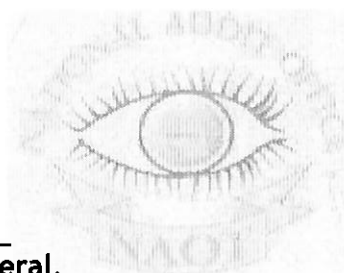




**THE UNITED REPUBLIC OF TANZANIA  
NATIONAL AUDIT OFFICE**



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL  
STATEMENTS AND COMPLIANCE AUDIT OF NATIONAL HOUSING  
CORPORATION (NHC) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**



Controller and Auditor General,  
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February 2022

AR/PA/NHC/2020/21

## **Mandate**

The statutory mandate and responsibilities of the Controller and Auditor General are provided for under Article 143 of the Constitution of the URT of 1977 (as amended from time to time) and in Section 10 (1) of the Public Audit Act, Cap 418 (R.E 2021).

## **Vision**

A credible and modern Supreme Audit Institution with high-quality audit services for enhancing public confidence.

## **Mission**

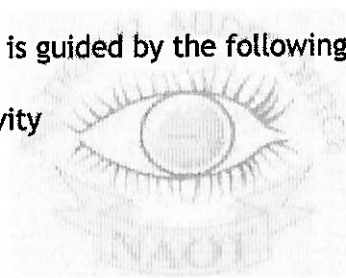
To provide high-quality audit services through modernization of functions that enhances accountability and transparency in the management of public resources.

**Motto: "Modernizing External Audit for Stronger Public Confidence"**

## **Core values**

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

- i. Independence and objectivity
- ii. Professional competence
- iii. Integrity
- iv. Creativity and Innovation
- v. Results-Oriented
- vi. Teamwork Spirit



## **We do this by:**

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

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

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**ABBREVIATIONS**

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
UDOM	University of Dodoma
URT	United Republic of Tanzania
UDSM	University of Dar es Salaam



**REGISTERED OFFICE**

Medeli Magharibi  
P.O. Box 2422  
Dodoma

**BANKERS**

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

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

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

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

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

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

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

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

**COMPANY SECRETARY**

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

**PRINCIPAL AUDITORS**

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

## **1.0 DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2021**

The Directors submit their report together with the audited financial statements for the year ended 30 June 2021, which disclose the state of affairs of National Housing Corporation (the Corporation or NHC) in accordance with Section 29 of the National Housing Corporation Act, 1990.

### **1.1 ESTABLISHMENT**

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

### **1.2 CORPORATION'S VISION**

To be a leading real estate development and management firm.

### **1.3 CORPORATION'S MISSION**

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

### **1.4 PRINCIPAL ACTIVITIES**

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

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

### **1.5 RESULTS**

The net profit for the period of TZS 65,943 million (2020: Net profit of TZS 313,537 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 1,205 million (2020: TZS 1,000 million) for the year ended 30 June 2021 as per the Treasury Registrar directives.

1.0 DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

1.6. DIRECTORS

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

Name	Position	Nationality	Age (Years)	Qualification	Remarks
Dr. Sophia Kongela	Chairperson	Tanzanian	46	<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
Mr. Abdallah Mwingimvua Shamte	Board Member	Tanzanian	65	<ul style="list-style-type: none"> <li>- Post Graduate Diploma In Management from Research Institute for Management Science-RVB Delft-The Netherlands, (1987);</li> <li>- Association of Chartered Certified Accountants (ACCA) from Kilburn Polytechnic-priory Park Road, N.W. London UK, (1978); and</li> <li>- Government Accounting Certificate from Civil Service Training Centre, (1970).</li> </ul>	Appointed on 20 May 2019
Mr. Charles Gambageu Singili	Board Member	Tanzanian	64	<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

**NATIONAL HOUSING CORPORATION**

**1.0 DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

**1.6 DIRECTORS (CONTINUED)**

<b>Name</b>	<b>Position</b>	<b>Nationality</b>	<b>Age (Years)</b>	<b>Qualification</b>	<b>Remarks</b>
Mrs. Immaculata Mwanja Senje	Board Member	Tanzanian	56	<ul style="list-style-type: none"> <li>- Master of Science in Urban Planning and Management from University of Dar es Salaam, Tanzania, (2006-2008); and</li> <li>- Advanced Diploma in Urban and Rural Planning from Ardhi Institute, Dar es Salaam, Tanzania (1987-1990).</li> </ul>	Appointed on 20 May 2019
Eng. Marwa Mwita Rubiya	Board Member	Tanzanian	63	<ul style="list-style-type: none"> <li>- Masters of Science in International Highway; Engineering from University of Birmingham, United Kingdom, (1993); and</li> <li>- Bachelor of Science in Engineering from University of Dar es salaam, Tanzania, (1986).</li> </ul>	Appointed on 20 May 2019
Ms. Sauda K. Msemu	Board Member	Tanzanian	49	<ul style="list-style-type: none"> <li>- Master of Science in Finance with Distinction from University of Strathclyde, Glasgow, United Kingdom (2002); and</li> <li>- Bachelor of Account from International Islamic University Malaysia (1999).</li> </ul>	Appointed on 20 May 2019
Mr. Martin Ginedi Madekwe	Board Member	Tanzanian	73	<ul style="list-style-type: none"> <li>- Postgraduate Diploma in Housing, Building and Planning from Bowcentrum Centre of Housing, Rotterdam, Holland (1981);</li> <li>- Diploma in Estate Management, RICS Part II Witlesden College of Technology, N. W. London, England (1973-1976); and</li> <li>- Royal Institution of Chartered Surveyors (RICS) Part 1. N. E. London Polytechnic, Walthamstow, London.</li> </ul>	Appointed on 20 May 2019



**NATIONAL HOUSING CORPORATION**

**1.0 DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

**1.6 DIRECTORS (CONTINUED)**

<b>Name</b>	<b>Position</b>	<b>Nationality</b>	<b>Age (Years)</b>	<b>Qualification</b>	<b>Remarks</b>
Mr. Humphrey Hesron Polepole	Board Member	Tanzanian	39	<ul style="list-style-type: none"> <li>- Masters of Arts in Development Studies, University of Dar es Salaam (2019);</li> <li>- Bachelor of Arts in Development Studies Kimmage Development Studies Centre, Ireland (2010).</li> </ul>	Resigned
Dr. Maulidi Abdallah Banyani	Director General	Tanzanian	49	<ul style="list-style-type: none"> <li>- PhD, (Facilities Planning and Management) from the HK Polytechnic University, Hong Kong.(2013);</li> <li>- Masters of Land Management from University of Dar es Salaam, Tanzania, (2008); and</li> <li>- Bachelor of Science in Land Management and Valuation from UCLAS (UDSM), Tanzania (2001).</li> </ul>	Appointed on 30 October 2018

## **1.0 DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

### **1.7. ADMINISTRATIVE MATTERS**

During the year the Corporation made structural changes where by up to 30 April 2021, the day-to-day activities of the Corporation were overseen by the Director General who was assisted by eight Directors and four Heads of Units.

The Corporation Directorates comprised the following:

- Finance;
- Property Management and Maintenance;
- Property Development;
- Regional Operations and Administration;
- Human Resources;
- Treasury and Business Development;
- Innovation and
- Sales and Marketing.

The 4 units were:

- Corporate Secretary and Legal;
- Procurement;
- Internal Audit; and
- Public Relations and Corporate Social Responsibilities.

On 1 May 2021 the Corporation started to implement a new structure whereby under the Director General, there are four Directorates and seven Units.

The Corporation Directorates comprises the following:

- Property Management and Marketing
- Construction and Engineering
- Business Support Services
- Business Development

The 7 Units are:

- Internal Audit;
- Procurement Management;
- ICT & Statistics;
- Finance and Accounting Management;
- Legal Services;
- Public Affairs and Information and
- Risk Management.

## 1.0 DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

### 1.8. SOLVENCY

The Board of Directors confirms that International Financial Reporting Standards have been followed in the preparation of financial statements and that the financial statements have been prepared on a going concern basis. The Board of Directors has reasonable expectation that the Corporation has adequate resources to continue operation for the foreseeable future.

### 1.9. OPERATING AND FINANCIAL REVIEW

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

During the year, the total value of the Corporation's net assets increased to TZS 3,321 billion from TZS 3,245 billion recorded in the prior year. This increase is attributable to net profit generated during the year which is mainly due to increase in fair value of investment properties by TZS 62,290 million.

#### b) Profitability

During the year ended 30 June 2021, the Corporation made a profit before tax of TZS 93,966 million (2020: profit of TZS 449,951 million). The profit generated is mainly due to the increase in fair value of investment properties by TZS 62,290 million (2020: increase by TZS 413,841 million). The actual profit before tax excluding investment property fair value is TZS 31,676 million (2020: TZS 36,111 million).

#### c) Cash flows

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

### 1.10. PERFORMANCE INDICATORS

Key Performance Indicator	Formula	Ratios	
		2020/21	2019/20
Current Ratio	Current assets	1.58	1.49
	Current liabilities		
Quick Ratio	Current assets-inventories	0.25	0.22
	Current liabilities		
Return on Assets	Profit before tax**	0.63%	0.73%
	Total assets		
Debt to Equity Ratio	Total debt*	7.52%	6.93%
	Equity		
Profit before tax margin	Profit before tax**	21.93%	25.82%
	Revenue		

## **1.0 DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

### **1.10 PERFORMANCE INDICATORS (CONTINUED)**

\*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.

### **1.11 BUSINESS PROFILE**

#### **(a) Investment Policy**

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

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

- Internal generated funds from day to day activities e.g. rental collections from existing properties and interest earned from NHC deposits;
- Money earned by selling new housing units and or existing units;
- Money earned from construction and consultancy services and
- Funds sourced from external sources either onshore or offshore from the financial markets, DFIs, Government or any other source as approved by the NHC Act. NHC Investment policy directs the Corporation to work with strategic Partners in any of the following models;
- Land as Equity Contribution (LEC); and
- Land and Finance as Equity Contribution (LFEC).

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

## 1.0 DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

### 1.11 BUSINESS PROFILE (CONTINUED)

#### (b) Construction Activities

##### (i) Houses for Sale

During the year ended 30 June 2021, the following projects were in progress:

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

This project comprises construction of CRDB Headquarters building. The building will be having a gross floor area of approximately twenty thousand (20,000) square meters and approximately ten thousand eight hundred (10,800) square meters of parking area. The project was in progress as at 30 June 2021.

- **Victoria mixed use - Dar es Salaam**

This project comprises of construction of 1 Block of flat - G + 19 Floors. The block comprises 44 residential units, shops, offices, parking, restaurant, gym, swimming pool, kids playing ground and other facilities to support the residence. The project was in suspension as at 30 June 2021.

- **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) - eight 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 2021.

- **EWURA Head office-Dodoma**

This project comprises of construction of 1 block flat with 5 floors (G+4 floors). This project was at completion stage as at 30 June 2021.

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

This project comprises of four 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 at completion stage as at 30 June 2021.

## 1.0 DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

### 1.11 BUSINESS PROFILE (CONTINUED)

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

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

- **Igunga Affordable Housing scheme - Tabora**

This project comprises construction of 15 semidetached buildings equivalent to 30 residential units with 85 square meter three bedroom each. The project was in progress as at 30 June 2021.

- **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 2021. The corporation is in the process of borrowing fund to complete the project.

- **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 two 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 2021.

- **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 suspension as of 30 June 2021.

- **Makete Affordable Housing Project-Njombe**

The project comprises of 24 units of three bedrooms semidetached. The project was in progress as at 30 June 2021.

- **Inyonga Affordable Housing Project - Katavi**

The project comprises of 24 units of three bedrooms semidetached. The project was in completion stage as at 30 June 2021.

## **1.0 DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

### **1.11 BUSINESS PROFILE (CONTINUED)**

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

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

- **Jangwani Affordable Housing Project - Mpanda**

The project comprises of 10 blocks of flats G+1 floor (20 units). The project was completed during the year.

- **Masasi Affordable Housing Project - Mtwara**

The project comprises of 54 units of three bedrooms semidetached, 1 shops block. The project was completed during the year.

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

The project comprises 300 units of three bedrooms and two bedrooms and two shops. The project was in progress as at 30 June 2021.

##### **(ii) Investment projects**

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

- **Mkendo phase II - Musoma**

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

- **Mutukula - Bukoba**

The project comprises of construction of 1 block of flat - G + 4 floor commercial building for renting. The project was in completion stage as at 30 June 2021.

- **Singida Shops**

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

## 1.0 DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

### 1.11 BUSINESS PROFILE (CONTINUED)

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

##### (ii) Investment Projects (Continued)

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

The project comprises construction of shops on Plot No.129/13t, Rwegasore and Plot No. 83, Block U, Market Street - Mwanza. The project was in progress as at 30 June 2021.

- Chamwino (1000 Houses) - Dodoma

The project comprises 101 units of three bedrooms, two bedrooms and one shops. The project was in progress as at 30 June 2021

##### (iii) Construction contracts projects

- Malinyi District Council

This project involves construction of office building for Malinyi District Council at Misegese area phase one in Malinyi District-Morogoro. The project was completed during the year.

- Wanging'ombe District Council

This project involves construction of office building for Wangingómbe district council (Phase II) at Igwachanya in Wangingómbe district council. The project was completed during the year.

