AUDITAX
International

TMRC
TANZANIA MORTGAGE
REFINANCE COMPANY LTD

Audited Financial Statements
for the year ended 31st December 2022

TMRC

TANZANIA MORTGAGE
REFINANCE COMPANY LTD

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2022

Table of Contents	**Page**

Abbreviations

ACCPAC ERP	Accounting Package Enterprise Resource Planning
AGM	Annual General Meeting
BARC	Board Audit and Risk Committee
BCC	Board Credit Committee
BHRGC	Board Human Resources and Governance Committee
BOA	Bank of Africa Tanzania Ltd
BOT	Bank of Tanzania
CDS	Central Depository of Securities
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CMSA	Capital Markets and Securities Authority
COO	Chief Operations Officer
CSM	Contractual Service Margin
DFI	Development Finance Institution
DSE	Dar es Salaam Stock Exchange Plc
FHF	First Housing Finance Co. Ltd
FVOCI	Fair Value through Other Comprehensive Income
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
KPI	Key Performance Indicator
MCC	Management Credit Committee
MD	Managing Director
MIC	Management Investment Committee
MRIS	Mortgage Refinance Information System
MTN	Medium Term Note
NBAA	National Board of Accountants and Auditors
NBC	National Bank of Commerce
NHC	National Housing Corporation
NSSF	National Social Security Fund
OCI	Other Comprehensive Income
PBT	Profit Before Tax
PML	Primary Mortgage Lender
PSPF	Public Service Pension Fund
PSSSF	Public Service Social Security Fund
SDL	Skills and Development Levy
TMRC	Tanzania Mortgage Refinance Company Limited
TRA	Tanzania Revenue Authority
TZS	Tanzania Shilling
VAT	Value Added Tax
WCF	Workers Compensation Fund

BOARD OF DIRECTORS

S/N	Name	Representing	Position	Qualification	Age	Nationality
1.	Mr. Theobald Sabi	MD, NBC	Chairman	Bachelor of Science in Engineering, Association of Chartered Certified Accountant (FCCA)	47	Tanzanian
2.	Mr. Godfrey Ndalahwa	MD, DCB	Vice Chairman (Appointed on 24th February 2022)	Masters in Business Administration (MBA), CPA	46	Tanzanian
3.	Mr. Charles Itembe	CEO, Azania Bank	Vice Chairman (Resigned on 25th February 2022)	Masters of Arts – Economics	50	Tanzanian
4.	Mr. Abdulmajid Nsekela	MD, CRDB Bank	Member	MBA (International Banking and Finance)	51	Tanzanian
5.	Mr. Adam Mihayo	MD, BOA	Member	Bachelor of Commerce; (MBA), CPA	41	Tanzanian
6.	Ms. Lilian Mbassy	Director of Managed Funds, TIB	Member	MBA - (Finance & Banking)	46	Tanzanian
7.	Mr. Imani John	MD, BancABC	Member	B. Com (Accounting); CPA	43	Tanzanian
8.	Ms. Esther Mang'enya	MD, Azania Bank	Member	Masters in Business Administration (MBA) –	51	Tanzanian
9.	Mr. Andrew Lyimo	Head Retail Banking, Exim Bank	Member	MSc. Accounting &Finance; CPA	47	Tanzanian
10.	Mr. Kingsley Muwowo	Ag. MD, Shelter Afrique	Member Appointed on 26th April 2022	MBA; CPA (Z)	60	Zambian
11.	Mr. Andrew Chimphondah	MD, Shelter Afrique	Member Resigned on 24th February 2022	MBA (International Finance)	54	Zimbabwean
12.	Mr. Filbert Mponzi	Chief Retail & Agri Banking, NMB	Member	Masters in Business Administration (MBA), CPA	47	Tanzanian
13.	Dr. Maulid Banyani	DG, NHC	Member Resigned on 09th May 2022	MSc. LMV, MSc. LM, PhD Facilities Planning and Management	50	Tanzanian
14.	Mr. Sanjay Suchak	Director, FHF	Member	Business Executive, Founder of African Risk & Insurance Services Limited (ARIS)	54	Tanzanian
15.	Ms. Pamela Lamoreaux	Director	Member	Consultant, World Bank Group	70	American

COMPANY SECRETARY	Ms. Monica Mushi (Legal Counsel)
CHIEF OFFICERS	Mr. Oscar Mgaya (Chief Executive Officer) Mr. Oswald Urassa (Chief Finance Officer) Mr. Shabani Mande (Chief Operations Officer)
REGISTERED OFFICE	15th Floor Golden Jubilee Towers (PSPF) Ohio Street P.O. Box 7539 Dar es Salaam Tanzania
INDEPENDENT AUDITORS	Auditax International PPF Tower 7th Floor Garden Avenue/Ohio Street P.O. Box 77949 Dar es Salaam Tanzania
PRINCIPAL BANKERS	Exim Bank (Tanzania) Limited Exim Tower Ghana Avenue P.O. Box 1431 Dar es Salaam Tanzania

REPORT BY THOSE CHARGED WITH GOVERNANCE

The Directors present this report and the audited financial statements for the financial year ended 31st December, 2022 which disclose the state of affairs of the Company.

INCORPORATION

The Company was incorporated on 29th January 2010 under the Tanzania Companies Act, 2002 and began its lending operations in November 2011.

COMPANY'S VISION

To become the preferred secondary market intermediary for mortgage financing in Tanzania.

COMPANY'S MISSION

TMRC's mission is to expand home ownership in Tanzania by providing long term financing to primary mortgage lenders.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to provide long term source of funds to banks for the purpose of mortgage lending.

TMRC OBJECTIVES AND STRATEGIES

TMRC's main objective is to act as a catalyst for the development of mortgage market through refinancing banks' mortgage portfolios. TMRC is a specialized financial institution which provides long-term funding to financial institutions for purposes of mortgage lending. TMRC has the objective of supporting financial institutions to do mortgage lending by refinancing their mortgage portfolios. This type of lending is also known as wholesale or secondary market lending. TMRC is a private sector financial institution owned by banks as well as institutions with a stake in the mortgage market.

DIRECTORS

The Directors who held office during the year and at the date of this report are shown on page 3. In accordance with the Company's Articles of Association, no Director is due for retirement by rotation.

CORPORATE GOVERNANCE

TMRC Board consists of 12 Directors and 11 Alternate Directors. An alternate Director represents a substantive Director at the board meetings if he/she is unable to attend. Apart from the Chief Executive Officer, no other Director holds executive positions in the Company. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring significant investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board is required to meet at least four times a year. The Board delegates the day-to-day management of business to the Chief Executive Officer assisted by senior management.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Senior management is invited to attend all Board meetings and facilitates the effective control of all the Company's operational activities, acting as a medium of communication and coordination between all the various business units.

The Company is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency and accountability.

TMRC Board is responsible for the governance of risk and sets the tone and direction for TMRC in the way risks are managed in the company's businesses. Board has ultimate responsibility for approving the strategy of the Company in a manner which addresses stakeholders' expectations and does not expose the Company to an unacceptable level of risk. The Board (through Board Audit and Risk Committee) approves the key risk management policies and ensures a sound system of risk management and internal controls exists and monitors performance against them.

The Board accepts final responsibility for the risk management and internal control systems of the Company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviour towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system, of internal control can provide absolute assurance against misstatement or losses, the Company system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

Board Committees

During the year, TMRC had three Board Committees whose role is to ensure a high standard of corporate governance throughout the Company. These Committees were Board Audit and Risk Committee (BARC); Board Credit Committee (BCC) and Board Human Resources and Governance Committee (BHRGC). The activities of these Committees are governed by the respective Committee Charters which are approved by the Board. The three Committees report to the Board of Directors.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Audit and Risk Committee

Board Audit and Risk Committee Purpose and Responsibilities

The Board Audit and Risk Committee reviews significant accounting policies and financial reporting systems to ensure that they are adequate and are complied with at all times. It reviews adequacy of internal control systems and monitors implementation of actions to address issues raised by Internal and External auditors and Regulators.

The Committee assists the Board in evaluation and selection of external auditors at least annually. It also recommends termination of existing auditors whenever it is found that the performance is not in line with the assigned duties and responsibilities and/or there is no independence for the auditors to discharge their duties in a professional manner. The Head of Internal Audit reports directly to the Board Audit and Risk Committee.

Resolutions which were made by the Committee during the year are as follows:

i. To recommend to the Board of Directors approval of the financial statements for Q1, Q2 and Q3 2022
ii. To approve the proposal from Management of conducting a one-day workshop in Dar es Salaam that will enable TMRC gather enough data and key information related to Islamic banking
iii. To note TMRC Tranche 4 update and approve the postponement of the issuance of Tranche 4
iv. To note risk, audit reports and implementation status of Bank of Tanzania directives
v. To recommend to the Board of Directors for approval of the Information Technology Strategic plan
vi. To recommend for the Board's approval changes to the Anti-Money laundering policy.
vii. To recommend to the Board of Directors for approval of TMRC on lending margin range of 1% to 1.5% and 2% to 2.5% for member and non-member banks respectively.
viii. To recommend to the Board for approval changes to the Board Audit and Risk Committee Charter.
ix. To recommended to the Board for approval reallocation of budget from the expenditure items.
x. To recommend to the Board for approval in principal for Management to begin to research and determine the new IT system requirements. Procurement of the new system to be conducted in the future once budgeted and all necessary approvals are obtained.
xi. To recommend the budget for 2023 to the Board of Directors for approval.
xii. To recommend the proposed Internal Audit plan for 2023 to Board for approval.
xiii. To recommend the proposed changes of the Compliance Risk Management Policy, Outsourcing policy, Risk Management Policy, Anti-Money Laundering policy and Financial Management policy to Board for approval.
xiv. To recommend to the Board of Directors approval to open a Company account at NMB Bank Plc to facilitate activation of the standby line of credit amounting to TZS 1 billion as and when TMRC requires to use the facility for liquidity purposes only.
xv. To note the legal update report and the changes on the new Banking and Financial Institutions (Mortgage Refinance) Regulations, 2022.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Audit and Risk Committee (Continued)

Board Audit and Risk Committee Composition

Name	Detail	Position	Nationality
Mr. Andrew Chimphondah	CEO, Shelter Afrique	Chairman (Resigned on 24th February 2022)	Zimbabwean
Mr. Andrew Lyimo	Head Retail Banking, Exim Bank Tanzania	Chairman (Appointed on 24th February 2022)	Tanzanian
Mr. Abdulmajid Nsekela	CEO, CRDB Bank	Member	Tanzanian
Ms. Lilian Mbassy	Director of Managed Funds, TIB	Member	Tanzanian
Mr. Kingsley Muwowo	Ag. MD, Shelter Afrique	Member (Appointed on 26th April 2022)	Zambian
Ms. Pamela Lamoreaux	Consultant	Member Appointed 24th February 2022)	American

Board Credit Committee

Board Credit Committee Purpose and Responsibilities

The main function of the Board Credit Committee is to monitor performance and quality of the credit portfolio, appraise and approve loans within its credit approval limit and to recommend to the Board for approval of facilities beyond its limit. The Committee reviews Credit Policy at least once a year and ensures that it contains sound fundamental principles that facilitate identification, measurement, monitoring and control of credit risk as well as having appropriate plans and strategies for credit risk management.

