -               | 55,306,265         |
| Trade and other payables                    | -                 | 25,396,623         | -               | 25,396,623         |
| <b>Total</b>                                | <b>-</b>          | <b>249,346,501</b> | <b>-</b>        | <b>249,346,501</b> |
| <br>  |                   |                    |                 |                    |
| <b>30 June 2022</b>                         | <b>Level 1</b>    | <b>Level 2</b>     | <b>Level 3</b>  | <b>Total</b>       |
| <b><u>Financial assets</u></b>              | <b>TZS '000</b>   | <b>TZS '000</b>    | <b>TZS '000</b> | <b>TZS '000</b>    |
| Trade and other receivables                 | -                 | 57,218,152         | -               | 57,218,152         |
| Cash and bank balances                      | 10,064,430        | -                  | -               | 10,064,430         |
| <b>Total</b>                                | <b>10,064,430</b> | <b>57,218,152</b>  | <b>-</b>        | <b>67,282,582</b>  |
| <b><u>Financial liabilities</u></b>         |                   |                    |                 |                    |
| Bank and other borrowings                   | -                 | 162,456,698        | -               | 162,456,698        |
| Rental deposits                             | -                 | 20,484,808         | -               | 20,484,808         |
| <b><u>Current financial liabilities</u></b> |                   |                    |                 |                    |
| Bank and other borrowings                   | -                 | 61,019,554         | -               | 61,019,554         |
| Trade and other payables                    | -                 | 31,398,671         | -               | 31,398,671         |
| <b>Total</b>                                | <b>-</b>          | <b>275,359,731</b> | <b>-</b>        | <b>275,359,731</b> |

NATIONAL HOUSING CORPORATION

**6.0 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6.41 EVENTS AFTER REPORTING PERIOD**

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

**6.42 COMPARATIVES**

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