- Ardhi University

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

- Vingunguti Abattoir

This project involve construction of Vingunguti Abattoir (Phase I) which include basement and ground floor with approximately total area of 4,575 m<sup>2</sup> to be built Plot No.3003 & 3004 block B at Vingunguti Industrial area, Ilala Municipal council. The project was in progress as at 30 June 2021.

- Musoma Referral Hospital

This project involves construction of Health facilities of Mara Referral Hospital at Kwangwa Area in Mara Region. The project was in progress as at 30 June 2021.



## **1.0 DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

### **1.11 BUSINESS PROFILE (CONTINUED)**

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

##### **(iii) Construction Contracts Projects (Continued)**

- **Mtwara Referral Hospital**

This project involves construction of Health facilities of Mtwara Zonal Referral Hospital at Mikindani Area. The project was in progress as at 30 June 2021.

- **Tanzania Forest Services Agency**

This project involves construction of offices and residential houses in different locations in Tanzania. The project was in completion stage as at 30 June 2021.

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

This project involves construction of office building at plot No. 56/1, Block E, Kisasa B Dodoma in Tanzania. The project was completed during the year.

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

This project involves rehabilitation of Mhasibu House at Dar es Salaam. The project was 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 progress as at 30 June 2021.

- **Public Procurement Regulatory Authority**

The project involves the partitioning of PPRA offices in Dodoma. The project was completed during the year.

- **Burigi Watumishi Houses - Geita**

The project involve the construction of 20 houses for the staff of Burigi Chato Zonal Referral Hospital at Geita Region. The project was in progress as at 30 June 2021.

**1.0 DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

**1.11 BUSINESS PROFILE (CONTINUED)**

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

**(iii) Construction Contracts Projects (Continued)**

- **Buzirayombo Livestock Secondary Market -Geita**

The project involve the construction of Buzirayombo Livestock Secondary Market and its associated works at Chato District in Geita Region. The project was in progress as at 30 June 2021.

- **Commissioner conference Facility - Iringa**

The project involve the construction of regional administrative secretary Phase four. The project was in progress as at 30 June 2021.

- **NIMR Primary Production - Mabibo, Dar es salaam**

The project involve the construction of new building to accommodate primary Production Area. The project was completed during the year.

- **Renovation of Nane Nane Pavilion**

The project involve renovation of nane nane pavilion for Ministry of Land, Housing and Human settlements Development. The project was completed during the year.

- **School of Economics - UDSM**

The project involve proposed design and construction of University of Dar es salaam School of economics (UDSoE) Building. The project was in progress as at 30 June 2021.

- **Teaching Laboratory - UDOM**

The project involve construction of Laboratory building at University of Dodoma. The project was in progress as at 30 June 2021.

- **NHIF partition - Rukwa**

The project involve the procurement of works for design and build of NHIF building in Rukwa. The project was in progress as at 30 June 2021.

## **1.0 DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

### **1.11 BUSINESS PROFILE (CONTINUED)**

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

##### **(iv) Joint Venture Projects**

During the year ended 30 June 2021, the Corporation had 149 (2020:149) projects under joint arrangements. Out of these, 79 (2020:74) were completed, 33 (2020:33) are still under construction and 42 (2020:42) projects have been stalled. Most of these projects are located in Dar es Salaam, Mwanza and Arusha.

#### **(c) Rental Buildings Activities**

##### **Rental revenue**

During the year ended 30 June 2021, rental revenue decreased to TZS 89,230 million from TZS 89,520 million recorded during 12 months period ended 30 June 2020.

During the year ended 30 June 2021 an average monthly rental decreased to TZS 7,436 million from TZS 7,460 million recorded during 12 months period ended 30 June 2020. This decrease is attributed to many offices vacated due to shift of the government to Dodoma. Furthermore, the effects of Covid-19 also affected the Corporations rental revenues.

#### **(d) Property maintenance**

During the year the Corporation's expenditure on property maintenance increased to TZS 4,775 million compared to TZS 4,033 million in the 12 month period ended 30 June 2020.

### **1.12 EMPLOYEES WELFARE**

#### **(a) Staff disposition**

The total number of staff as at 30 June 2021 was 410 (2020: 422).

#### **(b) Affirmative action**

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

During the year, the Corporation's workforce comprised 256 male and 154 female employees (2020: 265 male and 157 female employees). On the other hand, the Corporation continued to promote female employees to senior level positions. As at 30 June 2021, the composition of female employees in various senior positions taking into consideration the new structure was as follows:

**1.0 DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

**1.12 EMPLOYEES WELFARE (CONTINUED)**

**(b) Affirmative Action (Continued)**

	30 June 2021	%	30-Jun-2020	%
Directors/Heads of Unit	3 out of 8	38	5 out of 13	38
Line Managers	4 out of 14	29	7 out of 32	22
Regional Managers	7 out of 23	30	2 out of 24	8
Senior Officers	14 out of 52	27	12 out of 24	50
Middle level Officers	71 out of 143	50	133 out of 178	75

**(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 2021, the Corporation had one employee with physical disabilities (2020: 1 employee).

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

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

**(e) Retirement benefits**

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

**(f) Training**

During the year a total of TZS 958 million was spent in staff training (2020: TZS 225 million). The training activities are guided by the training policy. Trainings held during the year were focused on short-term and long-term professional competence as well as improving customer care skills.

**(g) Medical facilities**

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

## **1.0 DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

### **1.12 EMPLOYEES WELFARE (CONTINUED)**

#### **(h) Staff Incentives**

The Corporation provides various loans to staff to enable them to meet their financial needs. Some of the incentives are car loans, education loans, house loans, car insurance and normal cash advance loans.

#### **(i) Implementation of the new NHC staff structure**

The Corporation implemented its new scheme of service in the final quarter of the financial year 2020/21. This activity included the placement of employees in their respective positions as per the new organization structure and the change of salaries of employees as per their new positions. These changes also included the introduction of the new NHC salary structure.

Also, as per the government directives, the Corporation effected one (1) position increment promotions for employees who were employed in the Corporation for not less than 4 years and who had served for a 1-year probation period. This exercise brought about the promotion and salary increment of 203 employees.

### **1.13 CORPORATE GOVERNANCE**

The Corporation confirms its commitment to the principles of good governance, openness, integrity and accountability.

#### **Board of Directors**

The Board comprises of seven directors including the Chairperson and all are non-executive. This was following the resignation of Mr. Humphrey Polepole who was appointed as a Member of Parliament. 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.

**1.0 DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)****1.13 CORPORATE GORVERNANCE (CONTINUED)****Board Committees**

The Board is comprised of three 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 20 was as follows:

**Business Development Committee**

This Committee is composed of three 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 four meetings during the year ended 30 June 2021. The following Directors served in the Business Development Committee during the year.

Name	Position	Nationality	Number of meetings attended
Eng. Marwa Rubirya	Chairman	Tanzanian	1/4
Mr. Charles Singili	Member	Tanzanian	4/4
Ms. Sauda Msemu	Member	Tanzanian	4/4

**Finance and Human Resources Committee**

This Committee is composed of two 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 2021.

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
Ms. Sauda Msemu	Member	Tanzanian	3/3
Mr. Humphrey Polepole	Member	Tanzanian	0/1

**NB:** During the financial year under review one meeting was held before Mr. Humphrey Polepole's official resignation.

**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 2021.

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

**1.0 DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)****1.13 CORPORATE GORVERNANCE (CONTINUED)****Audit, Risk and Compliance Committee (Continued)**

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

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

Name	Position	Nationality	Number of meetings attended
<b>Joint ARC and FHRC Meeting</b>			
Mr. Abdallah Shamte	Chairman	Tanzanian	1/1
Mr. Charles Singili	Co-Chairman	Tanzanian	1/1
Mr. Martin Madekwe	Member	Tanzanian	1/1
Ms. Immaculata Senje	Member	Tanzanian	1/1
Ms. Sauda Msemu	Member	Tanzania	1/1
Mr. Humphrey Polepole	Member	Tanzanian	0/1
<b>Joint FHRC and BDC Meeting</b>			
Mr. Charles Singili	Chairman	Tanzanian	2/2
Eng. Marwa Rubirya	Co- Chairman	Tanzanian	1/2
Ms. Sauda Msemu	Member	Tanzanian	2/2
Mr. Humphrey Polepole	Member	Tanzanian	0/1

**Overall meeting attendance**

Below is the summary indicating the number of meetings attended by each board member during the year ended 30 June 2021.

Name	Position	Number of meetings attended
Dr. Sophia M. Kongela	Chairperson	7/7
Mr. Martin Madekwe	Vice Chairman	7/7
Mr. Charles Singili	Director	7/7
Mr. Abdallah Shamte	Director	7/7
Ms. Immaculata Senje	Director	6/7
Ms. Sauda Msemu	Director	7/7
Eng. Marwa Rubirya	Director	0/7
Mr. Humphrey Polepole	Director	0/4

## **1.0 DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

### **1.14 RISK MANAGEMENT AND CONTROL**

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

The most important types of risks are:

#### **a) Credit risk management**

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

#### **b) Liquidity risk management**

Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities.

Due to the dynamic nature of the underlying businesses, the Directorate of Business Development maintains flexibility in funding by maintaining availability under committed credit lines.

#### **c) Capital risk management**

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

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



## **1.0 DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

### **1.14 RISK MANAGEMENT AND CONTROL (CONTINUED)**

#### **d) Market risk management**

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

The Corporation's exposure to foreign exchange risks is managed by limiting the Corporations transactions in foreign currencies.

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

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

The Corporation also has borrowings from banks which carry fixed and variable interest rates. The Corporation regularly monitors financing options available to ensure optimum interest rates are obtained whenever the facilities are being rolled forward.

### **1.15 ACCOUNTING POLICIES**

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

### **1.16 CORPORATE SOCIAL RESPONSIBILITY**

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

During the year, the Corporation contributed largely towards the education sector by contributing to 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 125 million towards the education sector;
- TZS 14 million towards health support to institutions;
- TZS 6 million to support youth initiatives; and
- TZS 21 million to support community initiatives.

## **1.0 DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

### **1.17 CORPORATE IMAGE**

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

- Improving government and stakeholders 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

### **1.18 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. A recent survey 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, plants and equipment; services include construction and consultancy services offered to third party projects. The Corporation will undertake a strategy of establishing new products and services through;

- Constructing 5 building material industries
- 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.

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 smart locks to enhance its collection and minimize rental debtors' accumulation.

### **1.19 FIDUCIARY RESPONSIBILITIES**

The Corporation's Board members as stewards of public trust always acted for the good of the organization, rather than for the benefit of themselves throughout the year ended 30 June 2021. Reasonable care was exercised in all decisions taken by the Corporation, without placing the Corporation under unnecessary risk.

**1.0 DIRECTORS REPORT FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

**1.20 RELATED PARTY TRANSACTIONS AND BALANCES**

All related party transactions and balances are disclosed in Note 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.

**1.21 ENVIRONMENTAL CONTROL PROGRAMME**

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

**1.22 POLITICAL DONATIONS**

There were no political donations made during the year.

**1.23 SERIOUSLY PREJUDICIAL**

No impending new developments are under consideration by the Corporation.

**1.24 AUDITOR**

The Controller and Auditor General is the statutory independent auditor of the National Housing Corporation for the financial year ended 30 June 2021 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

13<sup>th</sup> Jan. 2022

## 2.0 STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

13<sup>th</sup> Jan. 2022

### 3.0 DECLARATION OF HEAD OF FINANCE

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

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

I, **CPA. Adolph T. Kasegenya** being the Ag. Director of Finance and Accounting Management Unit of National Housing Corporation hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30 June 2021 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.



CPA. Adolph T. Kasegenya (ACPA 1791)

Ag. Director of Finance and Accounting Management Unit.

12 January 2022

## **4.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL**

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

### **4.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the financial statements of National Housing Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly in all material respects, the financial position of National Housing Corporation (the Corporation) as at 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### **Basis for Opinion**

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

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

#### **Emphasis of matter**

I draw attention to the matters below. My opinion is not modified in respect of these matters.

#### **Actuarial Valuation**

As disclosed in Note 26, the Corporation operates a defined benefit plan in accordance with requirement of collective bargaining agreement contract with the Tanzania Mines, Energy, Construction and Allied Workers Union (TAMICO) of 22 October 2013.

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Controller and Auditor General

AR/PA/NHC/2020/21

## 4.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)

### 4.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

The Corporation provides for defined benefit obligation which is based on assessments made by qualified actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

During the financial year 2020/21 the Corporation recorded actuarial loss of TZS 5.4 billion when compared with the prior year actuarial loss of TZS 337 million which result in an increase in actuarial loss by 1,492%. Due to such actuarial loss, the revaluation reserve has decreased from TZS 4.9 billion to a loss of TZS 468 million as shown in the Statement of Change in Equity. The actuarial loss recorded in the current year was mainly due to salary inflation increases from 1.0% in prior year to 10.0% in current year, whereas discount rate has increased from 15.8% in the prior year to 15.9% in the current year.

#### Contingent Liabilities

Note 30 to the financial statements describes that, as at 30 June 2021 the Corporation had 42 cases which were opened against NHC in various tribunals and courts of law. The Corporation is likely to suffer a loss of approximately TZS 12.13 billion as compensation and other related costs if it loses all cases filed against the Corporation. Due to that the Corporation has made a provision of TZS 7.30 billion.