Resolutions which were made by the Committee during the year are as follows:

i. To recommend to the Board of Directors for approval three (3) months replenishment grace period extension with effect from 31st March 2022 to 30th June 2022 to enable the I&M to follow up on security perfection outstanding at the Ministry for Lands.
ii. To recommend to the Board of Directors for approval using the loans with Loan to Value ratio exceeding 90% to reduce the current gap from 54% to 27% while waiting for Bank of Tanzania response on the same. Further, to recommend to the Board of Directors for approval to provide waiver on coverage ratio requirement for six (6) months to allow completion of transfer process before another collateral is pledged by Exim Bank

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Credit Committee (Continued)

iii. To recommend to the Board for approval limits for short term investments.

iv. To recommend to the Board of Directors for approval three (3) months replenishment grace period extension with effect from 31st March 2022 to 30th June 2022 to enable the I&M to follow up on security perfection outstanding at the Ministry for Lands.

v. To recommend to the Board of Directors for approval Primary Mortgage Lenders credit limits for 2022/2023.

vi. To recommend to the Board for approval the new terms for the facility (FNB 1 R1/EXIM 3 at Exim Bank subject to the Bank of Tanzania approval. - To recommend to the Board for approval renewal of EXIM2 R1 facility as a refinance facility as per the proposed terms subject to Bank of Tanzania approval.

vii. To recommend to the Board for approval penalty waiver of TZS 152.5mn and approve renewal of KCB 2 R1 the facility as a refinance facility as per the proposed terms subject to the Bank of Tanzania approval. - To recommend to the Board for approval extension of replenishment grace period for I&M 1 R1 and I&M 2 R1 facilities to 31st December 2022. - To recommend to the Board for approval extension of replenishment grace period for BOA1-R2 facility to 31st December 2022.

Board Credit Committee Composition

Name	Detail	Position	Nationality
Dr. Maulid Banyani	DG, NHC	Chairman (resigned on 24th February 2022)	Tanzanian
Mr. Adam Mihayo	MD, BOA	Chairman (appointed on 24th February 2022	Tanzanian
Mr. Filbert Mponzi	Chief Retail & Agri Banking, NMB	Member	Tanzanian
Mr. Imani John	MD, BancABC	Member	Tanzanian
Mr. Godfrey Ndalahwa	MD, DCB	Member (Resigned on 24th February 2022)	Tanzanian
Ms. Esther Mang'enya	MD, Azania Bank	Member (Appointed on 24th February 2022)	Tanzania

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Human Resources Governance and Governance Committee (BHRGC)

BHRGC Purpose and Responsibilities

The main function of this Committee is to develop, review and enhance the company approach to corporate governance and human resources management practices. The Committee ensures that there is a succession plan for executives and other key positions within the company. It is also responsible for reviewing and recommending reward strategy and annual compensation for the Board, senior management and other employees of the company.

The Committee makes general recommendations to the Board on corporate governance, including directorship practices, recruitment and retirement policies for the executives of the company, issues arising from Annual General Meeting (AGM), the function and duties of the Committees of the Board and any changes/issues that the Committee believes to be desirable in the matter to be covered by the Board or any of its committees.

Resolutions which were made by the Committee during the year are as follows:

i. To recommend to the Board of Directors to recommend to the Shareholders for approval of the following:
    - Reappointment for another term of three (3) years of Ms. Lilian Mbassy a Substantive Director representing TIB Development Bank in the TMRC Board of Directors effective 13th July 2022.
    - Appointment of Ms. Jacqueline Lyatuu an Alternate Director representing Azania Bank Limited in the TMRC Board of Directors subject to Bank of Tanzania approval.
    - Appointment of Mr. Nehemiah Kyando Mchechu a Substantive Director representing National Housing Corporation in the TMRC Board of Directors subject to Bank of Tanzania approval.
    - Resignation of Directorship of Dr. Maulidi Banyani and inform the Registrar of Companies at Business Registration and Licensing Agency (BRELA) of the same.
    - To recommend to the Board of Directors appointment of Ms. Esther Mang'enya a Substantive Director representing Azania Bank Limited and Mr. Kingsley Muwowo a Substantive Director representing Shelter Afrique in the TMRC Board of Directors effective 15th February 2022 and 26th April 2022 respectively.
    - To recommend to the Board of Directors an extension of the tenure of the Chief Executive Officer for a period of two years subject to Management putting in place a proper development plan for the two potential successors to take up the role of the CEO.

ii. To recommend the Bonus policy to the Board of Directors for approval subject to Management accommodating the improvements noted on exceptions and pegging the bonus pay based on the best practice in the market

iii. To note the update on the Company's succession plan

iv. To recommend to the Board of Directors approval of changes to the Human Resources policy.

v. To recommend to the Board of Directors for approval of changes to the Board Charter.

vi. To recommend to the Board of Directors approval of changes to the Communications policy

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Human Resources Governance and Governance Committee (Continued)

vii. To recommend to the Board of Directors approval of changes to the corporate governance policy.

Board Human Resources Governance and Governance Committee Composition

Name	Detail	Position	Nationality
Mr. Filbert Mponzi	Chief Retail & Agri Banking, NMB	Chairman	Tanzanian
Mr. Sanjay Suchak	Director, FHF	Member	Tanzanian
Mr. Imani John	MD, BancABC	Member	Tanzanian
Mr. Godfrey Ndalahwa	MD, DCB	Member (Resigned on 24th February 2022)	Tanzanian
Ms. Pamela Lamoreaux	Director	Member (Resigned on 24th February 2022)	American
Ms. Esther Mang'enya	MD, Azania Bank	Member (Appointed on 24th February 2022)	Tanzanian

BOARD ACTIVITIES DURING THE YEAR

During the year, there were seven (7) Board meetings three (3) of which were Extraordinary Board meetings. There were also;

- Four (4) Board Audit and Risk Committee meetings;
- Four (4) Board Credit Committee meetings;
- Six (6) Board Governance and Human Resources Committee meetings.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

BOARD ACTIVITIES DURING THE YEAR (CONTINUED)

The following table shows the number of Board and Committee meetings held during the year and the attendance by directors:

S/N	Name	Scheduled Meetings eligible to attend	Scheduled Meetings attended	Scheduled Meetings eligible to attend	Scheduled Meetings attended	Scheduled Meetings eligible to attend	Scheduled Meetings attended	Scheduled Meetings eligible to attend	Scheduled Meetings attended
		BOARD		BARC		BCC		BG&HRC	
	ACTIVE DIRECTORS								
1.	Mr. Theobald Sabi	7	7	n/a	n/a	n/a	n/a	n/a	n/a
2.	Mr. Godfrey Ndalahwa	7	7	n/a	n/a	1	1	4	1
3.	Mr. Abdulmajid Nsekela	6	6	4	3	n/a	n/a	n/a	n/a
4.	Mr. Adam Mihayo	7	7	n/a	n/a	4	4	6	6
5.	Ms. Lilian Mbassy	7	7	4	4	n/a	n/a	n/a	n/a
6.	Mr. Imani John	7	7	n/a	n/a	4	4	5	5
7.	Ms. Esther Mang'enya	6	6	n/a	n/a	2	2	3	3
8.	Mr. Andrew Lyimo	7	7	4	3	n/a	n/a	n/a	n/a
9.	Mr. Kingsley Muwowo	6	6	4	3	n/a	n/a	n/a	n/a
10.	Mr. Filbert Mponzi	7	7	n/a	n/a	4	4	6	6
11.	Mr. Sanjay Suchak	6	6	n/a	n/a	n/a	n/a	4	4
12.	Ms. Pamela Lamoreaux	7	7	3	3	n/a	n/a	1	1

The Board considered strategy matters at each of its Board meetings throughout 2022 continuing to deepen its understanding of the company business, the risks and opportunities that TMRC faces. This enabled the Board to spend a good proportion of its time considering longer-term and strategic issues.

During the year, the Board focused on reviewing progress of the TMRC Strategic Plan (2020- 2024) and relevant strategic initiatives, reviewing, and approving governance policies, and overseeing performance and risk. It considered performance against financial and other strategic objectives, key business challenges, emerging risks, business development, and the company relationships with its stakeholders.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

BOARD ACTIVITIES DURING THE YEAR (CONTINUED)

The Board's key areas of focus in 2022 were:

Strategy and business performance

i. Reviewed quarterly performance of the company
ii. Reviewed company strategic plan implementation status
iii. Monitored and assessed the strength of the TMRC's capital and liquidity positions
iv. Deliberated progress funding initiatives
v. Deliberated progress of the costs and investment initiatives
vi. Approved the company's credit limits for loans and term deposits.
vii. Received updates on the performance of loan portfolio
viii. Reviewed and approval of company policies

Financial Decisions

- The Board approved key financial decisions throughout the year and approved the Annual Report and Audited Financial Statements for the year ended 31 December 2021;
- The Board passed a proposed dividend pay-out of TZS 27.59 per ordinary share. A total dividend pay-out of TZS 636. 30 million was approved by the Board, which was subject to Shareholders' approval at the Annual General Meeting and a no objection from BOT.

Budget and Performance oversight

- Monitored the TMRC's financial performance against the budget for the year 2022;
- Approved the TMRC's 2023 budget and key strategic initiatives;
- Approval of the quarterly financial results for publications;
- Approved the full year financial results, and considered the key internal and external factors in determining payment of dividend;
- Noted management's presentation to the Board in respect of the 2022 risk scenario stress test assessed and potential material impact on performance.

Risk, regulatory and legal considerations

- The Board, advised by the Board Audit and Risk Committee (BARC), promotes a strong risk governance culture that shapes the company's risk appetite and supports the maintenance of a strong risk management framework, giving consideration to the measurement, evaluation, acceptance and management of risks, including emerging risks;
- Received regular Risk and Compliance reports from the Head of Risk and Compliance with focused highlight on the company's risk and control operating environment;
- Received implementation of BOT Examination Report, noted key findings thereof, Management's responses and related actions;
- Received and deliberated control issues raised by the Internal Auditor with recommendations from management to remediate the control gaps for enhanced risk management;
- Approved the Internal Audit and Risk department Budget for 2023.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

BOARD ACTIVITIES DURING THE YEAR (CONTINUED)

Technology

- Throughout the year, the Board received regular updates on technology from the IT Manager including implementation status of digital and technology related initiatives;
- The Board approved initiation of TMRC IT infrastructure enhancement.

People, culture, and values

- Received an update on succession planning and an overview of the Strategy for 2023;
- Received an update of implementation of training to staffs;
- Received and deliberated remuneration plan and salary adjustments to staffs.

External environment

- Received periodic update of the Mortgage market development and performance.
- Received and deliberated various regulatory changes and the impact to the business.

Governance

- The Board continued to oversee the governance for the efficient and effective operations of the company whilst ensuring transparency, accountability and security as ;
- The Board monitored its compliance with the Principles of Good Corporate Governance Practices, and the Companies Act 2002 throughout the year;
- The Board attended annual training on corporate governance and team building for a more efficient and effective Board;
- The Board performed annual self-assessment to determine its effectiveness and identify any specific training needs to the Board members as well as areas that need improvement

STRATEGIC OBJECTIVES

TMRC mission that drives its long-term strategic focus is "To expand home ownership in Tanzania by providing long term mortgage financing to primary mortgage lenders". While fulfilling the said mission, the provision of attractive funding to mortgage lenders is one of the key and critical factor in deciding the growth of TMRC's lending operations.

The company's primary objectives are:

i. TMRC, like other Mortgage Refinance Companies (MRCs), is a market development entity with a "common good" approach. TMRC will play a catalytic role on the market development beyond its refinancing function.

ii. to provide an attractive financing option for mortgage lenders i.e. medium to long-term funds at a reasonable cost and to act as a catalyst for the development of the nascent mortgage market.

iii. To contribute to the removal of the mortgage market impediments to achieve growth in its lending operations.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

DIRECTORS REMUNERATION

Remuneration of all directors is subject to annual review to ensure that levels of emoluments and compensation are appropriate. The non-executive directors are not eligible for pension scheme membership and are not part of TMRC remuneration scheme.

Information on aggregate amounts of the emoluments and fees paid during the year 2022 is disclosed below:

S/N	Name	Amount '000'
1	Theobald Maingu Sabi	7,294
2	Godfrey Ndalahwa	6,353
3	Sanjay Ramniklal Suchak	3,059
4	Isidori John Msaki	2,588
5	Bruno John Ngooh	3,294
6	Salehe Ramadhani	4,706
7	Maulid Abdallah Banyani	1,176
8	Ms. Lilian Mbassy	5,412
9	Fredrick Nshekanabo	4,471
10	Gladness Deogratius	4,412
11	Filbert Mponzi	5,588
12	Imani John	4,353
13	Adolph Kasegenya	5,059
14	Abdulmajid Nsekela	3,059
15	Vinod Rustagi	5,059
16	Andrew John Lyimo	5,941
17	Kasamalola W. Swalala	3,294
18	Esther Mang'enya	2,353
19	Salehe Mohamedi	2,588
20	Zainab Nungu	2,588
21	Adam Mihayo	7,059
22	Jacqueline Lyatuu	3,882
23	Kingsley Muwowo	4,882
24	Pamela Lameroux	6,118
	TOTAL	**104,588**

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

RISK MANAGEMENT AND INTERNAL CONTROL

The Board assessed the internal control systems throughout the financial year ended 31st December 2022 and is of the opinion that they met accepted criteria. The Board carries out risk and internal control assessment throughout the year. The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk, operational risk, liquidity risk, Strategic risk and compliance risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management framework

The Board has overall responsibility for the establishment and oversight of the company's risk management framework. The Board Audit and Risk Committee (BARC) is responsible for oversight of risk strategy, risk appetite and the executive committees including ALCO and MCC.