#### 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.

No.	Key audit matter	How my audit addressed the key audit matter
1.	<b>Note 31: Inadequate Management of Rental deposits</b>	
	<p>The rental deposits 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 the original condition found at beginning of lease term.</p> <p>Due to absence of adequate reconciliation between the general ledger and subsidiaries records I noted unidentified rental deposits amounting to TZS 381</p>	<ul style="list-style-type: none"><li>• My audit procedures on Due from Clients rental receivable included, among others:</li><li>• Tests of design and implementation of operating effectiveness of controls designed to address the risk of ensuring rental deposits are controlled (manual and automated).</li><li>• Agree the rental deposit general ledger and amount shown in the trial balance for purpose of testing completeness of data.</li><li>• Agree the rental deposit general ledger and rental deposit schedule as the schedules are maintained separately and are not extracted from the system.</li></ul>

No.	Key audit matter	How my audit addressed the key audit matter
	<p>million which has been reported as part of rental deposits balance in Note 31.</p> <p>Also there is unreconciled difference of TZS 3 billion when the recomputed three months deposits from active customers in 24 regions is compared with the balance shown on the supporting schedule of the rental deposits to be collected from those 24 regions. This recomputed amount is not actual, rather an estimate and it does not form part of rental deposit balance in note 31. The recomputed amount is pending for further verification by management to determine exact amounts to be posted in the subsequent financial statements.</p>	<ul style="list-style-type: none"> <li>• Obtain the list of active customers from regions as at 30 June 2021 and compare with the balance shown on the supporting schedule of the key deposit.</li> <li>• Re-compute three months deposits from active customers and compare with the balance shown on the supporting schedules of the rental deposits to be collected from those customers.</li> <li>• Perform test of details to ensure complete rental deposits have been recorded in the financial statements as liabilities.</li> <li>• Perform reconciliation of movement in rental deposits, trace the deposits from the new deposit reports and bank statements.</li> <li>• Evaluate a selected sample of invoices from new tenants and from the general ledger to see if they are recorded in the correct accounting period.</li> </ul>

### Other Information

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

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

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

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

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



## **4.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)**

### **4.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)**

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

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

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

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

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.

## **4.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)**

### **4.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)**

- My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

In addition, Section 10 (2) of the Public Audit Act, Cap 418 [R.E 2021] 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 or not the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.

### **4.2 REPORT ON COMPLIANCE WITH LEGISLATIONS**

#### **Compliance with the Public Procurement Act, 2011**

**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 2021 as per the Public Procurement laws and Regulations.

#### 4.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)

#### 4.2 REPORT ON COMPLIANCE WITH LEGISLATIONS (CONTINUED)

##### Conclusion

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

##### Procurement of goods and service amounting to TZS 18.58 billion made outside TANEPS

Regulations 341 and 342 of the Public Procurement Regulations, 2013 provide that, public entities should carry out procurement of goods or services through TANEPS. Further on 23 October 2019 Ministry of Finance and Planning issued a circular with Reference No. EB/AG/485/01/Vol.XII26 which details that all public entities should carry out procurement of goods or services through TANEPS and legal actions would be taken for entities that would do procurement outside the system.

However, my review of procurements and contracts management for the year ended 30 June 2021 noted that, 59 tenders out of 99 with contract sum of TZS 18,582,050,502 were procured outside the TANEPS.

  
Charles E. Kichere  
Controller and Auditor General  
Dodoma, United Republic of Tanzania.

February, 2022




# NATIONAL HOUSING CORPORATION


## FINANCIAL STATEMENTS

### STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	30 June 2021 TZS '000	30 June 2020 TZS '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	14	4,562,116,542	4,464,361,110
Property and equipment	15	44,561,198	43,747,897
Investment in joint venture	17(a)	18,504,668	18,654,673
Advances toward shares in other entities	17(b)	29,787,137	29,787,137
Equity Investments	17(c)	3,133,764	3,133,764
		<b>4,658,103,309</b>	<b>4,559,684,581</b>
<b>Current assets</b>			
Inventories	18	328,044,566	354,090,648
Trade and other receivables	19	35,767,211	30,657,050
Cash and bank balances	20	26,101,390	31,436,603
		<b>389,913,167</b>	<b>416,184,301</b>
<b>TOTAL ASSETS</b>		<b>5,048,016,476</b>	<b>4,975,868,882</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Capital fund	21	15,485,554	485,554
Capital reserve	22	2,395,444	2,395,444
Revaluation reserve	23	(468,100)	4,941,049
Retained earnings		3,303,158,206	3,237,278,320
		<b>3,320,571,104</b>	<b>3,245,100,367</b>
<b>Non-current liabilities</b>			
Deferred tax liability	24	1,273,234,103	1,250,670,182
Bank & other borrowings	25	176,019,614	176,891,388
Rental deposits	31	18,770,387	17,148,898
Defined benefit obligation	26	12,223,802	6,257,639
		<b>1,480,247,906</b>	<b>1,450,968,107</b>
<b>Current liabilities</b>			
Bank & other borrowings	25	46,084,532	42,788,235
Bank overdraft	25	4,334,794	5,242,378
Current tax liability	13(c)	2,465,821	4,541,023
Trade and other payables	27	182,559,160	212,893,466
Accruals	28	4,454,013	7,458,656
Provisions	29	7,299,146	6,876,650
		<b>247,197,466</b>	<b>279,800,408</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,048,016,476</b>	<b>4,975,868,882</b>

The financial statements were approved and authorized for issue by the Board of Directors on 18 January, 2022 and signed on its behalf by:

  
Dr. Sophia Kongela  
Chairperson

  
Dr. Maulidi Banyani  
Director General

Controller and Auditor General


AR/PA/NHC/2020/21


**NATIONAL HOUSING CORPORATION**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR  
ENDED 30 JUNE 2021**

	Notes	30 June 2021	30 June 2020
		<u>TZS '000</u>	<u>TZS '000</u>
Revenue	6	144,423,914	139,860,251
Net gain/(loss) from fair value adjustment on investment properties	14	62,289,609	413,840,688
Other gains and losses	7	551,609	358,883
Cost of sales - inventory properties	8(a)	(51,328,635)	(40,295,638)
Property management costs	8(b)	(8,193,889)	(7,293,966)
Depreciation of property and equipment	15	(1,098,654)	(1,263,588)
Amortization of intangible assets	16	-	(10,519)
Net Impairment of financial assets	19	(355,461)	(2,069,960)
Administrative expenses	9	(12,230,848)	(10,352,198)
Sales and marketing expenses	10	(955,908)	(897,103)
Employee benefit expenses	11	(18,888,461)	(18,742,723)
<b>Operating profit/(loss)</b>		<b>114,213,276</b>	<b>473,134,127</b>
Dividend income from equity investments	17(c)	54,509	22,300
Finance income	12	450,980	407,616
Finance costs	12	(21,209,742)	(24,111,980)
Share of profit of joint ventures	17(a)	456,632	499,326
<b>Profit/(Loss) before tax</b>		<b>93,965,655</b>	<b>449,951,389</b>
Tax (expense)/Income	13(a)	(28,022,761)	(136,414,720)
<b>Profit/(Loss) for the year</b>		<b>65,942,894</b>	<b>313,536,669</b>
Share of other comprehensive income from joint ventures	17(a)	(44,303)	4,300
Actuarial loss from defined benefit obligation	26	(5,364,846)	(337,071)
<b>Total comprehensive profit/(loss) for the year</b>		<b>60,533,745</b>	<b>313,203,898</b>

The financial statements were approved and authorized for issue by the Board of Directors on 13 January, 2022 and signed on its behalf by:

  
Dr. Sophia Kongela  
Chairperson

  
Dr. Maulidi Banyani  
Director General

Controller and Auditor General

AR/PA/NHC/2020/21

NATIONAL HOUSING CORPORATION

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Capital fund TZS '000	Capital reserve TZS '000	Retained earnings TZS '000	Revaluation Reserve TZS '000	Total TZS '000
<b>30 June 2021</b>					
At beginning of the year	485,554	2,395,444	3,237,278,320	4,941,049	3,245,100,367
Correction of opening balance (Note 36)	-	-	(63,008)	-	(63,008)
Opening amount at the beginning of the year	485,554	2,395,444	3,237,215,312	4,941,049	3,245,037,359
<i>Comprehensive income:</i>					
Profit for the period	-	-	65,942,894	-	65,942,894
Additional Capital	15,000,000	-	-	-	15,000,000
<i>Other comprehensive income:</i>					
Share of other comprehensive income from joint venture	-	-	-	(44,303)	(44,303)
Actuarial losses from defined benefit obligation	-	-	-	(5,364,846)	(5,364,846)
<b>At end of year</b>	<b>15,485,554</b>	<b>2,395,444</b>	<b>3,303,158,206</b>	<b>(468,100)</b>	<b>3,320,571,104</b>
<b>30 June 2020</b>					
At beginning of the year	485,554	2,395,444	2,902,236,230	5,273,820	2,910,391,048
Correction of opening balance (Note 36)	-	-	21,505,421	-	21,505,421
Opening amount at the beginning of the year	485,554	2,395,444	2,923,741,651	5,273,820	2,931,896,469
<i>Comprehensive income:</i>					
Profit for the period	-	-	313,536,669	-	313,536,669
<i>Other comprehensive income:</i>					
Share of other comprehensive income from joint venture	-	-	-	4,300	4,300
Actuarial gains from defined benefit obligation	-	-	-	(337,071)	(337,071)
<b>At end of year</b>	<b>485,554</b>	<b>2,395,444</b>	<b>3,237,278,320</b>	<b>4,941,049</b>	<b>3,245,100,367</b>

Controller and Auditor General

AR/PA/NHC/2020/2021

**NATIONAL HOUSING CORPORATION**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	30 June 2021 TZS '000	30 June 2020 TZS '000
<b>Cash flows from operating activities</b>			
Cash receipts from customers	32	138,903,423	170,302,409
Interest received	12	450,980	407,616
Cash paid to suppliers	33	(100,444,177)	(87,096,139)
Cash paid in respect of staff cost	34	(18,313,261)	(18,905,435)
Interest paid	35	(21,245,412)	(23,412,873)
Tax paid	13 (c)	(7,534,042)	(6,824,435)
<b>Net cash flows (used in) / generated from operating activities</b>		<b>(8,182,489)</b>	<b>34,471,143</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	15	(1,911,955)	(441,844)
Additions to the investment property	14	(42,217)	(1,332,913)
Advances towards shares in other entities	17(b)	-	(3,695)
Dividend received from joint venture	17(a)	562,334	1,765,657
<b>Net cash flows (used in) generated from investing activities</b>		<b>(1,391,838)</b>	<b>(12,795)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	25	12,302,330	17,672,507
Repayments of borrowings	25	(22,155,631)	(34,488,128)
Additional Capital		15,000,000	-
<b>Net cash flows generated from / (used in) financing activities</b>		<b>5,146,699</b>	<b>(16,815,621)</b>
<b>Net increase/(decrease) in cash and cash equivalent</b>		<b>(4,427,628)</b>	<b>17,642,727</b>
<b>Cash and cash equivalents at the beginning of the year.</b>		<b>26,194,225</b>	<b>8,551,498</b>
<b>Cash and cash equivalent at the end of year</b>	20	<b>21,766,597</b>	<b>26,194,225</b>

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. GENERAL INFORMATION

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

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

##### *a) New standards and amendments to published standards effective for the year ended 30 June 2021*

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

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

**(Accounting Policies, Changes in Accounting Estimates and Errors)**

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

A change in accounting estimate is an adjustment of the carrying amount of an asset or liability, or related expense, resulting from reassessing the expected future benefits and obligations associated with that asset or liability.

International Financial Reporting Standards are standards and interpretations adopted by the International Accounting Standards Board (IASB). They comprise:

International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC) and approved by the IASB.

Materiality. Information is material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.



NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

a) *New standards and amendments to published standards effective for the year ended 30 June 2021 (Continued)*

IAS 8	Prior period errors are omissions from, and misstatements in, an entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available and could reasonably be expected to have been obtained and taken into account in preparing those statements.
(Accounting Policies, Changes in Accounting Estimates and Errors)	Such errors result from mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud

**Disclosure**

*Disclosures relating to changes in accounting policy caused by a new standard or interpretation include: [IAS 8.28]*

The title of the standard or interpretation causing the change the nature of the change in accounting policy a description of the transitional provisions, including those that might have an effect on future periods for the current period and each prior period presented to the extent practicable and the amount of the adjustment:

For each financial statement line item affected, and for basic and diluted earnings per share (only if the entity is applying IAS 33)

The amount of the adjustment relating to periods before those presented, to the extent practicable if retrospective application is impracticable, an explanation and description of how the change in accounting policy was applied.

Financial statements of subsequent periods need not repeat these disclosures.

*Disclosures relating to voluntary changes in accounting policy include: [IAS 8.29]*

The nature of the change in accounting policy the reasons why applying the new accounting policy provides reliable and more relevant information for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

For each financial statement line item affected, and for basic and diluted earnings per share (only if the entity is applying IAS 33).

The amount of the adjustment relating to periods before those presented, to the extent practicable if retrospective application is impracticable, an explanation and description of how the change in accounting policy was applied.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

a) *New standards and amendments to published standards effective for the year ended 30 June 2021 (Continued)*

IAS 8	Disclosures relating to prior period errors Disclosures relating to prior period errors include: [IAS 8.49].
(Accounting Policies, Changes in Accounting Estimates and Errors)	<p>The nature of the prior period error for each prior period presented, to the extent practicable, the amount of the correction: For each financial statement line item affected, and for basic and diluted earnings per share (only if the entity is applying IAS 33).</p> <p>The amount of the correction at the beginning of the earliest prior period presented if retrospective restatement is impracticable, an explanation and description of how the error has been corrected.</p> <p><b>Effect of changes in the standard</b> Clarified by Definition of Material (Amendments to IAS 1 and IAS 8), effective 1 January 2020.</p>
Amendments to References to the Conceptual Framework in IFRS	<p>Together with the revised Conceptual Framework published in June 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework.</p> <p>Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASB framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.</p> <p>The Directors of the Corporation do not anticipate that the application of the Amendments in the future will have an impact on the Corporation's financial statements.</p> <p><b>Definition of a Business (Amendments to IFRS 3)</b> The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only.</p>

NATIONAL HOUSING CORPORATION

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

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

**a) *New standards and amendments to published standards effective for the year ended 30 June 2021 (Continued)***

**Amendments to References to the Conceptual Framework in IFRS**

- They clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired.
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

**b) *New and amended standards and interpretations in issue but not yet effective for the year ended 30 June, 2021***

- **IFRS 17-Insurance Contracts:** Effective for the accounting periods beginning on or after 1 January 2021.
- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform phase 2:** Effective for the accounting periods beginning on or after 1 January 2021.
- **IAS 16-Property, Plant and Equipment (PPE) amendments regarding proceeds before intended use.** Effective for the accounting periods beginning on or after 1 January 2022.

**c) *Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 30 June, 2021***

**IFRS 17: Insurance Contracts**

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

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

Controller and Auditor General

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NATIONAL HOUSING CORPORATION

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

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

***c) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 30 June, 2021(Continued)***

**Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform phase 2**

**Nature of the amendments**

Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform.

For instruments to which the amortized cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9.

As a result, no immediate gain or loss is recognized. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis.

IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform (for example, where lease payments are indexed to an IBOR rate).

**Impact of amendments**

The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.

**Additional temporary exceptions from applying specific hedge accounting requirements**

The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

**IAS 16: Property, Plant and Equipment (PPE) - amendments regarding proceeds before intended use.**

The IASB issued 'Property, Plant and Equipment proceeds before intended use (Amendments to IAS 16) regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.

NATIONAL HOUSING CORPORATION

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

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

**c) *Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 30 June, 2021(Continued)***

**IAS 16: Property, Plant and Equipment (PPE) - amendments regarding proceeds before intended use.**

At present, incidental income from operating the asset whilst bringing it into use, such as from the sale of samples produced during testing, is deducted from the cost of the asset. In practice, entities have applied this in different ways, with some deducting only the proceeds from selling items produced while testing.

The amendment to IAS 16 requires that sales proceeds recognized before the related item of PPE is available for use are recognized in profit or loss together with the costs associated with the items sold, rather than by adjusting the cost of the item of PPE. The cost of the items sold is derived by applying the allocation and measurement requirements of IAS 2 Inventories.

Disclosure of the amount of the proceeds and corresponding cost is required, along with details of the income statement line item in which they are included (if not already separately disclosed under IFRS 15).

The revisions to the standard also clarify that testing means, "assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes"

**d) Early adoption of standards**

The Corporation did not early adopt any new or amended standards in the year ended 30 June 2021.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

**3.1 Statement of compliance**

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

**3.2 Basis of preparation**

The financial statements are presented in Tanzania Shillings (TZS), rounded to the nearest thousand. The measurement basis applied is the historical cost basis, except for investment properties and defined benefit obligation which are measured at fair value.

Controller and Auditor General

AR/PA/NHC/2020/21

## NATIONAL HOUSING CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.2 Basis of preparation (Continued)

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 4.

##### 3.3 Revenue recognition

Revenue comprises the fair value of consideration received and receivable for the performance obligation fulfilled by the Corporation in various contracts. Revenue is recognized as follows:

- (i) Rental income from property leases is recognised on a straight-line basis over the period of the lease;
- (ii) Sales of property inventory are recognised in the period in which the Corporation fulfil performance obligation, i.e. when the customer has accepted the property and there is binding contract.
- (iii) Where joint venture properties constitute joint operations, rental income from such properties are recognised in revenue based on the Corporation's percentage share of the joint venture rental income on a straight line basis over the period of the lease;
- (iv) Contracts incomes are recognised overtime base on measurement of progress of satisfaction of performance obligation. The Corporation uses the input method in measuring satisfaction of the performance obligation; this is in alignment of IFRS 15 for construction contracts.

##### 3.4 Functional currency and translation of foreign currencies

###### (i) Functional and presentation currency

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

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

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

NATIONAL HOUSING CORPORATION

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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.

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Controller and Auditor General

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NATIONAL HOUSING CORPORATION

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.5 Investment property (Continued)**

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

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

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

**3.6 Property and equipment**

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

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

All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

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



NATIONAL HOUSING CORPORATION

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.6 Property and Equipment (Continued)**

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

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

**3.7 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 were supposed to be 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.

During the year 2020/2021 the corporation did not conduct estimated useful life review due to advent of a new integrated system that will replace almost all systems by March 2022.

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

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

**3.8 Inventories**

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

NATIONAL HOUSING CORPORATION

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.9 Trade receivables**

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

**3.10 Payables**

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

**3.11 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.

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.

NATIONAL HOUSING CORPORATION

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.12 Cash and cash equivalents**

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

**3.13 Employee benefits**

*(i) Retirement benefit obligations*

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

*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.

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.13 Employees Benefit (Continued)**

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

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

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

**3.14 Financial Instruments**

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

**Financial assets**

*Initial recognition*

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

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

*Subsequent measurement*

Financial assets are classified into the following specified categories:

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

NATIONAL HOUSING CORPORATION

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.14 Financial Instruments (Continued)**

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

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

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

*Amortized cost and effective interest method*

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

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

*Trade and other receivables*

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

*Cash and Bank balances*

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

NATIONAL HOUSING CORPORATION

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.14 Financial Instruments (Continued)**

*Impairment of financial assets*

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

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

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

*De-recognition of financial assets*

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

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

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

NATIONAL HOUSING CORPORATION

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.14 Financial Instruments (Continued)**

**Financial liabilities**

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

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

*Financial liabilities measured subsequently at amortized cost*

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

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

*De-recognition of financial liabilities*

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

*Offset*

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

**3.15 Current and deferred tax**

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

NATIONAL HOUSING CORPORATION

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.15 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.

**3.16 Joint arrangements**

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

**3.17 Provision**

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

**3.18 Investment in associates and joint ventures**

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

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



NATIONAL HOUSING CORPORATION

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.18 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.

**3.19 Construction costs**

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

**3.20 Lease**

*Corporation as Lessor*

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

The Corporation's activities expose it to a variety of financial risks including credit risk, market risk (foreign exchange risk and interest rate risk) and liquidity risk.

NATIONAL HOUSING CORPORATION

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.20 Lease (Continued)**

The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance, but the Corporation does not hedge any risks.

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

**4. FINANCIAL RISK MANAGEMENT AND OBJECTIVES AND POLICIES**

**4.1. Market risk**

**(i) Foreign exchange risk**

The Corporation's exposure to foreign exchange risks is managed by limiting the Corporations transactions in foreign currencies. Foreign exchange risk that could arise from future commercial transactions, and 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.

**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 and Accounting Management Unit. The credit controller assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The Corporation does not grade the quality of receivables.

	30 June 2021 TZS '000	30 June 2020 TZS '000
Cash at bank	26,084,685	31,417,398
Trade receivables (gross)	46,748,061	41,537,754
Staff receivables	3,998,853	4,137,169
	<u>76,831,599</u>	<u>77,092,321</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):

NATIONAL HOUSING CORPORATION

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

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

**4.2. Credit risk (Continued)**

	30 June 2021 TZS '000	30 June 2020 TZS '000
Past due but not impaired:		
Up to 90 days	3,383,197	3,726,039
Above 90 days but less than 1 year	999,297	2,496,027
Construction Debtors	9,202,724	10,313,397
Total past due but not impaired	13,585,218	16,535,463
Impaired	27,586,566	20,317,159
	<u>41,171,784</u>	<u>36,852,622</u>

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

All receivables from ex-tenants and those tenants subject to court cases are considered fully impaired. The value of these receivables as at 30 June 2021 was TZS 17,874 million (30 June 2020: TZS 18,220 million).

**Bank balances**

The Corporation has banking arrangements with banks of sound credit standing. The Corporation banks with National Bank of Commerce, CRDB Bank plc, National Microfinance Bank plc, KCB Bank, NCBA Bank, CITI Bank, Azania Bank, and TIB Bank. These are highly reputable banks in Tanzania. In the view of the directors, the risk of non-performance by these counterparties is not significant.

**4.3. Liquidity risk**

Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the Corporation's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

4.3. Liquidity risk (Continued)

	Less than 1 year TZS'000	Between 1 and 2 years TZS'000	Over 2 years TZS'000	Total TZS'000
<b>30 June 2021</b>				
Trade and other payables	39,657,249	-	-	39,657,249
Borrowings	46,084,532	34,442,684	141,576,930	222,104,146
Bank overdraft	4,334,794	-	-	4,334,794
Rental deposits	-	-	18,770,387	18,770,387
	<b>90,076,575</b>	<b>34,442,684</b>	<b>160,347,317</b>	<b>284,866,576</b>
<b>30 June 2020</b>				
Trade and other payables	51,730,480	-	-	51,730,480
Borrowings	42,788,235	33,771,991	143,119,398	219,679,624
Bank overdraft	5,242,378	-	-	5,242,378
Rental deposits	-	-	17,148,898	17,148,898
	<b>99,761,093</b>	<b>33,771,991</b>	<b>160,268,296</b>	<b>293,801,380</b>

4.4. Capital risk Management

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

The Corporation monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. The gearing ratios as and 30 June 2021 were as follows:

	30 June 2021 TZS '000	30 June 2020 TZS '000
Total borrowings (Note 25)	(222,104,146)	(219,679,624)
Less: cash and bank balances (Note 20)	21,766,596	26,194,225
Net borrowings	(200,337,550)	(193,485,399)
Total equity	3,320,571,104	3,245,100,367
Gearing ratio	6.03%	5.96%

## NATIONAL HOUSING CORPORATION

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

#### **5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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

##### Receivables

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

##### Investment property

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

##### Property and equipment

Critical estimates are made by the Directors in determining depreciation rates which are based on the useful lives for plant, property and equipment and their residual values. The useful lives applied are set out in note 3.6.

##### 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

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

	30 June 2021 TZS '000	30 June 2020 TZS '000
<b>6. REVENUE</b>		
Rental income	89,229,551	89,520,493
Sale of inventory properties-Own constructed Projects (Note 6a)	29,329,808	16,183,274
Contracts income-Third party projects (Note 6b)	25,600,907	33,578,833
Sale of open plots (Note 6c)	263,648	577,651
	<u>144,423,914</u>	<u>139,860,251</u>
<b>(6a) Own Constructed Projects</b>		
Kibada project	50,081	440,388
Medeli project	2,532,809	474,902
Mtanda project	289,436	270,547
Iyumbu project	4,571,926	62,050
Ilembo project	76,303	39,661
Kongwa project	40,166	54,153
Chato project	1,351,200	46,740
Mwongozo project	1,673,810	4,110,887
Ubungo project	-	209,860
Longido project	-	51,576
Muleba project	-	97,740
Safari City(affordable houses)project	-	170,000
Plot 274 Chato street DSM	-	9,160,800
Mbarali project	-	838,983
Mlote Project	337,966	154,987
Victoria Apartment project	16,927,083	-
Zongomela project	49,600	-
Igunga project	82,109	-
Mrara project	622,972	-
Uyui project	49,368	-
Jangwani project	276,480	-
Unyankumi project	46,599	-
Buswelu project	351,900	-
	<u>29,329,808</u>	<u>16,183,274</u>
<b>(6b) Third Party Projects</b>		
Malinyi District Council project	130,011	742,907
Wanging'ombe project	601,663	607,866
Ardhi University project	283,036	521,213
Malinyi DC residential	2,838	185,136
Vingunguti Abattoir	3,954,683	8,117,085
Musoma Refferal Hospital	3,868,353	4,041,118
Tanzania Forest Agency	2,346,004	8,952,877
Mtwara Refferal Hospital	6,038,691	5,418,727
Public Procurement Regulatory Authority	46,865	171,754
Mbuye Special School	1,111,779	2,778,692
National Board of Accountants and Auditors	374,923	87,177