The risk management framework of the company involves risk identification, measurement, monitoring, management, and reporting of all risks through the 'three lines of defence' governance model.

Risk management is carried out by the management through policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in close co-operation with various departmental heads. The Board provides written principles for overall risk management as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

(i) Credit Risk

Credit risk arises from the potential that an obligor is either unwilling to perform on an obligation or its ability to perform such obligation is impaired resulting in economic loss to the institution.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

The Board of Directors has delegated the management of credit risk to the Board Credit Committee. The BCC is charged with oversight of the credit risk framework within the limits set by the Board.

Management assesses the credit quality of the customer, taking into account their financial position, past experience, loan securities and other factors. None of the financial assets that are fully performing has been renegotiated in the year. Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

(ii) Market risk

Market Risk is defined as the potential adverse change in the company's income or net worth arising from movement in interest rates, exchange rates, equity prices and/or other market prices. Effective identification and management of market risk is required for maintaining stable net interest income.

- **Interest rate risk**

Interest rate risk is the exposure of an institution's current or future earnings and capital to adverse changes in market rates. The Company is not exposed to interest rate risk as the financial instruments are at fixed interest rate.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

(ii) Market Risk (Continued)

- **Foreign currency risk**

The Company is exposed to foreign currency risk on its investment in United States Dollar deposits accounts only. The net impact on the movement in exchange rates would not be significant to the Company.

(iii) Liquidity risk

Liquidity risk is the potential for loss to an institution arising from either its inability to meet its obligations as they fall due or to fund increases in assets without incurring unacceptable cost or losses. Liquidity risk includes inability to manage unplanned decreases or changes in funding sources. Liquidity risk also arises from the failure to recognize or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

Cash flow forecasting is performed by the finance department of the Company by monitoring the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed facilities at all times so that the Company does not breach the borrowing limits or covenants on any of its borrowing facilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to closeout market positions. Due to the dynamic nature of the underlying business, the Company's management maintains flexibility in funding by maintaining availability under committed credit lines.

TMRC has a system in place to monitor contractual and residual maturity inflows and outflows and to manage liquidity gaps within pre-stipulated limits that are prescribed by the Board.

The liquidity positions and gap analysis are periodically analysed and measured against company's risk appetite limits and reported monthly to ALCO and to the Board of Directors on quarterly basis.

(iv) Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, cyber security risk or from external events. Oversight of operational risk is undertaken by the Board Audit and Risk Committee and ultimately the Board of Directors, who retain overall responsibility. The operational risk management framework is developed by the Risk Management Department, and the implementation of controls to address operational risk is part of Management day to day responsibility.

(v) Strategic Risk

Strategic risk is the current and prospective impact on earnings, capital, reputation or good standing of an institution arising from poor business decisions, improper implementation of decisions or lack of response to industry, economic or technological changes. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve these goals, the resources deployed to meet these goals and the quality of implementation.

The Board of Directors has overall responsibility for providing oversight on strategic risk management. The Board through the Board Audit and Risk Committee is responsible for approving the company's strategic plan and overseeing its implementation.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

(vi) Compliance Risk

Compliance risk is the current or prospective risk to earnings, capital and reputation arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices, or ethical standards, as well as from incorrect interpretation of relevant laws or regulations.
Compliance risk management is undertaken by the Risk and Compliance Department as part of its day to day responsibilities. The Board of Directors provides oversight on compliance risk management through the Board Audit and Risk Committee.

SHARE CAPITAL STRUCTURE

During the year issued and paid-up ordinary share capital of the company remained at TZS 25.37 billion for 23,061,292 ordinary shares (2021: TZS 25.37 billion for 23,061,292 ordinary shares).

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholder value.

Management monitors capital internally based on gearing. The Company is also required by Bank of Tanzania (BOT) through The Banking and Financial Institutions (Mortgage Refinance Companies) Regulations, 2022 to maintain at all times a minimum core capital of not less than TZS 30 billion or such higher amount as BOT may determine. As at year end, the core capital of the Company was TZS 30.80 billion (2021: TZS 28.90 billion).

The Regulations further require TMRC to maintain at all times a minimum core capital to the value of its risk-weighted assets and off-balance sheet exposures of not less than 10% and a minimum ratio of total capital to the value of its risk-weighted assets and off-balance sheet exposures of not less than 12%. The respective ratios at the statement of financial position date were 61.80% each (2021: 74% each) respectively.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

SHARE CAPITAL STRUCTURE (CONTINUED)

The distribution of share capital of the Company is as follows:

Name of Shareholder	2022			2021		
	Number of shares held	% holding	TZS '000	Number of shares held	% holding	TZS '000
CRDB Bank Plc	3,000,000	13.01%	3,039,000	3,000,000	13.01%	3,039,000
Azania Bank Limited	2,500,000	10.84%	2,632,500	2,500,000	10.84%	2,632,500
Shelter Afrique	2,332,500	10.11%	2,456,123	2,332,500	10.11%	2,456,123
International Finance Corporation (IFC)	2,120,530	9.20%	3,439,500	2,120,530	9.20%	3,439,500
NMB Bank Plc	1,800,000	7.80%	1,740,000	1,800,000	7.80%	1,740,000
TIB Development Bank Limited	1,500,000	6.50%	1,450,000	1,500,000	6.50%	1,450,000
National Bank of Commerce Limited	1,250,000	5.42%	1,316,250	1,250,000	5.42%	1,316,250
Exim Bank (Tanzania) Limited	1,200,000	5.20%	1,200,000	1,200,000	5.20%	1,200,000
National Housing Corporation	1,200,000	5.20%	1,200,000	1,200,000	5.20%	1,200,000
DCB Commercial Bank Plc	1,100,000	4.77%	1,100,000	1,100,000	4.77%	1,100,000
BancABC Tanzania Limited	1,000,000	4.34%	1,000,000	1,000,000	4.34%	1,000,000
Bank of Africa (Tanzania) Limited	1,000,000	4.34%	1,000,000	1,000,000	4.34%	1,000,000
First Housing Finance Co. Ltd	1,000,000	4.34%	1,485,098	1,000,000	4.34%	1,485,098
Peoples Bank of Zanzibar Limited	625,000	2.71%	658,125	625,000	2.71%	658,125
I&M Bank (T) Limited	625,000	2.71%	658,125	625,000	2.71%	658,125
NCBA Bank (Tanzania) Limited	500,000	2.17%	500,000	500,000	2.17%	500,000
Mkombozi Commercial Bank Plc	308,262	1.34%	500,000	308,262	1.34%	500,000
	23,061,292	**100.00%**	**25,374,721**	**23,061,292**	**100.00%**	**25,374,721**

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

MANAGEMENT

The Management of the Company is under the Chief Executive Officer and is organized in the following departments:

- Internal Audit Department
- Risk and Compliance Department
- Operations and Information Technology Department
- Finance and Treasury Department
- Legal Department
- Human Resources and Corporate Communication Department

Management Committees

Management of TMRC has three Committees playing various roles in overseeing the operations of the Company and implementation of strategies and policies. These were Asset Liabilities Management Committee (ALCO), Management Credit Committee (MCC) and Management Investment Committee (MIC). The activities of the Committees are governed by the respective Policies which are approved by the Board.

Asset Liability Management Committee

The Committee is composed of Chief Executive Officer, Chief Finance Officer, Chief Operations Officer, Senior Finance Manager, Head of Risk and Compliance, Credit Manager and Treasury and Investment Manager. The Committee meets at least monthly. The Committee is responsible for:

i. Managing the balance sheet to ensure proper allocation of resources to achieve performance targets;
ii. Reviewing the current and prospective liquidity positions and monitoring alternative funding sources to ensure adequate liquidity is maintained at all times;
iii. Reviewing the current and prospective capital levels (risk based) to determine its adequacy in relation to expected growth and asset quality;
iv. Reviewing the monthly performance against established targets/projections and budgets and analysing the reasons for any variances for timely actions; and
v. Measuring and monitoring investment risk of the company on an ongoing basis and ensuring quality portfolio of assets is maintained within the limits set by the Board and Bank of Tanzania Regulations.

Management Credit Committee

The Committee is composed of Chief Executive Officer, Chief Finance Officer, Chief Operations Officer, Head of Risk and Compliance, Credit Manager and Head of Legal and Company Secretary. The Committee meets quarterly and when there is business to transact. The Committee is responsible for:

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

MANAGEMENT (CONTINUED)

Management Credit Committee (Continued)

i. Recommends PML limits to the Board Credit Committee;
ii. Assist the Board Credit Committee in managing credit risk by ensuring sufficient oversight of lending;
iii. Approve credit facilities within Committee approved credit limits;
iv. Recommends exemptions within Board approved credit limits subject to final approval by BOT;
v. Recommends extensions and grace periods (up to 360 days) to the Board subject to final approval by BOT where required; and
vi. Approve temporary breaches on TMRC eligibility criteria compliance based on reasonable grounds provided by the PML and/or TMRC management assessment.

Investment Committee

Management Investment Committee is composed of Chief Executive Officer, Chief Finance Officer, Chief Operations Officer, Senior Finance Manager, and Treasury and Investment Manager. The Committee meets on demand. The main responsibilities of the Committee are:

i. Developing the TMRC's investment objectives including selecting, managing and monitoring the TMRC's investment strategies;
ii. Maximizing returns while managing risks within acceptable levels; and
iii. Maintaining adequate liquidity to meet day to day liquidity requirements.

STOCK EXCHANGE INFORMATION

The Company is not listed on the stock exchange.

BUSINESS ENVIRONMENT AND PERFOMANCE

BUSINESS ENVIRONMENT

In 2022, global economic activity continued to be undermined by a range of challenges, which include high inflation, tightening financial conditions and energy supply disruptions. Nonetheless, there were signs of improvement compared to previous year. Inflation, which has been above central banks' targets in many countries, either moderated or was on course to decline. Similarly, supply chain challenges were also easing. In addition, because of concerns about interest rate hike limiting growth, central banks were either considering or started reducing aggressiveness of monetary policy tightening. As in many countries, global supply chain disruptions caused by the war in Ukraine and resurgence of COVID-19 in some countries have had impact on consumer goods in Tanzania.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

BUSINESS ENVIRONMENT (CONTINUED)

During the year, mortgage market grew by TZS 46.8 billion. The total mortgage portfolio balances amongst banks stood at TZS 543.4 billion as at the end of the year 2022 representing 5,823 properties compared to TZS 496.61 billion outstanding balance for financing 6,177 properties that was reported in the previous year. This signifies an annual increase of 9.42% in outstanding value of Mortgage loans while a number of mortgages decreased by 5.73%. The above data indicates that mortgage market as percentage of Gross Domestic Product (GDP) decreased to 0.32% from 0.35% recorded in 2021. This ratio is one of the lowest in the East African region.

BUSINESS PERFORMANCE

During 2022, TMRC managed to record another commanding profit before tax on account of maintaining a good investment portfolio and effective cost management. The Company recorded a Profit Before Tax of TZS 2.93 billion (2021: TZS 2.30 billion). The result was mainly attributed to creation and maintenance of good investment portfolio as well as effective cost management. During the year, net interest income increased from TZS 7.05 billion in the prior year to TZS 7.50 billion, an increase of 6.41%.

TMRC balance sheet size grew during the year from TZS 198.6 billion recorded in previous year to TZS 221.7 billion, an increase of 11.61%.

Results for the year summary:

	2022 TZS '000	2021 TZS '000
Profit before tax	2,933,132	2,302,119
Tax charge	(802,259)	(711,367)
Profit for the year	**2,130,873**	**1,590,752**

KEY PERFORMANCE INDICATORS (KPIs)

During the year 2022, TMRC exceeded performance targets in terms of profitability compared to projected Profit Before Tax (PBT). In 2022, PBT grew by 27.41% compared to PBT recorded in 2021. To ensure sustainability and growth of business, TMRC is in discussion with various stakeholders' (local and foreign institutions) to unlock the low-cost funding challenges prohibiting the business to grow as projected. Below is the summary of TMRC key financial highlights:

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER 2022

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

KEY PERFORMANCE INDICATORS (CONTINUED)

S/No.	Description	2022	2021
1	Return on Equity	5.8%	5.0%
2	Return on Assets	1.0%	0.8%
3	Cost to income ratio	64.5%	68.1%
4	Capital Adequacy Ratio	62.1%	74.0%
5	Basic Earnings Per Share	92.40	68.98
6	Dividend per Share	36.90	27.59
7	Core Capital (Amt in TZS billion)	30.97	28.90
8	Mortgage Refinance Loans (Amt in TZS billion)	108.90	74.70
9	Mortgage Pre-finance Loans (Amt in TZS billion)	36.30	58.50
10	Government Securities at amortized costs (Amt in TZS billion)	25.49	25.91
11	Government Securities at FVOCI (Amt in TZS billion)	44.39	34.63
12	Term Deposits with Commercial Banks (Amt in TZS billion)	0.00	1.60
13	Total Assets (Amt in TZS billion)	221.70	198.64
14	Shareholders' Equity (Amt in TZS billion)	40.33	33.13
15	Revenue (Amt in TZS billion)	21.50	19.48
16	PBT (Amt in TZS billion)	2.93	2.30

DIVIDEND

Directors proposes to the forthcoming Annual General Meeting (AGM), a final dividend in respect of the year ended 31st December 2022 of TZS 36.90 per share (2021: TZS 27.59) amounting to TZS 850.96 million, (2021: TZS 636.30 million) be paid to shareholders on record as at 31st December 2022. Proposed dividend is in line with the Company Dividend Policy and subject to Bank of Tanzania approval.

CURRENT AND FUTURE DEVELOPMENT PLANS

TMRC currently has 15 borrowing members (all of which are now offering mortgage loans) and has already extended loans worth TZS 145.2 billion to twelve (12) of its member banks and three (3) non-member banks. As at 31st December, 2022, refinancing and pre-financing mortgages advanced by TMRC to its member and non-member banking institutions was equivalent to 26.72% of the total outstanding mortgage debt.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

CURRENT AND FUTURE DEVELOPMENT PLANS (CONTINUED)

TMRC's contribution to the growth of the housing market is expected to significantly increase over the coming years as the new financing will build on the achievements of the ongoing Housing Finance Project (HFP) which is playing a key role in developing the mortgage market. In addition, bond issuance long term line of credit will continue to be the source of further TMRC lending to Primary Mortgage Lenders (PMLs) which continue to offer mortgages to their clients. So far, TMRC has issued bond in three Tranches. Tranche one in 2018 amounting to TZS 12.52 billion, Tranche two in 2019 amounting to TZS 9.18 billion and Tranche three in 2020 amounting to TZS 8.88 billion which were all oversubscribed.

In the twelve years that TMRC has been operational, a significant impact has been noted in the mortgage market. The number of banks offering mortgage loans has grown from only 3 banks in 2010 to 31 banks on 31st December 2022 and mortgage repayment period has increased from the maximum of 7 years that was previously offered in 2011 to between 15 and 25 years that banks offer now.
In effort to grow mortgage market in Tanzania TMRC has focused its growth strategy on ensuring the company obtain alternative concessionary funding either by working with the government and/or from DFI's using government guarantee. Also, the company is expecting to improve its IT system and staffs skills through training program.

As at the end of the year TMRC had a pipeline of TZS 45.00 billion which was awaiting disbursement. Discussions with financiers for concessionary funding to refinance this pipeline is still on-going.

Directors believe that for TMRC Strategic Plan to deliver value, the following key Strategic Plan Drivers should be developed:

i. **Cost of Funding and Pricing –** well priced funding for TMRC will contribute to the anticipated Balance Sheet growth. TMRC Strategic Plan 2020-2024 is geared to address this challenge.
ii. **Effective demand –** Affordability is an important factor in determining the effective demand for mortgage loans. To increase affordability, TMRC will continue to work towards lengthening the maturity of loans extended to PMLs as well as working towards reduced lending rates arising from concessionary funds.
iii. **Housing supply –** TMRC will work with other housing stakeholders in a drive for the availability of affordable housing units which is critical for the origination of mortgages to middle and low-income groups. TMRC will continue to find ways to have some impact in promoting this supply segment.
iv. **Enabling National Housing policy -** TMRC will be an important stakeholder in the development of an appropriate National Housing Policy which is necessary to promote housing as an agenda in the human development. The policy is also expected to provide a framework for affordable housing development catering for the majority of the population.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

CURRENT AND FUTURE DEVELOPMENT PLANS (CONTINUED)

STAKEHOLDERS' RELATIONSHIPS

Engaging with stakeholders informs our decision-making, strengthens our relationships, and helps us deliver on our commitments. In order to achieve these goals, TMRC recognize that we must work in partnership with other interested stakeholders who share our commitment and have a stake in our business.

Going beyond what we can achieve in our own operations and with our suppliers, we are stepping up our engagement to work with the Government, Banks and Financial Institutions, Housing Developers and others in our industry on these issues. We actively engage with Government, Regulators (Bank of Tanzania -BOT and Capital Markets and Securities Authority – CMSA), Banks and Financial Institutions, suppliers and investors to create an environment that is supportive of solutions.

Taking care to match the appropriate communication channel with each group of stakeholders, TMRC carefully considers each piece of feedback from stakeholders, and makes every effort to incorporate feedback in the company's future corporate policies and actions.

In 2022 we continued to engage our key stakeholders through exhibitions and workshops, and we are working to incorporate their feedback.

SOLVENCY

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of Directors has reasonable expectation that Tanzania Mortgage Refinance Company Limited has adequate resources to continue in operational existence for the foreseeable future.

CASH FLOWS AND LIQUIDITY

TMRC Management has set out various strategies that will ensure the long-term sustainable funding which can be used to on lend to the PMLs. One of the strategies is engaging different Development Finance Institutions (DFI) who are able to lend to TMRC at a low cost given that TMRC has low risk profile. We are currently in discussion with several DFIs and some of these discussions are in a very advanced stage.

Also sourcing funds locally is part of TMRC Strategy of raising long term funding through corporate bond issuance. TMRC had acquired an approval of a five-year Medium-Term Note Programme (MTN) amounting to TZS 120Bn which are being issued in tranches. The first three tranches issued have all been very successfully and were oversubscribed. However, raising funds through capital markets is more expensive, so management is looking for options of blending these funds with concessionary funds to make them affordable for the PMLs.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

CASH FLOWS AND LIQUIDITY (CONTINUED)

Below are TMRC main sources of funding:

i. Loan from United Republic of Tanzania Government through BOT;
ii. TMRC Bond Programme of TZS 120Bn (three Tranches already issued); and
iii. Line of Credit with various DFI's.

EMPLOYEES' WELFARE

Management and Employees' Relationship

There was continued good relation between employees and management during the year ended 31st December 2022. There were no unresolved complaints received by Management from the employees during the year.

The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties.

Training Facilities

The training costs for the year 2022 amounted to TZS 86.99 million (2021: TZS 65.51 million). Staff training meant to improve employees' technical skills and hence effectiveness in the job they perform. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels and all employees have some form of annual training to upgrade skills and enhance development.

Medical Assistance

All members of staff with a maximum number of four beneficiaries (dependants) each were provided medical insurance approved by the Board. Currently these services are provided by Jubilee Insurance Company of Tanzania Limited.

Health and Safety

The Company has a strong health and safety program which ensure that a strong culture of safety prevails at all times. A safe working environment is ensured for all employees by providing adequate and proper personal protective equipment, training and supervision as necessary. The company made a number of arrangements to ensure the health and well-being of its employees such as Working from Home arrangements.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

EMPLOYEES' WELFARE (CONTINUED)

Financial Assistance to Staff

Loans are available to all confirmed employees depending on the assessment and the discretion of management as to the need and circumstances as stipulated in the Human Resources policy.

Persons with Disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues, and appropriate training is arranged. It is the policy of the company that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employees Benefit Plan

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

The average number of employees during the year was 21 (2021: 19).

Gender Parity

The Company had 21 employees, out of which 11 were female and 10 were male (2021: 10 female and 9 male).

RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in Note 19 of these financial statements.

INDEPENDENT AUDITORS

The Company's auditors, Auditax International, have expressed willingness to continue in office in accordance with the Tanzania Companies Act, 2002. Auditax International with PF No 222 and TIN 110 747 985 is an audit firm registered by National Board of Accountants and Auditors of Tanzania (NBAA).

BY ORDER OF THE BOARD

....
Mr. Theobald Sabi
Chairman

23/02/2023
Date:

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are required in terms of the Tanzania Companies Act, 2002 to maintain adequate accounting records and are responsible for the contents and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Tanzania Companies Act, 2002. The external auditors are engaged to express an independent opinion on the financial statements. The financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the Tanzania Companies Act, 2002, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company operations and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimize it by ensuring that appropriate infrastructures, control systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Directors have reviewed the company's cash flow forecast for the year to 31st December 2022 and, in light of this review, and the current financial position, they are satisfied that the company has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages **32 to 76**, which have been prepared on going concern basis, were authorized and approved by the Board on **23rd February 2023** and signed on its behalf by:

………………………………	………………………………
Mr. Theobald Sabi	**Mr. Abdulmajid Nsekela**
Chairman	**Director**

DECLARATION OF TMRC CHIEF FINANCE OFFICER

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 Chief Finance Officer responsible for the preparation of financial statements of the entity concerned.

It is the duty of Chief Finance Officer to assist the Board of Directors to discharge the responsibility of preparing TMRC's financial statements showing true and fair view of TMRC's financial position and performance in accordance with the International Accounting Standards and the Companies Act, 2002. Full responsibility for the preparation of financial statements rests with the TMRC Board of Directors as under Directors Responsibilities stated on page 27.

I, Oswald Martin Urassa, being the Chief Finance Officer of TMRC hereby acknowledge my responsibility of ensuring that TMRC's financial statements for the year ended 31st December 2022 have been prepared in compliance with the International Financial Reporting Standards and the Companies Act, 2002.

I thus confirm that TMRC's financial statements give a true and fair view position as on that date and that they have been prepared based on properly maintained financial records.

Signed:	....
Position:	Chief Finance Officer
NBAA Membership No:	FCPA 936
Date:	23rd Feb. 2023

AUDITAX
International

PPF Tower, 7th Floor, Garden Avenue / Ohio Street
P.O.Box 77949, Dar es Salaam
M: +255 719 878 490 • T: +255 22 212 0692
E: info@auditaxinternational.co.tz
www.auditaxinternational.co.tz

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF TANZANIA MORTGAGE REFINANCE COMPANY LIMITED

Opinion

We have audited the financial statements of Tanzania Mortgage Refinance Company Limited, set out on pages 32 to 76, which comprise the statement of financial position as at 31st December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements of Tanzania Mortgage Refinance Company Limited present fairly, in all material respects, the financial position of Tanzania Mortgage Refinance Company Limited as at 31st December, 2022 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), the Banking and Financial Institutions Act, 2006 and the Companies Act, 2002 of Tanzania.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants 'Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. The basis for opinion is detailed in the following paragraphs.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. There were no key audit matters to report during the year ended 31 December 2022.

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF TANZANIA MORTGAGE REFINANCE COMPANY LIMITED (CONTINUED)

Other Information included in the Company's Annual Report

The other information comprises the Company Information, Report by Those Charged with Governance, Statement of Directors' Responsibilities and Declaration by Chief Finance Officer. The other information does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon.