NATIONAL HOUSING CORPORATION

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

	30 June 2021 TZS '000	30 June 2020 TZS '000
<b>6. REVENUE (CONTINUED)</b>		
<b>(6b) Third Party Projects (continued)</b>		
Tanzania Medical Devices Agency	4,236,522	311,563
Msalato secondary school project	-	45,984
Mzumbe secondary school project	-	77,195
Kilakala secondary school project	-	112,529
Mwenge secondary school project	-	208,243
Tanzania Airport Authority project	-	223,131
Medical Store Department project	-	12,246
Ministry of Finance project	-	109,879
Ministry of Land, Housing and Human Settlement project	-	17,529
Ministry of Energy project	-	9,399
Ministry of Industry project	-	111,053
Hai DC Office	-	715,531
UDSM school of economics	69,770	-
NHIF Jangwani	73,694	-
Nane Nane Pavilion	15,398	-
Buzirayombo livestock market	1,317,640	-
Burigi project	732,478	-
NIMRI primary production	249,755	-
UDOM teaching laboratory	9,473	-
Iringa Regional Commissioner Conference	137,331	-
	<u>25,600,907</u>	<u>33,578,834</u>
<b>6(c) Sales of open plots</b>		
Safari City plots	263,648	577,651
	<u>263,648</u>	<u>577,651</u>
<b>7. OTHER GAINS AND LOSSES</b>		
Gain on disposal of property, plant and equipment	82,750	-
Loss on demolition of investment properties	-	(510,639)
Net foreign exchange losses	(713,810)	(399,583)
Miscellaneous income	1,182,669	1,269,105
	<u>551,609</u>	<u>358,883</u>
<b>8. (a) CONSTRUCTION COSTS</b>		
<b>(i) Own Constructed Projects</b>		
Kibada project	47,091	502,714
Medeli project	1,407,969	263,994
Mtanda project	300,168	270,538
Iyumbu project	4,325,936	45,331
Ilembo project	42,707	42,707
Mwongozo project	1,365,368	3,435,432
Mlote Project	311,335	155,815
Plot 274 Chato street DSM	934,628	6,336,544
Kongwa Project	37,801	37,801
Ubungo project	-	151,828

Controller and Auditor General

AR/PA/NHC/2020/21

NATIONAL HOUSING CORPORATION

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

	30 June 2021 TZS '000	30 June 2020 TZS '000
<b>8. (a) CONSTRUCTION COSTS (CONTINUED)</b>		
<b>(i) Own Constructed Projects (continued)</b>		
Muleba project	-	77,914
Chato project	-	35,722
Mbarali Project	-	799,555
Safari city Project	-	140,778
Longido Project	-	48,565
Levolosi project	62,275	-
Uyui project	38,367	-
Victoria Project	16,805,472	-
Jangwani project	166,911	-
Buswelu project	354,056	-
Zongomela project	38,371	-
Mrara project	556,532	-
Unyankumi project	46,446	-
	<u>26,841,433</u>	<u>12,345,238</u>
<b>(ii) Third Party Projects</b>		
Malinyi District Council project	115,707	661,168
Wanging'ombe project	513,717	561,903
Ardhi University project	245,709	455,866
Malinyi District Council Residential	2,913	190,064
Vingunguti Abattoir	3,487,227	7,352,588
Musoma referral hospital	3,973,239	3,233,494
Tanzania Forest Service Agency	2,594,473	6,630,738
Mtwara referral hospital	5,302,682	4,884,149
Public Procurement Regulatory Authority	37,492	137,404
Mbuye special school	1,801,025	2,222,954
National Board of Accountant and Auditors	352,956	82,069
Tanzania Medicine and Medical Authority	3,638,861	267,609
Msalato secondary school project	-	30,495
Mzumbe secondary school project	-	440
Kilakala secondary school project	-	3,566
Mwenge secondary school project	-	7,540
Tanzania Airport Authority project	-	180,466
Medical Store Department project	-	3,169
Ministry of Finance project	-	28,720
Ministry of Land, Housing and Human Settlement project	-	1,518
Ministry of Energy project	-	11,564
Ministry of Industry, Trade and Investment project	-	79,933
Hai District Council Office	-	634,551
Burigi project	620,744	-
Buzirayombo Livestock Market	1,150,706	-
Iringa Regional Commissioner Conference	116,732	-
NIMRI primary production	227,050	-
UDOM teaching laboratory	7,521	-
UDSM school of economics	63,428	-
Controller and Auditor General		AR/PA/NHC/2020/21



**NATIONAL HOUSING CORPORATION**

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

	30 June 2021 TZS '000	30 June 2020 TZS '000
<b>8. (a) CONSTRUCTION COSTS (CONTINUED)</b>		
(ii) Third Party Projects (continued)		
Nane nane pavilion	12,990	-
NHIF Jangwani	70,732	-
	<u>24,335,904</u>	<u>27,661,968</u>
 (iii) Open Plots		
Safari City	151,298	288,432
	<u>151,298</u>	<u>288,432</u>
	<u>51,328,635</u>	<u>40,295,638</u>
 <b>8. (b) PROPERTY MANAGEMENT COSTS</b>		
Repair and maintenance rental houses	4,775,147	4,033,372
Estate management expenses	1,672,626	1,481,877
Land rent and property tax	1,299,055	1,053,585
Property valuation fees	156,606	402,597
City service levy	290,455	322,535
	<u>8,193,889</u>	<u>7,293,966</u>
 <b>9. ADMINISTRATIVE EXPENSES</b>		
Training and seminar costs	957,996	224,829
Security and insurance services	614,146	691,220
Printing and stationeries	340,589	452,138
Computer expenses and software maintenance cost	311,329	351,865
Auditors remuneration	312,710	320,000
Other audit costs	38,944	13,124
Repair and maintenance office buildings	194,563	79,793
Internet costs and network	563,311	591,459
Consultancy fee	131,680	176,286
Water and electricity	331,355	373,198
Postage and telephone	247,866	302,881
Travelling on duty	1,889,948	1,472,351
Directors' fees and board expenses	187,422	317,775
Motor vehicle fuel and maintenance	1,856,695	1,858,480
VAT write off, penalties and fines	1,120,956	1,188,090
Donation	166,966	139,783
Repairs and maintenance office equipment	147,234	207,610
Legal fees	13,560	118,111
Provision for legal cases	422,495	-
Bank charges	142,888	134,350
Office expenses	291,744	165,256
National festivals	55,828	19,800
Procurement expenses	339,343	164,411
Contribution to exchequer	1,205,000	550,000
General cleaning expenses	336,714	404,152
Other administrative expenses	9,566	35,236
	<u>12,230,848</u>	<u>10,352,198</u>

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

	30 June 2021 TZS '000	30 June 2020 TZS '000
<b>10. SALES AND MARKETING EXPENSES</b>		
Business promotion	565,924	675,984
Sales expenses and marketing expenses	27,108	6,263
Advertising and publicity	362,876	214,856
	<u>955,908</u>	<u>897,103</u>
<b>11. EMPLOYEE BENEFITS EXPENSES</b>		
Salaries and wages	10,429,850	10,427,175
Housing allowance	1,936,130	2,373,927
Defined benefit obligation expense	1,523,578	1,238,936
Staff welfare	108,433	96,424
Staff canteen services	530,329	386,810
Staff transport services	310,610	366,546
Staff uniforms and clothing	10,800	39,746
Pension contributions	1,365,392	1,377,857
Medical costs	547,864	568,087
Master workers council	62,364	75,503
Leave travel allowance	726,485	773,555
Transfer and disturbance allowance	576,324	194,449
Skills and development levy	595,846	692,081
Gratuity provision expense	32,229	64,368
Workers' compensation fund	60,227	62,759
Annual incentive and service award	72,000	4,500
	<u>18,888,461</u>	<u>18,742,723</u>
<b>12. FINANCE INCOME AND COSTS</b>		
<b>Finance income</b>		
Interest on bank term deposits	5,628	8,945
Interest on rental receivables	445,352	398,671
	<u>450,980</u>	<u>407,616</u>
<b>Finance costs</b>		
Interest on borrowings	(19,996,488)	(22,527,606)
Loan-related charges	(1,213,254)	(1,584,374)
	<u>(21,209,742)</u>	<u>(24,111,980)</u>
Net finance cost	<u>(20,758,762)</u>	<u>(23,704,364)</u>
<b>13. INCOME TAX</b>		
<b>a) Tax (income)/charge</b>		
Current tax-current period	4,444,660	5,884,751
Current tax- prior period overprovision	1,014,180	(176,653)
Deferred tax income-current period (Note 24)	22,572,114	129,214,229
Deferred tax charge/(income)-prior periods (Note 24)	(8,193)	1,492,393
	<u>28,022,761</u>	<u>136,414,720</u>

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NATIONAL HOUSING CORPORATION

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

**13. INCOME TAX (CONTINUED)**

**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 2021 TZS '000	30 June 2020 TZS '000
Profit/(Loss) before tax	<u>93,965,655</u>	<u>449,951,390</u>
Tax calculated at the statutory income tax rate of 30%	28,189,697	134,985,417
Tax effect of:		
Non-taxable income	(139,319)	(167,205)
Expenditure permanently disallowed for tax purpose	575,850	381,890
Decrease in deferred tax from fair value losses	(1,609,454)	(101,121)
Current tax relating to prior periods	1,014,180	(176,653)
(Under)/Over- provision of deferred tax from prior year	(8,193)	1,492,393
	<u>28,022,761</u>	<u>136,414,721</u>

**c) Tax movement**

Balance at beginning of the year	4,541,023	5,657,360
Current tax charge for the year	4,444,660	5,884,751
Tax interest and penalties-prior period	381,271	-
Current tax- prior period overprovision	632,909	(176,653)
Tax paid during the year	<u>(7,534,042)</u>	<u>(6,824,435)</u>
Balance as at the end of the year	<u>2,465,821</u>	<u>4,541,023</u>

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. INVESTMENT PROPERTIES

	Land and rental buildings TZS'000	Joint arrangements land and rental buildings TZS'000	Work in progress and undeveloped land TZS'000	Total TZS'000
<b>30 June 2021</b>				
Opening balance	3,612,256,262	225,633,881	626,470,967	4,464,361,110
Additions: Monetary	-	-	42,217	42,217
Additions: Non-monetary	31,039,284	-	4,428,750	35,468,034
Transfer in/(out)	8,003,743	2,127,000	(10,130,743)	-
Transfer to inventory of buildings	(22,028)	-	(22,400)	(44,428)
Fair value gain/(loss)	55,740,146	6,361,028	188,435	62,289,609
	<b>3,707,017,407</b>	<b>234,121,909</b>	<b>620,977,226</b>	<b>4,562,116,542</b>
<b>30 June 2020</b>				
Opening balance	3,281,978,469	172,781,600	565,343,354	4,020,103,423
Additions: Monetary	-	-	1,332,913	1,332,913
Additions: Non-monetary	-	-	23,396,014	23,396,014
Transfers from inventory	5,797,180	-	-	5,797,180
Transfer in/(out)	7,066,519	-	(7,066,519)	-
Transfer to inventory of buildings	(35,722)	-	-	(35,722)
Disposal	(73,386)	-	-	(73,386)
Fair value gain/(loss)	317,523,202	52,852,281	43,465,205	413,840,688
	<b>3,612,256,262</b>	<b>225,633,881</b>	<b>626,470,967</b>	<b>4,464,361,110</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 468.50 million (2020: TZS 28.15 million).

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

**14. INVESTMENT PROPERTIES (CONTINUED)**

The Corporation is satisfied that the fair value of all its investment properties under construction at 30 June 2021 were reliably determinable on continuing basis. The Corporation investment properties were revalued at 30 June 2021 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 621 billion (2020: TZS 626 billion) as follows:

	Total value of the investment property TZS'000	NHC percentage share %	NHC share of ownership TZS'000
<b>30 June 2021</b>			
Investment properties under construction (Joint venture properties)	60,143,425	100	60,143,425
Investment properties under construction (NHC owned properties)	10,870,087	100	10,870,087
Undeveloped plots	549,963,715	100	549,963,715
	<u>620,977,227</u>		<u>620,977,227</u>
<b>30 June 2020</b>			
Investment properties under construction (Joint venture properties)	61,381,531	100	61,381,531
Investment properties under construction (NHC owned properties)	10,037,580	100	10,037,580
Undeveloped plots	555,051,858	100	555,051,858
	<u>626,470,969</u>		<u>626,470,969</u>

As at the end of the period, investment properties with value of TZS 573,593 million (30 June 2020: TZS 573,593 million), were pledged as security on bank borrowings as detailed in Note 25.