In connection with our audit of financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information; we are required to report that fact. We 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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF TANZANIA MORTGAGE REFINANCE COMPANY LIMITED (CONTINUED)

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Companies Act, 2002 to be kept by the Entity have been properly kept in accordance with the provisions of the Companies Act.

The engagement partner on the audit resulting in this independent auditor's report is Straton Makundi.

Auditax International

Certified Public Accountants

Dar es Salaam, Tanzania

Signed by: Straton Makundi (FCCA)

Date 9th March 2023

Registration No: ACPA 1747

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2022 TZS '000	2021 TZS '000
Interest income	1	20,756,411	19,287,501
Interest expense	2	(13,255,532)	(12,238,150)
Net interest income		**7,500,879**	**7,049,351**
Financial Instruments Impairment charges	9	13,262	(31,477)
Net interest income after Financial Instruments Impairment charges		**7,514,141**	**7,017,874**
Other income	3	740,782	190,519
Total income		**8,254,923**	**7,208,393**
Operating expenses	4	(5,321,791)	(4,906,274)
Profit before tax		**2,933,132**	**2,302,119**
Tax charge	5	(802,259)	(711,367)
Profit and comprehensive income for the year		**2,130,873**	**1,590,752**
Other comprehensive income			
Change in FVOCI financial assets		8,252,765	2,681,029
Total comprehensive income for the year attributable to the owners of the company		**10,383,638**	**4,271,781**
Dividends:			
Proposed/Final dividends		**850,962**	**636,301**

The financial statements on pages **32 to 76** were authorised and approved for issue by the Board of Directors on **23rd February 2022** and were signed on its behalf by:

Mr. Theobald Sabi **Chairman**	**Mr. Abdulmajid Nsekela** **Director**

The significant accounting policies on pages 36 to 47 and notes on pages 48 to 76 form an integral part of these financial statements.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

STATEMENT OF FINANCIAL POSITION

	Notes	2022 TZS '000	2021 TZS '000
ASSETS			
Cash and bank balances	6	2,131,583	93,462
Government securities	7(a)	70,887,130	60,544,633
Placement with other banks	7(c)	98,002	1,600,001
Net Mortgage refinance and pre-finance loans	8	146,699,312	134,496,337
Equipment	10 (a)	594,945	246,079
Right-of-use assets	10 (b)	209,478	400,096
Intangible assets	11	72,169	125,297
Other receivables	12	1,009,995	1,129,638
Total assets		**221,702,614**	**198,635,543**
LIABILITIES			
Deferred tax	13	67,608	(43,233)
Loans and borrowings	14 (i)	130,154,456	129,207,225
TMRC Corporate Bond	14 (ii)	50,233,515	35,015,740
Trade and other payables	15	973,068	1,238,294
Current tax payable		(57,047)	89,630
Total liabilities		**181,371,600**	**165,507,656**
SHAREHOLDERS' EQUITY			
Share capital	16	22,831,291	22,831,291
Share premium	16	2,543,430	2,543,430
Fair value gain/(loss)		8,252,765	2,681,029
Specific reserve	21	416,392	416,393
Retained earnings		6,287,136	4,655,745
Total equity		**40,331,014**	**33,127,888**
Total equity and liabilities		**221,702,614**	**198,635,543**

The financial statements on pages **32 to 76** were authorised and approved for issue by the Board of Director on **23rd February 2023** and were signed on its behalf by:

....
Mr. Theobald Sabi
Chairman

....
Mr. Abdulmajid Nsekela
Director

The significant accounting policies on pages 36 to 47 and notes on pages 48 to 76 form an integral part of these financial statements

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

STATEMENT OF CHANGES IN EQUITY

Year ended 31st December, 2022	Notes	Share capital TZS '000	Share premium TZS '000	Retained earnings TZS '000	Fair value Revaluation Gain/(loss) TZS '000	Asset Revaluation Reserve TZS '000	Specific reserve TZS '000	Total TZS '000
At start of year		**22,831,291**	**2,543,430**	**4,655,744**	**2,533,587**	**147,442**	**416,393**	**33,127,888**
Changes in equity 2022								
Profit and comprehensive income for the year		-	-	2,130,873	-	-	-	2,130,873
Fair value revaluation Gain/Loss for the year		-	-	-	5,595,566	103,752	-	5,699,318
Transfer of revaluation reserve				127,582		(127,582)		
Adjustments during the year				9,196				9,196
Changes during the year		-	-	**2,267,651**	**5,595,566**	**(23,830)**	-	**7,839,387**
Transactions with owners:								
Dividends paid - final 2021	17	-	-	(636,261)	-	-	-	(636,261)
At end of year		**22,831,291**	**2,543,430**	**6,287,134**	**8,129,153**	**123,612**	**416,393**	**40,331,014**
At start of year		**22,831,291**	**2,543,430**	**3,923,340**	**778,289**	-	**416,393**	**30,492,744**
Changes in equity 2021								
Profit and comprehensive income for the year		-	-	1,590,752	-	-	-	1,590,752
Fair value revaluation Gain/Loss for the year		-	-	-	1,755,298	147,442	-	1,902,740
Deferred Tax Movement for the year		-	-	(48,204)	-	-	-	(48,204)
Changes during the year		-	-	**1,542,547**	**1,755,298**	**147,442**	-	**3,445,287**
Transactions with owners:								
Dividends paid - final 2020	17	-	-	(810,143)	-	-	-	(810,143)
Transfer to specific reserve	20	-	-	-	-	-	-	-
At end of year		**22,831,291**	**2,543,430**	**4,655,744**	**2,533,587**	**147,442**	**416,393**	**33,127,888**

The financial statements on pages **32 to 76** were authorised and approved for issue by the Board of Directors on 23rd February 2023 and were signed on its behalf by:

……………………………… ………………………………

Mr. Theobald Sabi
Chairman

Mr. Abdulmajid Nsekela
Director

The significant accounting policies on pages 36 to 47 and notes on pages 48 to 76 form an integral part of these financial statements.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER 2022

STATEMENT OF CASH FLOWS

	Notes	2022	2021
Operating activities		**TZS '000**	**TZS '000**
Cash used in operations	18	8,189,734	19,916,441
Interest paid		(13,090,526)	(12,164,347)
Tax paid		(789,498)	(581,416)
Net cash used in operating activities		**(5,690,289)**	**16,578,987**
Investing activities			
Net movement in placement with other banks		1,502,000	(1,399,490)
Net movement in government securities		(10,342,497)	(10,665,888)
Purchase of intangible asset	11	(2,930)	(51,803)
Purchase of equipment	10 (a)	(436,736)	(42,274)
Proceeds from disposal		102,377	-
Net cash used in investing activities		**(9,177,787)**	**(12,159,455)**
Financing activities			
Proceeds from borrowings		947,231	-
Repayment of borrowings		(2,000,000)	(1,540,898)
Proceeds from TMRC corporate bond issuance		17,217,775	-
Payment of Lease Liability		(219,557)	(220,879)
Payment of dividends		(636,261)	(810,143)
Net cash generated from financing activities		**15,309,188**	**6,421,782**
(Decrease)/increase in cash and cash equivalents		**441,112**	**1,433,005**
Movement in cash and cash equivalents			
At start of year		1,690,470	257,464
(Decrease)/increase		441,112	1,433,005
At end of year	6	**2,131,583**	**1,690,470**

The financial statements on pages **32 to 76** were authorised and approved for issue by the Board of Directors on **23rd February 2023** and were signed on its behalf by:

....
Mr. Theobald Sabi
Chairman

....
Mr. Abdulmajid Nsekela
Director

The significant accounting policies on pages 36 to 47 and notes on pages 48 to 76 form an integral part of these financial statements.

SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

The financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS). They are presented in Tanzania Shillings, which is also the functional currency (see (c) below), rounded to the nearest thousand (TZS '000).
The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the accounting policies adopted by the Company. Although such estimates and assumptions are based on the directors' best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in paragraph (d).

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Company using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g., by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account.

"Fair values are categorized into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- 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 prices) or indirectly (i.e., derived from prices).
- 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).

Transfers between levels of the fair value hierarchy are recognized by the Company at the end of the reporting period during which the change occurred.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and revised standards

There is a number of new standards and amendments to standards that are effective for annual periods beginning after 1 January 2022 and earlier application are permitted; however, the company has not early adopted the new and amended standards in preparing these financial statements.

The following new and amended standards are not expected to have a significant impact on the company financial statements.

New currently effective requirements

- COVID-19-Related Rent Concessions (Amendment to IFRS 16). Effective date 01st April, 2021.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37). Effective date 01st January, 2022.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16). Effective date 01st January, 2022.
- Reference to Conceptual Framework (Amendments to IFRS 3). Effective date 01st January, 2022.

Forthcoming requirements

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts. Effective date 01st January, 2023.
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2. Effective date 01st January, 2023.
- Definition of Accounting Estimate – Amendments to IAS 8. Effective date 01st January, 2023.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12. Effective date 01st January, 2023.
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16. Effective date 01st January, 2024.
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1. Effective date 01st January, 2024.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). Available for optional adoption/ effective date deferred indefinitely

TMRC does not expect any significant impact arising from applying these amendments.

Below are other mandatory standards, amendments and interpretations to existing standards that have been published but not effective during accounting periods beginning on or after 1 January 2022 and which the company has not early adopted.

Amendments to IAS 1 Disclosure of Accounting Policies:

The amendments are effective for annual periods beginning on or after 1 January 2023. The International Accounting Standards Board (IASB) has issued new requirements on 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements based on materiality.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and revised standards (continued)

Amendments to IAS 1 - Presentation of Financial Statements:
Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023).
The narrow-scope amendments to IAS 1 *Presentation of Financial Statements* clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g., the receipt of a waiver or a breach of covenant). The amendments also clarify what IFRS 1 means when it refers to the 'settlement' of a liability.
The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.
TMRC does not expect any significant impact arising from applying these amendments.

c) Key sources of estimation uncertainty

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The directors have not made assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

d) Critical accounting judgements

In the process of applying the Company's accounting policies, the Company's management makes certain judgements that are continuously assessed based on prior experience and including expectations of future events that, under the circumstances are deemed to be reasonable as described below:

i) Loan advances and interest receivables

Judgements made on whether there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the loan receivable.
The decision not to provide for non-recoverable loans is based on the fact that as at 31st December, 2022, the refinance and pre-finance loan advances had mostly been given to performed banks.

Management believes that the loans will be recoverable in full as borrowing banks are well performed as well as loans extended against strong security of mortgage portfolio or/and treasury bonds. All loan repayment instalments that had become due as at 31st December, 2022 have been extended.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Critical accounting judgements (Continued)

(ii) Government and investment securities

The Directors have reviewed the Company's debt financial assets in light of its capital maintenance and liquidity requirements and confirmed the Company's positive intention and ability to hold those assets to maturity or sale when need arose for available for sale instruments.

(iii) Non-financial assets

The Company reviews its non-financial assets to assess the likelihood of impairment on an annual basis. In determining whether such assets are impaired, management makes judgments as to whether there are any conditions that indicate potential impairment of such assets.

(iv) Revaluation gain or loss

The company revalued its non-current assets on the basis of the International Valuation Standards (IVS #1 & 2; 2015). The basis and methodology were fully complied with the requirements of the International Assets Valuation Standards as amended in 2015 version; currently in force in Tanzania with effect from July 2004. The basis of valuation (for Land and Buildings) is the Open Market Value (OMV), however where market data are not easily available, Depreciated Replacement Cost were adopted for other assets. This is in accordance with the International Valuation Standards (IVS, 2015), and International Accounting Standards (IAS 16).

e) Operating lease commitments

The Company has entered into lease over its alternative office premises. Management has determined that the Company has not obtained substantially all the risks and rewards of ownership of these premises, therefore the leases have been classified as operating leases and accounted for accordingly.

f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'), which is Tanzanian Shillings.

(ii) Transactions and balances

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Revenue recognition

Revenue mainly comprises of the interest on the outstanding loans advanced to the borrowers and interest from government securities. The interest is computed on an accruals basis based on the rate of interest stated in the loan contract.

The Company recognizes revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the entity. The amount of revenue is not considered to be reliably measured until all contingencies relating to the transaction have been resolved. The Company bases its estimates on historical results, taking into consideration the type of transaction and specifics of each arrangement.

Interest income is recognized in the year in which it is earned. The amount of revenue is measured using the effective interest rate method. Interest income is accrued by reference to time in relation to the principal amount outstanding and the effective interest rate applicable.

h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and financial assets with maturities of less than 3 months.

i) Property, Plant and Equipment

All equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be reliably measured. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of profit or loss and comprehensive income during the financial year in which they are incurred.

Depreciation is calculated on a straight-line basis, to write down the cost of each asset, to its residual value over its estimated useful life using the following annual rates:

	Rate %
Leasehold improvements	10
Computers & equipment	33
Office equipment	20
Office furniture	20
Motor vehicle	25

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Property, Plant and Equipment (Continued)

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.
Gains and losses on disposal of equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining profit before tax.

j) Intangible assets

Computer software

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are estimated to be three (3) years.

k) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its 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).

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each statement of financial position date.

l) Investments and other financial instruments

i. Financial assets

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Management determines all classifications of financial assets at initial recognition.

The Company's financial assets which include mortgage refinance loans, government securities, investment securities and other receivables fall into the following categories:

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I) Investments and other financial instruments (Continued)

i) Financial assets (Continued)

-Loans and receivables: Financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the statement of financial position date. All assets with maturities greater than 12 months after the statement of financial position date are classified as non-current assets. Such assets are carried at amortized cost using the effective interest rate method. Changes in the carrying amount are recognized in the statement of profit or loss and comprehensive income.

- **Financial assets at Amortized Costs**: Amortized cost is an investment classification category and accounting method which requires financial assets classified under this method to be reported on balance sheet at their amortized cost which equals their initial acquisition amount less principal repayment plus/minus amortization of discount/premium (if any) plus/minus foreign exchange differences (if any) less impairment losses (if any).

- **Financial assets at FVOCI**: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest and are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Net Investment Income'.

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss and comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Impairment of financial assets is recognised in the income statement under administrative expenses when there is objective evidence that the Company will not be able to collect all amounts due per the original terms of the contract. Significant financial difficulties of the issuer, probability that the issuer will enter bankruptcy or financial reorganisation, default in payments and a prolonged decline in fair value of the asset are considered indicators that the asset is impaired.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Investments and other financial instruments (Continued)

i) Financial assets (Continued)

Subsequent recoveries of amounts previously written off/impaired are credited to the statement of profit or loss and comprehensive income/statement of changes in equity in the year in which they occur.

Gains and losses on disposal of assets whose changes in fair value were initially recognised in the income statement are determined by reference to their carrying amount and are taken into account in determining operating profit/ (loss). On disposal of assets whose changes in fair value were initially recognised in equity, the gains/losses are recognised in the reserve, where the fair values were initially recognised. Any resultant surplus/deficit after the transfer of the gains/losses are transferred to retained earnings.
Changes in fair value for available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss), which are recognised in the statement of comprehensive income. In the year of sale, the cumulative gain or loss recognised in other comprehensive income is recognised in the statement of profit or loss and comprehensive income as a reclassification adjustment

Management classifies financial assets as follows:
The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- Those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).
The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Government securities are categorized in two groups:

- **Amortized Costs:** as the Company has the intention and ability to hold these to maturity. These are carried at amortized cost.
- **Fair Value through Other Comprehensive Income:** as the Company has the intention for both to hold financial assets in order to collect contractual cash flow and sell.

Investment securities, other receivables and mortgage refinance loans are classified as loans and receivables and are carried at amortized cost.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Investments and other financial instruments (Continued)

ii. Financial liabilities

The Company's financial liabilities which include loans and borrowings, and trade and other payables fall into the following category:

Financial liabilities measured at amortized cost:

These include trade and other payables, and loans and borrowings. These are initially measured at fair value and subsequently measured at amortized cost, using the effective interest rate method.
Any difference between the proceeds (net of transaction costs) and the redemption value is recognized as interest expense in the statement of profit or loss and comprehensive income under finance costs using the effective interest rate method.

Borrowings are initially recognized at fair value; net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized as interest expense in the statement of profit or loss and comprehensive income under finance costs.

Fees associated with the acquisition of borrowing facilities are recognized as transaction costs of the borrowing to the extent that it is probable that some or all of the facilities will be acquired. In this case the fees are deferred until the drawn down occurs. If it is not probable that some or all of the facilities will be acquired the fees are accounted for as prepayments under trade and other receivables and amortized over the period of the facility.

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

Financial liabilities are derecognized when, and only when, the Company's obligations are discharged, cancelled or expired.

Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Impairment of financial instruments

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Current and deferred income tax

The tax expense for the year comprises of current and deferred tax. Tax is recognized in statement of profit or loss and comprehensive income, except when it relates to items recognised in equity. In this case, the tax is also recognised in equity.

Current tax

Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

Deferred tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilized.

n) Leases

When the company is the lessee under Finance lease, the 'Right of Use Asset' and the lease liability should initially be measured at the present value of the minimum lease payments. The discount rate used to determine present value should be the rate of interest implicit in the lease, or if cannot be determined, the incremental borrowing rate shall be applied. Right of Use Asset would also include:

- Any payment made to lessor at, or before, the commencement date of the lease, less any lease
- Any initial direct costs incurred by the Bank.
- An estimate of any costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the site on which it is located.

The Right of use asset will be subsequently depreciated over the shorter of the useful life of asset and the lease term, unless the title to the asset transfers at the end of the lease term, in which case depreciation is over the useful life. On the other hand, the lease liability is effectively treated as financial liability, which is measured at amortized cost, using the rate of interest implicit in the lease or incremental borrowing rate as the effective interest rate.

o) Retirement benefit obligations

The Company and its employees contribute to the National Social Security Fund (NSSF), statutory defined contribution schemes. The Company's contributions to this defined contribution scheme are charged to the statement of profit or loss and comprehensive income in the year to which they relate.

p) Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Employee entitlements

Employee entitlements to gratuity and long-term service awards are recognized when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the statement of financial position date.

The estimated monetary liability for employees accrued annual leave entitlement at the statement of financial position date is recognized as an expense accrual.

r) Donor and Government funds

Funds from the World Bank and Government funds are reported as Government grants and recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received in order to comply with the disclosure requirements of International Accounting Standard (IAS) 20.

(i) Operating grant

Operating grants are recognized in the statement of profit or loss and comprehensive income on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate.

s) Specific reserve

This relates to a reserve set aside by the Company from retained earnings approved by Board of Directors in 2018 to cover the Company from various risks and unforeseen losses.

t) Dividends

Dividends on ordinary shares are recognized as a liability in the year in which they are declared. Proposed dividends are accounted for as a separate component of equity until they have been declared at an annual general meeting.

u) Contingencies

A court disputes for compensation of TZS 440 million has been filed by a former employee of the Company for an alleged breach of contract and wrongful termination of employment. Although the outcome of these matter cannot be predicted with certainty, and might be decided unfavourably to the Company, management has no reason to believe that the disposition will have a materially adverse effect on the 2021 financial position of the Company.

v) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w) Impact of Covid-19 in the mortgage market and TMRC business performance

Covid-19 outbreak led to reduced business activities in the financial sector as banks and financial institutions took a cautionary move in their lending activities including mortgage lending. There is inadequate data on the impact of Covid-19 on financial institutions, but the company's initial assessment indicates the pandemic did not have a direct impact on the financial position of the company as at 31 December 2022. No adverse impact is expected on the company's strategy and operations as a result of COVID-19.

During the year Management continued to monitor the pandemic and make appropriate decisions on mitigating strategies through a temporary committee formed for this purpose. As a result, no adjustments have been made in the financial statements.

However, given the uncertainty over when the pandemic will be over, it is expected that significant impact on the economy will be experienced world-wide including businesses which have been financed by the company. As such, management in consultation with the Board of Directors, has put in place strategies aimed at minimizing the impact of the pandemic.

Key challenges of Covid-19 expected in the mortgage market and TMRC business performance include potential decline of the PML's overall loan book; decline of the mortgage book; increase in non-performing loans (NPL) of the total loan book; increase in NPL for mortgage; and delays in origination of new loans.

Other potential impacts include TMRC business slow down as a result of reduced capital market activities which will impact TMRC ability to issue bonds; (TMRC postponed its fourth tranche MTN issuance); delays in discussion with DFI's and Bank of Tanzania to access new concessionary line of credit; reduced demand for TMRC funding and reduced appetite by PMLs on lending to mortgage product. The above challenges are expected to result in slow or absence of TMRC growth and stagnation/ reduction in TMRC profitability.

NOTES TO THE FINANCIAL STATEMENTS

	2022 TZS '000	2021 TZS '000
1. Interest income		
Interest income on mortgage refinance and pre-finance loans	11,610,967	10,997,352
Interest income on government securities (Note 7)	9,067,682	8,202,581
Interest income on investment securities	30,081	46,612
Interest income on staff loans	47,133	40,956
Interest Income on Other Investments	548	-
	20,756,411	**19,287,501**
2. Interest expense		
Interest expense on TMRC Corporate Bond	5,117,579	3,848,839
Interest expense on loan from Bank of Tanzania	8,137,295	8,389,311
Interest expense on Other Borrowings	658	
	13,255,532	**12,238,150**
3. Other income		
Loan facilitation fees	211,332	167,347
Gain from assets disposal	(2,786)	-
Contributions	23,500	4,500
Revenue grants amortization (Note 20)	18,672	18,672
Trading Income	490,064	-
	740,782	**190,519**
4. (a) Operating expenses		
Staff costs (Note 4(b))	3,687,066	3,420,753
Travel expenses	99,814	87,674
Legal costs	7,501	1,062
Audit fees	23,600	25,091
Bank charges and commissions	11,998	9,028
Brokerage commission	137,919	118,690
Foreign exchange loss	194	5,600
Depreciation on equipment (Note 10 (a))	148,443	85,535
Depreciation charge of right-of-use assets (Note 10 (b))	193,364	194,474
Amortization of intangible assets (Note 11)	35,108	47,328
Office rent	9,748	8,938
Telephone and fax	45,526	50,283
Insurance	152,925	99,661
Marketing and communication	56,488	51,038
Consultancy fees	40,338	20,076
IT license fees	188,528	206,034
Membership fees	34,421	29,724
Finance Cost on Lease	28,276	46,631
Other operating expenses	420,732	398,655
	5,321,791	**4,906,274**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(b) Staff costs

	2022 TZS '000	2021 TZS '000
Salaries and wages	2,534,638	2,354,566
Social security costs (defined contributions)	439,785	410,287
Provision for gratuity	232,960	221,679
Skills and Development Levy (SDL)	117,276	109,411
Workers Compensation Fund (WCF)	15,911	21,111
Leave expense	167,323	157,922
Staff Welfare	797	2,841
Training expenses	86,986	64,514
Medical expenses	91,389	78,421
	3,687,066	**3,420,753**

5. Tax

	2022 TZS '000	2021 TZS '000
Current tax		
- Current year	734,652	671,046
Deferred tax charge (Note 13)	67,607	40,321
Tax charge	**802,259**	**711,367**

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basi rate as follows:

	2022 TZS '000	2021 TZS '000
Profit before tax	2,933,132	2,302,119
Tax calculated at a tax rate of 30% (2020: 30%)	879,940	690,636
Tax effect of:		
- Adjustment (IFRS 16)	7,809	-
- Permanently disallowed expenditure	28,890	20,731
- Interest Income from Government bond	(175,085)	-
Non Qualifying capital expenditure	60,706	-
Tax charge	**802,259**	**711,367**

The normal procedure for agreeing final income tax liability in Tanzania involves the company filing its final income tax returns with the Tanzania Revenue Authority (TRA) followed by TRA performing their own review of the company's submissions and issuing their notice of income tax assessments to the company. The final income tax liability as determined by TRA after their review may differ from the liability determined by the Company and procedures are in place for the company to object and appeal against such assessments. It is common that a timeframe from the company's own submission of its final tax returns and for TRA performing their review and issuing of notice of final tax assessment may take several months or years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2022 TZS '000	2021 TZS '000
6. Cash and bank balances		
Cash in hand	1,908	1,243
Cash at bank	2,129,675	92,219
	2,131,583	**93,462**

For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

	2022	2021
Short term placement with other Banks		
Financial assets with maturity of less than 91 days (Note 7)	-	1,600,000
Less: Impairment loss allowance-ECL (note 9)	-	(2,992)
	-	**1,597,008**
Long term placement with other Banks		
Financial assets with maturity of more than 91 days	100,000	-
Less: Impairment loss allowance - ECL (note 9)	(2,546)	-
	97,454	-

The company is minimally exposed to credit risk on cash and bank balances as these are held with sound financial institutions.
The carrying amounts of the company's cash and cash equivalents are denominated in Tanzania Shillings and US dollar.