NATIONAL HOUSING CORPORATION

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

**15. PROPERTY AND EQUIPMENT**

	Land TZS'000	Buildings TZS'000	Machinery TZS'000	Motor vehicle TZS'000	Office equipment , furniture and fixtures TZS'000	Tricycle and motorcy cle TZS'000	Computer hardware and accessories TZS'000	Work in progress TZS'000	Total TZS'000
<b>30 June 2021</b>									
Opening net book value	18,785,930	23,620,693	988,988	114,107	107,086	165	130,928	-	43,747,897
Additions: Monetary (at cost)	-	-	691,223	673,498	467,214	-	80,020	-	1,911,955
Disposals	-	-	220,618	-	-	-	-	-	-
Depreciation related to disposals	-	-	(220,618)	-	-	-	-	-	-
Depreciation charge	-	(515,795)	(206,089)	(163,132)	(121,458)	(165)	(92,015)	-	(1,098,654)
<b>Closing net book value</b>	<b>18,785,930</b>	<b>23,104,898</b>	<b>1,474,122</b>	<b>624,473</b>	<b>452,842</b>	<b>-</b>	<b>118,933</b>	<b>-</b>	<b>44,561,198</b>
Cost	18,785,930	25,789,768	3,584,965	6,837,451	6,104,128	52,061	2,920,594	-	64,074,897
Accumulated depreciation	-	(2,684,871)	(2,110,842)	(6,212,979)	(5,651,287)	(52,061)	(2,801,659)	-	(19,513,699)
<b>Net book value</b>	<b>18,785,930</b>	<b>23,104,897</b>	<b>1,474,123</b>	<b>624,472</b>	<b>452,841</b>	<b>-</b>	<b>118,935</b>	<b>-</b>	<b>44,561,198</b>
<b>30 June 2020</b>									
Opening net book value	-	17,186,871	842,674	205,120	414,754	829	183,844	5,307,822	24,141,914
Additions: Monetary	-	-	392,419	-	16,571	-	32,854	-	441,844
Monetary (at cost)	18,785,930	7,460,258	-	-	-	-	-	(5,307,822)	20,938,366
Disposals	-	(510,639)	-	-	-	-	-	-	(510,639)
Depreciation charge	-	(515,797)	(246,105)	(91,013)	(324,239)	(664)	(85,770)	-	(1,263,588)
<b>Closing net book value</b>	<b>18,785,930</b>	<b>23,620,693</b>	<b>988,988</b>	<b>114,107</b>	<b>107,086</b>	<b>165</b>	<b>130,928</b>	<b>-</b>	<b>43,747,897</b>
Cost	18,785,930	25,789,768	2,893,741	6,384,571	5,636,914	52,061	2,840,574	-	62,383,559
Accumulated depreciation	-	(2,169,075)	(1,904,753)	(6,270,464)	(5,529,828)	(51,896)	(2,709,646)	-	(18,635,662)
<b>Net book value</b>	<b>18,785,930</b>	<b>23,620,693</b>	<b>988,988</b>	<b>114,107</b>	<b>107,086</b>	<b>165</b>	<b>130,928</b>	<b>-</b>	<b>43,747,897</b>

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# NATIONAL HOUSING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 15. PROPERTY AND EQUIPMENT

Property and equipment refers to long term tangible assets held by the corporation for operation. As at the end of the period, the corporation has property and equipment that are fully depreciated but are still in use worth TZS 14,355 million (2020: TZS 14,476 million) as categorized below:

	30 June 2021 TZS '000	30 June 2020 TZS '000
Machinery	403,418	403,418
Motor vehicle	5,803,615	6,024,233
Office equipment, furniture and fixtures	5,482,966	5,419,825
Tricycle and motorcycle	52,061	48,742
Computer hardware and accessories	2,612,611	2,579,591
	<u>14,354,672</u>	<u>14,475,809</u>

### 16. INTANGIBLE ASSETS

Net book value at the beginning of the year	-	10,519
Additions	-	-
Amortisation charge	-	(10,519)
Netbook value at the end of the year	-	-
Cost	1,203,292	1,203,292
Accumulated amortisation	(1,203,292)	(1,203,292)
Net book value	-	-

As at the end of the period, the corporation has intangible assets that are fully amortized but are still in use worth TZS 1,203 million (2020: TZS 1,203 million). By March 2022, almost all intangible assets will no longer be used due to the advent of a new integrated system that will replace almost all systems.

### 17. (a) INVESTMENT IN JOINT VENTURES

At the beginning of the year	18,654,673	19,916,704
Share of profit from joint ventures	456,632	499,326
Dividend received during the year	(562,334)	(1,765,657)
Share of other comprehensive income	(44,303)	4,300
At the end of the year	<u>18,504,668</u>	<u>18,654,673</u>

The table below summarizes details of assets and liabilities as at 30 June 2021, and financial results for the year then ended accruing to the Corporation:

JV Name	Country of incorporation	% interest held	Assets TZS '000	Liabilities TZS '000	Revenue TZS '000	Profit after tax TZS '000
30 June 2021						
NHC/PPF - IPS						
Building Company Limited	Tanzania	50	15,826,843	(100,353)	-	(123,565)
NHC House Company Limited	Tanzania	50	3,853,796	(1,075,617)	2,362,966	998,339
			<u>19,680,639</u>	<u>(1,175,970)</u>	<u>2,362,966</u>	<u>874,774</u>

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**NATIONAL HOUSING CORPORATION**

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

**17. (a) INVESTMENT IN JOINT VENTURES (CONTINUED)**

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

	30 June 2021 TZS '000	30 June 2020 TZS '000
At the beginning of the year	29,787,137	52,583,619
Cash paid during the year	-	3,695
Investment termination-Land value	-	(22,800,177)
At the end of the year	<u>29,787,137</u>	<u>29,787,137</u>

Below is the summary of advances held:

Kawe Special Purpose Vehicle	6,682,039	6,682,039
USA River project Special Purpose Vehicle	29,885	29,885
Kunduchi Riffle Range Special Purpose Vehicle	23,075,213	23,075,213
	<u>29,787,137</u>	<u>29,787,137</u>

**17. (c) EQUITY INVESTMENTS**

Tanzania Mortgage Refinancing Company Limited	1,200,000	1,200,000
Watumishi Housing Company Limited	1,933,764	1,933,764
	<u>3,133,764</u>	<u>3,133,764</u>

During the year, a total of dividend TZS 54.5M was declared (TZS 37.9M were declared from Tanzania Mortgage Refinancing coy limited and TZS16.6M from watumishi housing limited respectively).

**18. INVENTORIES**

**(i) Inventory properties (Completed houses)**

Medeli Project- Dodoma at cost	703,985	7,039,845
Mrara Project- Manyara at cost	42,810	684,962
Mvomero Project- Morogoro at cost	159,836	159,836
Unyankumi Project- Singida at cost	46,446	92,893
Ilembo Project- Katavi at cost	85,413	128,120
Buswelu Project	120,394	4,768,309
Iyumbu project-Dodoma at cost	1,347,519	1,658,594
Safari City project-Arusha at cost	303,717	303,718

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NATIONAL HOUSING CORPORATION

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

	30 June 2021 TZS '000	30 June 2020 TZS '000
<b>18. INVENTORIES (CONTINUED)</b>		
<b>(i) Inventory properties (Completed houses) (Continued)</b>		
Mwongozo project	343,642	2,384,191
Kibada Project-Dar es Salaam at cost	-	263,588
Levolosi Project- Arusha at cost	-	62,275
Ubungo Project- Dar es Salaam at cost	-	23,701
Mkuzo Project- Ruvuma at cost	-	125,508
Muleba Project- Kagera at cost	-	38,957
Longido Project- Arusha at cost	-	48,565
Bombambili Project- Geita at cost	-	56,566
Mlote Project- Kigoma at cost	-	492,281
Uyui Project- Tabora at cost	-	38,367
Kongwa Project- Dodoma at cost	-	453,611
Mtanda Project-Lindi at cost	-	300,168
Monduli project	-	715,514
Buhare project	-	33,651
Plot 274 Chato street DSM at cost	-	934,628
Zongomela at cost	-	1,918,539
	<u>3,153,762</u>	<u>22,726,387</u>
<b>(ii) Inventory properties (Ongoing projects)</b>		
Morocco square-Plot 1-3 & 44 Morocco	160,289,643	149,150,234
Victoria- Plot 300	4,758,025	4,755,025
Golden Premier Residential-Plot no 711/2 Kawe	29,817,537	29,804,375
Makeke Affordable Housing Scheme	1,222,767	1,317,092
Inyonga Affordable Housing Scheme	959,559	631,682
Igunga Affordable Housing Scheme	1,268,538	1,265,502
Manyoni Affordable Housing Scheme	15,675	15,675
Luguruni Low costing Houses Project	19,710	19,710
Kawe-Plot no. 711/1	23,444,589	23,444,589
Burka (Safari city)	1,007,485	1,013,826
Ipogolo Affordable Housing Scheme	11,734	11,734
Vijibweni Alykhan-Plot 270,288 & 289 Magore	14,065	14,065
Iyumbu Affordable Housing Scheme	266,180	3,938,921
CRDB head office-Plot 25&26 A.H Mwinyi Road & Obama Drive	73,419,084	65,119,758
Muheza Affordable Housing Scheme (Chatur)	390,484	383,365
EWURA Head Office	9,695,467	8,023,469
Chato plots Project	50,672	227,672
Consultancy for Ministry of Finance	1,951,356	615,892
Ushindi Residential-Plot 36&37 Victoria	-	27,928,505
Jangwani-Plot 149/1, 3-13 Block H	-	1,349,691
Masasi Affordable Housing Scheme	-	1,557,906
Consultancy for UDOM Master Plan	144,885	-
Iyumbu (1000 houses)	5,184,004	-
	<u>313,931,459</u>	<u>320,588,688</u>

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NATIONAL HOUSING CORPORATION

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

**18. INVENTORIES (CONTINUED)**

	30 June 2021 TZS '000	30 June 2020 TZS '000
<b>(iii) Plots for sale</b>		
Safari city project	7,913,646	8,058,604
	<u>7,913,646</u>	<u>8,058,604</u>
<b>(iv) Other inventories</b>		
Building materials	3,086,678	2,744,819
Stationeries	202,928	216,057
Spare Parts (Motor Vehicles)	2,150	2,150
	<u>3,291,756</u>	<u>2,963,026</u>
Allowance for obsolete inventories	(246,057)	(246,057)
	<u>3,045,699</u>	<u>2,716,969</u>
<b>Total inventories</b>	<u>328,044,566</u>	<u>354,090,648</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 5,079 million (2020: TZS 0 million).

**19. TRADE AND OTHER RECEIVABLES**

	30 June 2021 TZS '000	30 June 2020 TZS '000
Rental receivables - current tenants	8,886,441	8,307,369
Rental receivables - ex tenants	17,873,522	18,219,892
Tenant purchase receivables	5,580	5,580
Receivables from the sale of buildings	14,801,887	11,749,954
	<u>41,567,430</u>	<u>38,282,795</u>
Other receivables	5,180,631	3,254,959
Less: Allowances for doubtful debts	(23,722,117)	(23,888,986)
	<u>23,025,945</u>	<u>17,648,768</u>
Staff receivables	3,998,853	4,137,169
Advance to contractors	8,742,413	8,871,113
	<u>35,767,211</u>	<u>30,657,050</u>

NATIONAL HOUSING CORPORATION

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

**19. TRADE AND OTHER RECEIVABLES**

	30 June 2021 TZS '000	30 June 2020 TZS '000	
Movements in the impairment allowance:			
	Receivables TZS'000	Other financial assets TZS'000	Total TZS'000
30 June 2021			
At beginning of the year	23,340,554	548,432	23,888,986
Charge for the year	355,461	-	355,461
Reversal	-	(522,330)	(522,330)
At end of the year	23,696,015	26,102	23,722,117
30 June 2020			
At beginning of the year	21,494,763	324,263	21,819,026
Charge for the year	1,845,791	224,169	2,069,960
At end of the year	23,340,554	548,432	23,888,986

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

**20. CASH AND BANK BALANCES**

Bank balances	26,084,685	31,417,398
Cash on hand	16,705	19,205
Cash and bank balances as per statement of financial position	26,101,390	31,436,603
Bank overdrafts (Note 25)	(4,334,794)	(5,242,378)
Cash and cash equivalents as per statement of cash-flows	<u>21,766,596</u>	<u>26,194,225</u>

**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 were received from several donors for financing construction of houses.

**22. CAPITAL RESERVE**

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

**23. 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**

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

**24. DEFERRED TAX**

Deferred tax is calculated using balance sheet approach at the enacted income tax rate of 30% (30 June 2020: 30%). The movement on the deferred tax account is as follows:

	30 June 2021 TZS '000	30 June 2020 TZS '000
At the beginning of the year	1,250,670,182	1,119,963,560
Deferred tax (credit)/charge- current period (Note 13(a))	22,572,114	129,214,229
Deferred tax (credit)/charge- prior periods (Note 13(a))	(8,193)	1,492,393
At the end of the year	<u>1,273,234,103</u>	<u>1,250,670,182</u>

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

	Opening balance TZS'000	Charge to P&L prior year TZS'000	Charge to P & L current year TZS'000	Closing balance TZS'000
<b>30 June 2021</b>				
<b>Deferred tax liabilities</b>				
Fair value of investment properties	191,069,046	(8,193)	(394,342)	190,666,511
Accelerated capital allowances	<u>1,076,061,980</u>	-	24,575,910	1,100,637,890
	<u>1,267,131,026</u>	<u>(8,193)</u>	<u>24,181,568</u>	<u>1,291,304,401</u>
<b>Deferred tax assets</b>				
Provisions and other deductible temporary differences	<u>(16,460,844)</u>	-	<u>(1,609,454)</u>	<u>(18,070,298)</u>
Net deferred income tax liability	<u>1,250,670,182</u>	<u>(8,193)</u>	<u>22,572,114</u>	<u>1,273,234,103</u>
<b>30 June 2020</b>				
<b>Deferred tax liabilities</b>				
Fair value of investment properties	179,541,595	(1,512,110)	13,039,561	191,069,046
Accelerated capital allowances	<u>959,389,367</u>	532,696	116,139,917	1,076,061,980
	<u>1,138,930,962</u>	<u>(979,414)</u>	<u>129,179,478</u>	<u>1,267,131,026</u>
<b>Deferred tax assets</b>				
Other deductible temporary differences	<u>(18,967,402)</u>	2,471,807	34,751	<u>(16,460,844)</u>
Net deferred income tax liability	<u>1,119,963,560</u>	<u>1,492,393</u>	<u>129,214,229</u>	<u>1,250,670,182</u>