	2022 TZS '000	2021 TZS '000
7. Investments		
a) Government securities (continued)		
Government Securities at amortized costs	25,490,463	24,868,440
Government Securities at FVOCI	44,387,371	34,632,892
Accrued interest	1,059,551	1,097,173
Less: Impairment loss allowance-ECL	(50,255)	(53,872)
	70,887,130	**60,544,633**
b) Government securities (continued)		
Maturing within a year	1,059,551	1,097,173
Maturing within 1-2 years	5,077,366	1,155,585
Maturing within 2-3 years	44,954,118	34,632,892
Maturing within 3-5 years	-	4,633,906
Maturing within 5-10 years	3,897,872	440,883
Maturing after 10 years	15,898,224	18,013,525
	70,887,130	**60,544,633**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Investments (continued)

Investment in Government securities is made up of Government Securities at amortized costs and Government Securities at FVOCI existing as at year end and accrued interest as at 31 December 2022 computed using effective interest rate for Securities at amortized costs and market value for securities at FVOCI. These investments are denominated in Tanzanian Shillings and attracted a weighted average on yield interest rate of 16.87% and 14.36% per annum for Government Securities at amortized costs and Government Securities at FVOCI respectively (2021: 16.68% and 14.07%) during the year.

Movement in government securities during the year	2022 TZS '000	2021 TZS '000
Government securities		
At start of year	60,544,633	49,878,745
Additions	7,076,804	12,262,770
Redemptions	2,564,344	(4,004,154)
Interest earned (Note 1)	9,067,682	8,202,581
Interest received	(8,366,333)	(5,795,308)
At end of year	**70,887,130**	**60,544,633**

c) Placement with other banks	2022	2021
Long term placement with other Banks	100,000	-
Deposits with financial institutions (at cost)	-	1,600,000
Accrued interest	548	2,993
Less: Impairment loss allowance-ECL	(2,546)	(2,992)
	98,002	**1,600,001**

Placements with other banks are made up of investments in fixed deposits made with banks during the year. Accrued interest comprises of interest earned but not received as at the year end. The fixed deposit investments denominated in Tanzania Shillings attracted a weighted average interest rate of 5.43% per annum (2021: 4.55%) during the year.

Movement in placement with other banks during the year	2022 TZS '000	2021 TZS '000
At start of year	1,600,001	200,511
Additions	6,605,000	12,654,000
Redemptions	(8,107,000)	(11,254,510)
At end of year	**98,002**	**1,600,001**

As at year end placement with other banks are denominated in the following currencies:

Tanzania Shilling	98,002	1,600,001
	98,002	**1,600,001**

There were gains of TZS 498.99 million arising from the disposal of financial assets (government securities) during the year ended 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Investments (continued)

In the opinion of the directors, the carrying amounts of government securities at amortized cost approximate to their fair value.

Government securities at amortized cost can be analyzed as follows:	2022 TZS '000	2021 TZS '000
Maturity within 91 days	-	-
Maturity after 91 days	25,490,463	24,868,440
Total	**25,490,363**	**24,868,440**

None of the financial assets classified as is either past due or impaired.

Movement in government securities at amortised cost with maturities after 91 days

At the start of the year	24,868,440	29,242,891
Net of additions and redemptions during the year	622,023	(3,148,105)
At the end of the year	**25,490,363**	**24,868,440**

Credit risk primarily arises from changes in the market value and financial stability of respective banks. The directors are of the opinion that the company's exposure is limited because the debt is held with sound financial institutions, and it is widely held.

Management monitors the credit quality of financial assets by:

- discussions at management and Board meetings;
- reference to external historical information available; and
- discussions with the company`s investment advisors.

The maximum exposure to credit risk as at the reporting date is the carrying value of the financial assets as disclosed above.

TMRC Regulation 16(1) requires TMRC to not invest more than 40% of its financial resources in Treasury bonds and fixed deposits. As at year end, the total investment in treasury bonds and fixed deposits was 31.97% (2021: 31.29%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Mortgage refinance and pre-finance loans

Tanzania Mortgage Refinance Company Limited (TMRC) offers two products, namely refinance and pre-finance loans to its member banks which are Primary Mortgage Lenders (PML).

i. Refinancing loans are secured against first ranked fixed charge debentures and a first ranked floating charge specific debenture in favour of TMRC over specified member bank's mortgage loan portfolios to cover for no less than 111% of value of the refinance loans.

ii. Pre-financing loans are secured on a portfolio of Treasury Bonds with coverage ratio of 100% and minimum remaining tenor longer than the maturity of the respective Treasury Bonds years from disbursement date. PML are required to effect legal transfer of the Treasury Bonds pledged to TMRC as collateral to TMRC CDS account. The transfer must be effected prior to disbursement of funds. PML must maintain an on-going coverage ratio of 100%.

Mortgage refinance and pre-finance loans at amortized cost	**2022** **TZS '000**	**2021** **TZS '000**
Mortgage refinance	108,900,000	74,700,000
Pre-finance loans	36,300,000	58,500,000
Accrued Interest	1,546,512	1,351,573
Less: Impairment loss allowance-ECL	(47,200)	(55,236)
Net Mortgage refinance and pre-finance loans	**146,699,312**	**134,606,808**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Mortgage refinance and pre-finance loans (continued)

The company has issued mortgage refinance and pre-finance loans to the following banks as at year end:

	2022	2021
	TZS '000	TZS '000
Azania Bank Limited - refinance	9,200,000	6,700,000
Azania Bank Limited - pre-finance	6,500,000	9,000,000
Bank of Africa (Tanzania) Limited - refinance	10,750,000	5,750,000
Bank of Africa (Tanzania) Limited - pre-finance	-	5,000,000
Exim Bank (Tanzania) Limited - re-finance	8,500,000	1,000,000
Exim Bank (Tanzania) Limited - pre-finance	-	5,000,000
DCB Commercial Bank Plc - refinance	3,500,000	3,500,000
DCB Commercial Bank Plc - pre-finance	4,000,000	-
BancABC Limited - refinance	1,400,000	1,400,000
BancABC Limited - pre-finance	5,000,000	5,000,000
CRDB Bank Plc - re-finance	27,000,000	27,000,000
I&M Bank (T) Limited -re-finance	3,250,000	3,250,000
I&M Bank (T) Limited - pre-finance	-	-
NBC Bank (T) Limited -refinance	3,000,000	2,000,000
NBC Bank (T) Limited -prefinance	10,000,000	11,000,000
NMB Bank Plc - refinance	11,700,000	6,700,000
NMB Bank Plc - pre-finance	-	5,000,000
ABSA Bank (T) Limited refinance	5,000,000	5,000,000
ABSA Bank (T) Limited pre-finance	7,000,000	7,000,000
NCBA Bank Limited -refinance	3,000,000	3,000,000
KCB Bank Tanzania Limited - pre-finance	10,000,000	10,000,000
First National Bank Tanzania Limited - refinance	-	2,500,000
Mkombozi Commercial Bank Plc pre-finance	1,500,000	1,500,000
Stanbic Bank Tanzania Limited refinance	5,900,000	5,900,000
First Housing Finance Company Limited - refinance	5,200,000	1,000,000
First Housing Finance Company Limited- pre-finance	3,800,000	-
Accrued interest	1,546,512	1,351,573
	146,746,512	134,551,573
Less Impairments	(47,200)	(55,236)
Total	**146,699,312**	**134,496,337**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Mortgage refinance and pre-finance loans (continued)

The mortgages refinance loans in 2022:

Name of Bank	Year disbursed	Principal Amount TZS '000	Maturity period from date of disbursement	Interest rate % p.a
Azania Bank Limited	2022	2,500,000	5 years	7.5%
Azania Bank Limited	2020	1,700,000	5 years	7.5%
Azania Bank Limited	2020	2,500,000	3 years	7.5%
Azania Bank Limited	2022	2,500,000	5 years	7.5%
BancABC Limited	2019	1,400,000	5 years	7.5%
DCB Commercial Bank Plc	2019	1,500,000	5 years	9.0%
DCB Commercial Bank Plc	2019	2,000,000	5 years	7.5%
Bank of Africa (Tanzania) Limited	2019	2,750,000	5 years	7.5%
Bank of Africa (Tanzania) Limited	2020	3,000,000	5 years	7.5%
Bank of Africa (Tanzania) Limited	2020	5,000,000	5 years	7.5%
NMB Bank Plc	2020	1,700,000	5 years	7.5%
NMB Bank Plc	2021	5,000,000	5 years	7.5%
NMB Bank Plc	2022	5,000,000	5 years	7.5%
ABSA Bank (T) Limited	2021	5,000,000	5 years	8.5%
Exim Bank (Tanzania) Limited	2019	1,000,000	5 years	7.5%
Exim Bank (Tanzania) Limited	2020	5,000,000	5 years	7.5%
Exim Bank (Tanzania) Limited	2022	2,500,000	5 years	7.5%
CRDB Bank Plc	2020	5,000,000	5 years	7.5%
CRDB Bank Plc	2017	5,000,000	5 years	9.0%
CRDB Bank Plc	2018	7,000,000	5 years	9.0%
CRDB Bank Plc	2020	10,000,000	5 years	7.5%
NCBA Bank (Tanzania) Limited	2020	3,000,000	5 years	7.5%
I&M Bank Limited	2018	1,800,000	5 years	9.0%
I&M Bank Limited	2021	1,450,000	5 years	7.5%
National Bank of Commerce Limited	2019	2,000,000	5 years	7.5%
National Bank of Commerce Limited	2022	1,000,000	5 years	7.5%
Stanbic Bank (Tanzania) Limited	2019	5,900,000	5 years	8.5%
First Housing Finance Company Limited	2020	1,000,000	5 years	7.5%
First Housing Finance Company Limited	2022	4,200,000	2 years	10.8%
Mkombozi Commercial Bank Plc	2021	1,500,000	5 years	7.5%
KCB Bank Tanzania Limited	2022	5,000,000	5 years	8.5%
KCB Bank Tanzania Limited	2022	5,000,000	5 years	8.5%
Total accrued interest		1,116,759		
Sub total		**110,016,759**		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Mortgage refinance and pre-finance loans (continued)

The mortgage refinance loans in 2021:

Name of Bank	Year disbursed	Principal Amount TZS '000	Maturity period from date of disbursement	Interest rate % p.a.
Azania Bank Limited	2019	2,500,000	3 years	7.5%
Azania Bank Limited	2020	1,700,000	5 years	7.5%
Azania Bank Limited	2020	2,500,000	3 years	7.5%
BancABC Limited	2019	1,400,000	5 years	7.5%
DCB Commercial Bank Plc	2019	1,500,000	5 years	9.0%
DCB Commercial Bank Plc	2019	2,000,000	5 years	7.5%
Bank of Africa (Tanzania) Limited	2019	2,750,000	5 years	7.5%
Bank of Africa (Tanzania) Limited	2020	3,000,000	5 years	7.5%
NMB Bank Plc	2020	1,700,000	5 years	7.5%
NMB Bank Plc	2021	5,000,000	5 years	7.5%
ABSA Bank (T) Limited	2021	5,000,000	5 years	8.5%
FNB Bank (Tanzania) Limited	2017	2,500,000	5 years	10.0%
Exim Bank (Tanzania) Limited	2019	1,000,000	5 years	7.5%
CRDB Bank Plc	2020	5,000,000	5 years	7.5%
CRDB Bank Plc	2017	5,000,000	5 years	9.0%
CRDB Bank Plc	2018	7,000,000	5 years	9.0%
CRDB Bank Plc	2020	10,000,000	5 years	7.5%
NCBA Bank (Tanzania) Limited	2020	3,000,000	5 years	7.5%
I&M Bank Limited	2018	1,800,000	5 years	9.0%
I&M Bank Limited	2021	1,450,000	5 years	7.5%
National Bank of Commerce Limited	2019	2,000,000	5 years	7.5%
Stanbic Bank (Tanzania) Limited	2019	5,900,000	5 years	8.5%
First Housing Finance Company Limited	2020	1,000,000	5 years	7.5%
Total accrued interest		616,319		
Sub total		**75,316,319**		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Mortgage refinance and pre-finance loans (continued)