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**NATIONAL HOUSING CORPORATION**

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

	30 June 2021 TZS '000	30 June 2020 TZS '000
<b>25. BORROWINGS</b>		
Bank and other borrowings	218,641,430	210,838,838
Accrued interest on principal from banks and other borrowings	3,462,716	8,840,786
Bank overdrafts	4,334,794	5,242,378
	<u>226,438,940</u>	<u>224,922,002</u>
<b>Current</b>		
Bank overdraft	4,334,794	5,242,378
Bank and other borrowings	46,084,532	42,788,235
Accrued interest	3,462,716	8,840,786
Current principal from bank and other borrowings	42,621,816	33,947,449
	<u>50,419,326</u>	<u>48,030,613</u>
<b>Non-current</b>		
Bank and other borrowings	176,019,614	176,891,388
	<u>226,438,940</u>	<u>224,922,001</u>
 Movement in bank and other borrowings (principal only):		
At the beginning of the year	210,838,838	229,029,368
Additional borrowings	12,302,330	17,672,507
Repayments	(22,155,631)	(34,488,128)
Loans transfer	17,655,893	-
Unrealized foreign exchange losses	-	(1,374,909)
At the end of the year	<u>218,641,430</u>	<u>210,838,838</u>

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

Lender's name	30 June 2021 TZS '000	30 June 2020 TZS '000	Effective interest rate %	Tenure Years
Shelter Afrique	3,197,080	4,973,902	LIBOR+3.7%	10
CRDB Bank Plc (Loan II)	20,723,402	23,195,875	15%	10
Public Service Social Security Fund (PSSSF)	6,542,468	7,179,981	15.30%	11
TIB Development Bank	20,074,060	22,498,383	15%	4
Azania Bank Limited	9,160,846	4,646,000	14%	7
NMB Bank Plc	13,063,052	15,883,443	15.36%	7
SEM (T) Limited	32,154,446	32,338,016	13%	10
CRDB Bank Plc (Loan III)	26,270,670	31,421,510	16.5%	7
Bank M (T) Limited / Azania Bank	4,801,958	5,907,707	16.0%	6
East African Development Bank (EADB)	47,273,394	62,677,842	LIBOR+5.5%	7
CBA (T) Limited-TZS Loan	7,318,065	8,956,965	15%	5
Azania Loan (Chamwino and Iyumbu Projects)	12,588,851	-	6.8%	15
NMB Loan (EADB Loan Takeover)	15,436,193	-	18.0%	7
NMB Overdraft Loan	3,499,661	-	16.0%	4
	<u>222,104,146</u>	<u>219,679,624</u>		

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NATIONAL HOUSING CORPORATION

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

**25. BORROWINGS (CONTINUED)**

Bank and other borrowings are secured on investment property to the value of TZS 573,593 million (2020: TZS 573,593 million).

**Loan from Shelter Afrique**

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

The loan carries interest at 6 months LIBOR + 3.7% per annum spread/margin. The loan is repayable over a period of 10 years (inclusive of 2 years grace period) effective from March 2015. As at 30 June 2021 the outstanding balance included principal balance of TZS 3.197 billion.

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

The first loan facility agreement of USD 15 million was signed on 06 July 2011 for partly financing the construction of NHC House. The loan carries interest at 7% per annum, charged monthly on the outstanding balance. The loan has a grace period of twelve months from the date of first disbursement and is repayable in 84 equal instalments effective from September 2013. As at 30 June 2020, the loan was fully repaid.

The second loan facility agreement of USD 3.99 million equivalent to TZS 9.23 billion was signed on 17 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 June 2021, outstanding balance included principal of TZS 7.3 billion.

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

The facility agreement of TZS 35 billion was signed on 2 July 2012 for financing construction of 15,000 housing units in different parts of Tanzania for sale and for rental in accordance with the five-year strategic plan. The loan is secured by a first charge legal mortgage on eleven landed properties in Dar es Salaam. Interest is charged at the 10-year

Treasury bond rate plus margin of 2%, with minimum of 15% per annum, accrued daily on outstanding balance and paid semi-annually effective from July 2013 repayable in 10 years (including a grace period of twenty-four months). As at 30th June 2021, outstanding balance included principal of TZS 20.7 billion and interest of TZS 9.1 billion.

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

The facility agreement of TZS 15 billion was signed on 26 June 2012 for financing the construction of 14 blocks comprising 290 residential apartments (Medeli II Project), located in Dodoma. The loan is secured by a first charge legal mortgage on 16 landed properties (11 in Arusha and 5 in Dar es Salaam).

NATIONAL HOUSING CORPORATION

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

**25. BORROWINGS (CONTINUED)**

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

The loan carries interest at 15.3% per annum, charged monthly on the outstanding balance. The loan has a grace period of twelve months from the date of first disbursement. Interest accrued during the grace period is capitalised and the loan is repayable in semi-annual instalment over a period of 10 years after the grace period, commencing from October 2013. As at 30 June 2021 outstanding principal balance amounted to TZS 6.5 billion and interest of TZS 2.5 billion.

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

The loan facility of TZS 20 billion was signed on 10 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.

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 in 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 30 June 2021 outstanding principal balance amounted to TZS 12.3 billion.

**Loan from TIB Development Bank**

The facility agreement of TZS 30 billion was signed on 22 September 2014 for the purpose of financing the acquisition of 296 acres of land from Hortanzia Limited located in Usa River, Arusha and construction of infrastructure to develop serviced plots for a satellite town.

The loan is secured by a first charge legal mortgage on eleven land plots in Dar es Salaam and a deed of assignment over rental proceeds from the financed NHC project located on those plots. The loan carries interest at 15% per annum, charged daily on the outstanding balance and paid monthly in arrears. The loan had a grace period of twelve months from the date of first disbursement and is repayable after the realisation of sales proceeds from sale of plots effective from January 2013 and is repayable in 4 years. As at 30 June 2021, outstanding balance included principal of TZS 20.0 billion and interest of TZS 5.9 billion.

**Loan from Azania Bank Limited**

The facility agreement of TZS 23.2 billion was signed on 11 March, 2020 for the purpose of taking over part (USD 10 billion) of loan from East African Development Bank (EADB). The agreement was disbursement to be made direct to EADB by Azania Bank. However as at 30 June 2021 Azania Bank Limited had only disbursed TZS 9.1 billion to East African Development Bank.

**Loan from National Microfinance Bank Plc**

Loan from NMB where in two phases; the first loan facility amounting TZS 26 billion was signed on 29 November 2012 for the purpose of construction of project entailing the construction of 220 housing units in Dar-es-Salaam.

NATIONAL HOUSING CORPORATION

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

**25. BORROWINGS (CONTINUED)**

**Loan from National Microfinance Bank Plc (Continued)**

Interest is pegged on last auction 182 T-bills (Weighted Average Yield (WAY) plus 250bps. Term of the loan is 84 months from the date of signing the agreement including the 24 months of the grace period.

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

Both loans are secured by the following:-

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

As of 30 June 2021 outstanding balance from both facilities included principal balance of TZS 13.0 billion.

Third facility agreement is 4 billion was signed on 13 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 June 2021, outstanding balance included principal of TZS 3.4 billion and interest of TZS 638 Million.

Fourth facility agreement is 16.3 billion was signed on 13 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 month .As at 30 June 2021, outstanding balance included principal of TZS 15.4 billion and interest of TZS 8.5 billion.

**Loan from Southern Economic Management (SEM) Tanzania Limited**

The loan originated from the 50% construction cost of NHC House ("property") which was initially implemented as a joint venture. Interest on the loan has been determined to be 13% of the total initial cost incurred by the joint venture partner. The loan is paid from the rental proceeds of the property. As at 30 June 2021 the outstanding balance included outstanding principal of TZS 32.1 billion.



NATIONAL HOUSING CORPORATION

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

**25. BORROWINGS (CONTINUED)**

**Loan from CRDB Bank Plc (Loan III)**

The facility agreement of TZS 40 billion was signed on 28 September 2015 for financing construction of Morocco Square Project. The loan is secured by a first charge legal mortgage on twenty landed properties in Dar es Salaam. The loan carries interest at 16.5% per annum accrued daily on outstanding balance and paid semi-annually effective from March 2016. The loan is repayable in 7 years (including a grace period of twenty-four months). As at 30th June 2021, outstanding balance included principal of TZS 26.2 billion and interest of TZS 7.8 billion.

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

The loan facility agreement of TZS 15 billion was signed on 4 July 2015 for financing construction of Victoria Place Project. The loan is secured by a first charge legal mortgage on five landed properties in Dar es Salaam. The loan carries interest at 16% per annum accrued daily on outstanding balance and paid in 54 monthly instalments effective from September 2015. The loan is repayable in 6 years (including a grace period of eighteen months). As at 30 June 2021, outstanding balance included principal of TZS 4.8 billion and interest of TZS 1.3 billion.

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

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

The rate of interest is charged at 3 months LIBOR plus 5.5%; interest accrues from day to day and be calculated based on 360 days year and number of days elapsed. The loan is repayable in 7 years (including a grace period of twenty-four months). As at 30 June 2021, outstanding balance included principal of TZS 45.1 billion.

**Overdraft facilities**

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

Bank	Balance as at 30 June 2021	Limit	Interest	Effective date	Limit time
	TZS'000	TZS'000			
CRDB Bank Plc	4,334,794	5,000,000	17% per annum	2 Nov 2012	One year renewable

**26. DEFINED BENEFIT OBLIGATION**

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

NATIONAL HOUSING CORPORATION

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

**26. DEFINED BENEFIT OBLIGATION (CONTINUED)**

The Corporation provides for defined benefit obligation is based on assessments made by qualified actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

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

	30 June 2021	30 June 2020
Discount rate	15.9%	15.8%
Salary inflation	10.0%	1.0%

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

	30 June 2021 TZS '000	30 June 2020 TZS '000
Recognized in profit or loss	1,523,578	1,238,936
- Current service cost	528,613	278,471
- Interest cost	994,965	960,465
Recognized in other comprehensive income		
- Actuarial loss / (gain) recognized in other comprehensive income	5,364,846	337,071
<b>Net cost for the year</b>	<b>6,888,424</b>	<b>1,576,007</b>

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

Opening balance	6,257,639	6,083,280
Current service cost	528,613	278,471
Interest cost	994,965	960,465
Benefit paid during the year	(922,261)	(1,401,648)
Actuarial loss (gain) recognized in other comprehensive income	5,364,846	337,071
	<b>12,223,802</b>	<b>6,257,639</b>

Actuarial loss recorded during the year was due to a change in actuarial financial assumptions from prior year. Financial assumptions embedded in the plan are salary inflation and discount rates. Salary inflation has increased from 1.0% in prior year to 10.0% in current year whereas discount rate has increased from 15.8% in the prior year to 15.9% in the current year.

	30 June 2021 TZS '000	30 June 2020 TZS '000
<b>27. TRADE AND OTHER PAYABLES</b>		
Trade payables	18,829,758	25,668,899
Construction deposits	142,879,057	161,162,986
Consultancy deposits	22,856	-
Rent advance	1,412,041	1,404,074
Value Added Tax (VAT) payable	972,607	2,124,654
Security and retention	2,540,716	2,666,580
Other payables	15,302,435	18,867,564
Employees related payables	599,690	998,709
	<b>182,559,160</b>	<b>212,893,466</b>

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NATIONAL HOUSING CORPORATION

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

**28. ACCRUALS**

Accrued administrative expenses	2,687,116	5,741,508
Audit fee	290,000	267,291
Salary related expenses	458,003	427,988
Property tax	78,631	141,983
Land rent	778,102	619,308
Service fee	162,161	260,578
	<u>4,454,013</u>	<u>7,458,656</u>

**29. PROVISIONS**

Legal cases	<u>7,299,146</u>	<u>6,876,650</u>
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**30. CONTINGENT LIABILITIES**

As at 30 June 2021, the Corporation was a defendant in 42 lawsuits in various tribunals and courts of law. The total amount claimed in the various lawsuits approximates to TZS 12,128 million. (2020: TZS 11,422 million), of which the Corporation has made a provision of TZS 7,299 million (2020: TZS 6,876 million). In the opinion of the Directors, after taking appropriate legal advice, no material additional liabilities are expected to crystallize from these lawsuits.

**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;

	30 June 2021 TZS '000	30 June 2020 TZS '000
Opening balance	17,148,898	15,243,754
Receipts during the year	2,704,274	2,257,058
Refund during the year	(1,082,785)	(351,914)
	<u>18,770,387</u>	<u>17,148,898</u>

**32. CASH RECEIPTS FROM CUSTOMERS**

Deposits on Sale of Houses	6,238,155	31,671,845
Deposits on Sale of Plots	1,518,189	1,279,427
Contractee Deposits	31,366,084	40,262,931
Receipts from Rental Income	99,758,139	97,088,206
Consultancy Deposits	22,856	-
	<u>138,903,423</u>	<u>170,302,409</u>

NATIONAL HOUSING CORPORATION

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

	30 June 2021 TZS '000	30 June 2020 TZS '000
<b>33. CASH PAID TO SUPPLIERS</b>		
Payments to Suppliers	81,401,401	66,167,687
Payments related to Accrued Expenses	368,950	878,523
Payments related to Provisions	1,034,247	1,519,786
Payments related to Property management cost	5,165,318	7,293,966
Payments related to Administrative expenses	11,518,353	10,339,074
Payments related to Sales and Marketing expenses	955,908	897,103
	<u>100,444,177</u>	<u>87,096,139</u>
<b>34. CASH PAID IN RESPECT OF STAFF COST</b>		
Salaries and wages	10,429,850	10,427,175
Housing allowance	1,936,130	2,373,927
Terminal benefits	922,261	1,401,648
Staff welfare	166,779	154,770
Staff canteen services	530,329	386,810
Staff transport services	310,610	366,546
Staff uniforms and clothing	10,800	39,746
Pension contributions	1,365,392	1,377,857
Medical costs	547,864	568,087
Master workers council	62,364	75,503
Leave travel allowance	726,485	773,555
Transfer and disturbance allowance	576,324	194,449
Skills and development levy	595,846	692,081
Gratuity provision expense	-	6,022
Workmans compensation	60,227	62,759
Annual incentive and service award	72,000	4,500
	<u>18,313,261</u>	<u>18,905,435</u>
<b>35. INTEREST PAID</b>		
Interest Related to Loan from Bank M	816,394	2,207,746
Interest Related to Loan from Shelter Afrique	194,820	836,580
Interest Related to Loan from CRDB Bank Plc (Loan II)	3,314,654	2,664,802
Interest Related to Loan from Local Authority Pension Funds(LAPF)	906,161	596,308
Interest Related to Loan from TIB Development Bank	3,152,781	3,220,178
Interest Related to Loan from NMB Bank Plc	2,353,287	3,418,190
Interest Related to Loan from CRDB Bank Plc (Loan III)	4,372,563	3,146,051
Interest Related to Loan from East African Development Bank (EADB)	1,895,484	5,354,112
Interest Related to NMB Overdraft Loan	612,118	734,906
Interest Related to Loan from CBA Bank (Shelter Afrique)	1,378,318	418,785
Interest Related to CRDB Overdraft	652,153	762,003
Interest Related to Loan from CBA (T) Limited	-	18,336
Interest Related to Loan from ABC (T) Limited	-	11,945
Interest Related to Loan from Azania Bank Limited	-	22,931
Interest Related to Loan from NMB Bank Plc (EADB Loan Takeover)	1,596,679	-
	<u>21,245,412</u>	<u>23,412,873</u>

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NATIONAL HOUSING CORPORATION

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

**36. CORRECTION OF OPENING BALANCE**

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

Adjustment account:

	30 June, 2021 TZS '000	30 June, 2020 TZS '000
Land for office buildings (a)	-	18,785,930
Office buildings (b)	-	643,209
Office buildings (c)	-	353,077
Accrued charges payable-Administration (d)	-	1,007,087
Salary related accrued payables (e )	-	870,011
Security and retention deposits-projects (f)	-	83,651
Uyui Project (g)	-	(237,544)
<i>:Debtors on sale of constructed houses</i>	-	(1,579,776)
<i>:Rental houses</i>	-	1,189,364
<i>:Purchase of house deposit control account (VAT excl)</i>	-	87,712
<i>:Value Added Tax-Out put</i>	-	15,788
<i>:Purchase of house deposit control account (VAT excl)</i>	-	49,368
Mvomero project (h)	63,008	-
<i>:Rental houses</i>	(350,046)	-
<i>:Debtors on sale of constructed houses</i>	413,055	-
Net effect on retained earnings	<u>63,008</u>	<u>21,505,421</u>

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

NATIONAL HOUSING CORPORATION

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

**36. CORRECTION OF OPENING BALANCE (CONTINUED)**

- (h) Adjustment related to the change of contract terms between Mvomero District Council and NHC where the Council purchased houses from Mvomero project and later decided to return 10 houses out of 19 houses. The change of contract terms was due to financial constraints as claimed by the Council.

**37. COMMITMENTS**

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

	30 June 2021 TZS'000	30 June 2020 TZS'000
Construction of property for rental (ongoing projects)	-	1,219,911
Construction of property for sale (ongoing projects)	175,407,870	195,401,783
	<u>175,407,870</u>	<u>196,621,694</u>

**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 2021 TZS '000	30 June 2020 TZS '000
Salaries and other short-term employment benefits	1,660,947	1,589,574
Annual leave pay	90,818	96,476
House allowance	191,945	229,921
Loans to key management	693,095	799,097
	<u>2,636,805</u>	<u>2,715,068</u>

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

**30 June 2021**

Types of Loan	Amount TZS '000	Terms of payments	Interest Rate
House loan	363,496	Repayable monthly for 15 years	Nil
Car loan	311,704	Repayable monthly for 6 years	Nil
Cash advance	17,895	Repayable monthly for 12 months	Nil
	<u>693,095</u>		

NATIONAL HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(i) Key management compensation

30 June 2020

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

ii) Directors' remuneration

Fees for services as director

30 June 2021 TZS '000	30 June 2020 TZS '000
67,000	
<u>67,000</u>	<u>151,870</u>

NATIONAL HOUSING CORPORATION

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

**39. FINANCIAL INSTRUMENTS BY CATEGORY**

Categories of financial instruments and reconciliation of financial instruments to the statement of financial position at 30 June 2021

30 June 2021	Total TZS'000	Financial assets amortised at cost/fair value TZS'000	Financial liabilities at amortized costs TZS'000	Non-Financial assets or liabilities and equity TZS'000
<b>Assets</b>				
<b>Non-current assets</b>				
Investment property	4,562,116,541	-	-	4,562,116,541
Intangible assets	-	-	-	-
Investment in Joint Venture	18,504,668	-	-	18,504,668
Advance towards shares in other entities	29,787,137	-	-	29,787,137
Equity Investments	3,133,764	3,133,764	-	-
Property, plant and equipment	44,561,198	-	-	44,561,198
<b>Total non-current assets</b>	<b>4,658,103,309</b>	<b>3,133,764</b>	<b>-</b>	<b>4,654,969,545</b>
<b>Current assets</b>				
Inventories	328,044,566	-	-	328,044,566
Trade and other receivables	35,767,211	21,703,339	-	14,063,872
Trade receivables	17,845,314	17,845,314	-	-
Other receivables	5,180,631	-	-	5,180,631
Advance to contractors	8,742,413	-	-	8,742,413
Staff receivable - Staff imprest	140,828	-	-	140,828
Staff receivable - Other receivables	3,858,025	3,858,025	-	-
Cash and bank balances	26,101,390	26,101,390	-	-
Cash on hand	16,705	16,705	-	-
Bank balances	26,084,685	26,084,685	-	-
<b>Total current assets</b>	<b>389,913,167</b>	<b>47,804,729</b>	<b>-</b>	<b>342,108,438</b>
<b>Total assets</b>	<b>5,048,016,476</b>	<b>50,938,493</b>	<b>-</b>	<b>4,997,077,982</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	(468,100)	-	-	(468,100)
Retained earnings	3,303,158,206	-	-	3,303,158,206
<b>Total equity</b>	<b>3,320,571,104</b>	<b>-</b>	<b>-</b>	<b>3,320,571,104</b>



NATIONAL HOUSING CORPORATION

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

**39. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)**

**Categories of financial instruments and reconciliation of financial instruments to the statement of financial position at 30 June 2021 (Continued)**

30 June 2021	Total TZS'000	Financial assets amortised at cost/fair value TZS'000	Financial liabilities at amortized costs TZS'000	Non-Financial assets or liabilities and equity TZS'000
<b>Non-current liabilities</b>				
Deferred income tax liability	1,273,234,103	-	-	1,273,234,103
Borrowings	176,019,614	-	176,019,614	-
Rental deposits	18,770,087	-	18,770,387	-
Defined benefit obligation	12,223,802	-	-	12,223,802
<b>Total non-current liabilities</b>	<b>1,480,247,906</b>	<b>-</b>	<b>194,790,001</b>	<b>1,285,457,905</b>
<b>Current liabilities</b>				
Trade and other payables	182,559,160	-	22,942,771	159,616,389
Trade payables	18,829,758	-	18,829,758	-
Other payables	15,302,437	-	-	15,302,437
Employees related payables	599,690	-	599,690	-
Security and retention	2,540,716	-	2,540,716	-
Rent advance	1,412,041	-	-	1,412,041
Construction deposits	142,879,357	-	-	142,879,357
Consultancy Deposits	22,856	-	-	22,856
Value Added Tax (VAT) payable	972,607	-	972,607	-
Bank overdraft	4,334,794	-	4,334,794	-
Accrued expenses	4,454,013	-	4,454,013	-
Provisions	7,299,146	-	-	7,299,146
Borrowings	46,084,532	-	46,084,532	-
Current tax liability	2,465,821	-	2,465,821	-
<b>Total current liabilities</b>	<b>247,197,466</b>	<b>-</b>	<b>80,281,931</b>	<b>166,915,535</b>
<b>Total equity and liabilities</b>	<b>5,048,016,476</b>	<b>-</b>	<b>275,071,932</b>	<b>4,772,944,544</b>

NATIONAL HOUSING CORPORATION

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

**39. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)**

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

30 June 2020	Financial assets amortised at Total cost/fair value TZS'000	Financial liabilities at amortized costs TZS'000	Non-Financial assets or liabilities and equity TZS'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment property	4,464,361,110	-	- 4,464,361,110
Intangible assets	-	-	-
Investment in Joint Venture	18,654,673	-	- 18,654,673
Advance towards shares in other entities	29,787,137	-	- 29,787,137
Equity Investments	3,133,764	3,133,764	-
Property, plant and equipment	43,747,897	-	- 43,747,897
<b>Total non-current assets</b>	<b>4,559,684,582</b>	<b>3,133,764</b>	<b>- 4,556,550,817</b>
<b>Current assets</b>			
Inventories	354,090,648	-	- 354,090,648
Trade and other receivables	30,657,050	18,433,233	- 12,223,817
Trade receivables	14,393,809	14,393,809	-
Other receivables	3,254,959	-	- 3,254,959
Advance to contractors	8,871,113	-	- 8,871,113
Staff receivable - Staff imprest	97,745	-	- 97,745
Staff receivable - Other receivables	4,039,424	4,039,424	-
Cash and bank balances	31,436,603	31,436,603	-
Cash on hand	19,205	19,205	-
Bank balances	31,417,398	31,417,398	-
<b>Total current assets</b>	<b>416,184,301</b>	<b>49,869,836</b>	<b>- 366,314,465</b>
<b>Total assets</b>	<b>4,975,868,882</b>	<b>53,003,600</b>	<b>- 4,922,865,282</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Capital fund	485,554	-	- 485,554
Capital reserve	2,395,444	-	- 2,395,444
Revaluation reserve	4,941,049	-	- 4,941,049
Retained earnings	3,237,278,320	-	- 3,237,278,320
<b>Total equity</b>	<b>3,245,100,367</b>	<b>-</b>	<b>- 3,245,100,367</b>

NATIONAL HOUSING CORPORATION

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

**39. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)**

Categories of financial instruments and reconciliation of financial instruments to the statement of financial position as at 30 June 2020 (Continued)

30 June 2020	Financial assets amortised at cost/fair value TZS'000	Financial liabilities at amortized costs TZS'000	Non-Financial assets or liabilities and equity TZS'000
<b>Non-current liabilities</b>			
Deferred income tax liability	1,250,670,182	-	1,250,670,182
Borrowings	176,891,388	-	-
Rental deposits	17,148,898	-	-
Defined benefit obligation	6,257,639	-	6,257,639
<b>Total non-current liabilities</b>	<b>1,450,968,107</b>	<b>-</b>	<b>1,256,927,821</b>
<b>Current liabilities</b>			
Trade and other payables	212,893,466	-	181,434,624
Trade payables	25,668,899	-	-
Other payables	18,867,564	-	18,867,564
Employees related payables	998,709	-	-
Security and retention	2,666,580	-	-
Rent advance	1,404,074	-	1,404,074
Construction deposits	161,162,986	-	161,162,986
Value Added Tax (VAT) payable	2,124,654	-	-
Bank overdraft	5,242,378	-	-
Accrued expenses	7,458,656	-	-
Provisions	6,876,650	-	6,876,650
Borrowings	42,788,235	-	-
Gratuity payable	-	-	-
Current tax liability	4,541,023	-	-
<b>Total current liabilities</b>	<b>279,800,408</b>	<b>-</b>	<b>188,311,274</b>
<b>Total equity and liabilities</b>	<b>4,975,868,882</b>	<b>-</b>	<b>4,690,339,462</b>

**40. 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

40. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

- (iii) Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 June 2021	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>	TZS '000	TZS '000	TZS '000	TZS '000
Trade and other receivables	-	50,746,914	-	50,746,914
Cash and bank balances	26,101,390	-	-	26,101,390
<b>Total</b>	<b>26,101,390</b>	<b>50,746,914</b>	<b>-</b>	<b>76,848,304</b>
<u>Financial liabilities</u>				
Bank and other borrowings	-	176,019,614	-	176,019,614
Rental deposits	-	18,770,387	-	18,770,387
<u>Current financial liabilities</u>				
Bank and other borrowings	-	46,084,532	-	46,084,532
Bank overdraft	-	4,334,794	-	4,334,794
Trade and other payables	-	24,354,812	-	24,354,812
<b>Total</b>	<b>-</b>	<b>269,564,139</b>	<b>-</b>	<b>269,564,139</b>

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

41. EVENTS AFTER REPORTING PERIOD

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

42. COMPARATIVES

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