The mortgage pre-finance loans in 2022:

Name of Bank	Year disbursed	Principal Amount TZS '000	Maturity period from date of disbursement	Interest rate % p.a
BancABC Limited	2021	5,000,000	1 year	9
ABSA Bank (Tanzania) Limited	2019	7,000,000	3 years	8.5
National Bank of Commerce Limited	2019	10,000,000	3 years	7.5
Azania Bank Limited	2019	6,500,000	3 years	7.5
DCB Commercial Bank Plc	2022	4,000,000	5 years	10.82
First Housing Finance Company	2022	1,800,000	2 years	10.82
First Housing Finance Company Limited	2022	2,000,000	2 years	11
Total accrued interest		429,753		
Sub total		**36,729,753**		

The Mortgage Pre-finance Loans in 2021

Name of Bank	Year disbursed	Principal Amount TZS '000	Maturity period from date of disbursement	Interest rate % p.a.
Bank of Africa (Tanzania) Limited	2020	5,000,000	5 years	7.5
KCB Limited	2021	5,000,000	5 years	8.5
KCB Limited	2021	5,000,000	1 year	9
BancABC Limited	2021	5,000,000	1 year	9
Mkombozi Commercial Bank Plc	2021	1,500,000	5 years	7.5
Azania Bank Limited	2021	2,500,000	1 year	9
NMB Bank Plc	2019	5,000,000	3 years	9
ABSA Bank (Tanzania) Limited	2019	7,000,000	3 years	9
National Bank of Commerce Limited	2019	1,000,000	3 years	8.5
National Bank of Commerce Limited	2019	10,000,000	3 years	7.5
Exim Bank (Tanzania) Limited	2019	5,000,000	3 years	7.5
Azania Bank Limited	2019	6,500,000	3 years	7.5
Total accrued interest		735,253		
Sub total		**59,235,253**		

The interest is receivable quarterly effective from the date of disbursement of the loan.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Analysis of impairment provision on financial instruments.

The movement in Impairment provisions for financial instruments charges during the year ended 31st December 2022:

The movement in provisions for financial instruments charges

2022

	Re & Pre Financing Loans	Government securities	Placement with other banks	Other receivables		Total Provision
						TZS '000
At start of the year	**(55,236)**	**(53,872)**	**(2,992)**	**(11,533)**		**(123,633)**
Movement During the year:						
Previous years Adjustments	-	-	-	-		-
Impairment provision charges	8,036	3,617	446	1,163		**13,262**
At the end of the year	**(47,200)**	**(50,255)**	**(2,546)**	**(10,370)**		**(110,371)**

2021

	Re& Pre Financing Loans	Government securities	Placement with other banks	Other receivables		Total Provision
						TZS '000
At start of the year	**(57,300)**	**(24,259)**	**(2,193)**	**(8,403)**		**(92,156)**
Movement During the year:						
Previous years Adjustments	-	-	-	-		-
Impairment provision charges	2,065	(29,613)	(799)	(3,130)		**(31,477)**
At the end of the year	**(55,236)**	**(53,872)**	**(2,992)**	**(11,533)**		**(123,633)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Analysis of impairment provision on financial instruments (Continued)

Analysis of movement in the ECL allowance for financial instruments during the year ended 31st December, 2022:

Description	Stage 1 TZS '000	Stage 2 TZS'000	stage 3 TZS '000	Total 2022 TZS '000	Total 2021 TZS '000
Government Securities:					
At start of the year	(53,872)	-	-	(53,872)	**(24,259)**
Charge for the period	3,617	-	-	3,617	(29,613)
Write-offs	-	-	-	-	-
At the end of the year	**(50,255)**	-	-	**(50,255)**	**(53,872)**
Impairment charge to Income Statement	-	-	-	-	-
Impairment provision ECL	3,617	-	-	3,617	(29,613)
Charge/Release to Income Statement	**3,617**	-	-	**3,617**	**(29,613)**

	Stage 1 TZS '000	Stage 2 TZS'000	stage 3 TZS '000	Total 2022 TZS '000	Total 2021 TZS '000
Placement with other Banks					
At start of the year	(2,992)	-	-	**(2,992)**	**(2,193)**
Charge for the period	446	-	-	446	(799)
Write-offs	-	-	-	-	-
At the end of the year	**(2,546)**	-	-	**(2,546)**	**(2,992)**
Impairment charge to Income Statement	-	-	-	-	-
Impairment provision ECL	446	-	-	446	(799)
Charge/Release to Income Statement	**446**	-	-	**446**	**(799)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Analysis of impairment provision on financial instruments (Continued)

	Stage 1 TZS '000	Stage 2 TZS '000	stage 3 TZS '000	Total 2022 TZS '000	Total 2021 TZS '000
Mortgage Re & Pre-finance Loans					
At start of the year	(55,236)	-	-	(55,236)	**(57,300)**
Charge for the period	8,036	-	-	8,036	2,065
Previous years Adjustments	-			-	-
Write-offs	-	-	-	-	-
At the end of the year	**(47,200)**	-	-	**(47,200)**	**(55,236)**
Impairment charge to Income Statement		-	-	-	-
Impairment provision ECL	8,036	-	-	8,036	2,065
Charge/Release to Income Statement	**8,036**	-	-	**8,036**	**2,065**

	Stage 1 TZS '000	Stage 2 TZS '000	stage 3 TZS '000	Total 2022 TZS '000	Total 2021 TZS '000
Other Receivables					
At start of the year	(11,533)	-	-	(11,533)	**(8,403)**
Charge/Release for the period	1,163	-	-	1,163	(3,130)
Write-offs	-	-	-	-	-
At the end of the year	**(10,370)**	-	-	**(10,370)**	**(11,533)**
Impairment charge to Income Statement		-	-	-	-
Impairment provision ECL	1,163	-	-	1,163	(3,130)
Charge/Release to Income Statement	**1,163**	-	-	**1,163**	**(3,130)**

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Property, Plant and Equipment

10 (a).

Equipment	Leasehold improvements TZS '000	Computers & equipment TZS '000	Office equipment TZS '000	Office furniture TZS '000	Motor vehicle TZS '000	Total TZS '000
Year ended 31st December, 2022						
Opening carrying amount	**1,247**	**35,702**	**79,666**	**33,943**	**95,522**	**246,079**
Revaluation reserves	73,108	20,969	32,365	7,232	24,051	157,724
Adjusted balance at 1st January 2022	**74,355**	**56,672**	**112,030**	**41,175**	**119,572**	**403,803**
Additions	-	61,864	49,233	8,409	317,231	436,736
Less Disposed Assets	-	-	-	-	(119,572)	(119,572)
	-	-	-	-	22,420	
						22,420
Depreciation charge on disposed assets						
Depreciation charge	**(7,435)**	**(28,656)**	**(27,872)**	**(9,188)**	**(75,292)**	**(148,443)**
Closing carrying amount	**66,919**	**89,879**	**133,391**	**40,396**	**264,359**	**594,945**
At 31st December, 2022						
Cost or valuation	185,653	45,671	60,807	35,853	127,362	455,346
Revaluation reserves	(111,298)	11,001	51,223	5,322	(7,790)	(51,543)
Adjusted balance at 1st January 2022	**74,355**	**56,672**	**112,030**	**41,175**	**119,572**	**403,803**
Additions	-	61,864	49,233	8,409	317,231	436,736
Less Disposed Assets	-	-	-	-	-	-
Accumulated depreciation	(191,841)	(28,656)	(27,872)	(9,188)	(75,292)	(332,848)
Revaluation reserves	184,406	-	-	-	-	184,406
Depreciation charge on disposed assets	-	-	-	-	22,420	22,420
Less Disposed Assets	-	-	-	-	(119,572)	(119,572)
Net carrying amount	**66,919**	**89,879**	**133,391**	**40,396**	**264,359**	**594,944**

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Property, Plant and Equipment (continued)

10 (a). Equipment	Leasehold improvements TZS '000	Computers & equipment TZS '000	Office equipment TZS '000	Office furniture TZS '000	Motor vehicle TZS '000	Total TZS '000
Year ended 31st December, 2021						
Opening carrying amount	**17,988**	**30,410**	**76,120**	**38,570**	-	**163,087**
Revaluation reserves	-	15,261	(15,312)	(2,717)	127,362	124,593
Previous year adjustment	1,659	-	-	-	-	1,659
Adjusted balance at 1st January 2021	**19,647**	**45,671**	**60,808**	**35,853**	**127,362**	**289,340**
Additions		5,940	31,433	4,900	-	42,274
Less Disposed Assets	-	-	-	-	-	-
Depreciation charge	**(18,400)**	**(15,909)**	**(12,575)**	**(6,810)**	**(31,841)**	**(85,534)**
Closing carrying amount	**1,247**	**35,702**	**79,666**	**33,943**	**95,522**	**246,079**
At 31st December, 2021						
Cost or valuation	183,994	283,539	341,328	132,152	231,567	1,172,580
Revaluation reserves	-	(237,868)	(280,520)	(96,299)	(104,205)	(718,893)
Previous year adjustment	1,659	-	-	-	-	1,659
Adjusted balance at 1st January 2021	**185,653**	**45,671**	**60,807**	**35,853**	**127,362**	**455,346**
Additions	-	5,940	31,433	4,900	-	42,274
Less Disposed Assets	-	-	-	-	-	-
Accumulated depreciation	(184,406)	(269,038)	(277,783)	(100,392)	(263,408)	(1,095,026)
Revaluation reserves	-	253,129	265,208	93,582	231,567	843,486
Less Disposed Assets	-	-	-	-	-	-
Net carrying amount	**1,247**	**35,702**	**79,665**	**33,943**	**95,522**	**246,079**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 (b). Lease

(i) Amounts recognized in the balance sheet

	2022	2021
Right-of-use assets	**TZS '000**	**TZS '000**
Balance at 1st January	400,096	16,137
Depreciation charge for the year	(193,364)	(194,474)
Additions	-	580,093
Adjustments (Note 24)	2,746	(1,659)
Balance at 31st December	**209,478**	**400,096**
Movement of Lease liabilities		
Balance at 1st January	424,871	19,026
Additions	-	580,093
Principal payments	(191,281)	(174,248)
Adjustments (Note 24)	(23,285)	-
Balance at 31st December	210,306	**424,871**
Lease liabilities		
Current	210,306	201,448
Non-current	-	223,423
	210,306	424,871

During the year no new additions added on Right of Use.

ii) Amounts recognized in the income statement

The statement of profit or loss shows the following amounts relating to leases

	2,022	2,021
	TZS '000	**TZS '000**
Depreciation charge of right-of-use assets Office Building	193,364	194,474
	193,364	**194,474**
Interest on lease liabilities	28,276	46,631
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	9,748	8,938
	38,025	**55,569**

The total cash outflow for leases in 2022 was TZS 220 million (2021: TZS 220 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2022 TZS '000	2021 TZS '000
11. Intangible assets		
Cost		
At start of year	125,297	95,198
Revaluation reserves	(20,950)	22,851
Adjusted balance at 1st January	**104,347**	**118,049**
Previous Year adjustment	-	2,773
Additions	2,930	51,803
At end of year	**107,277**	**172,625**
Amortization		
At start of year	47,328	1,477,333
Revaluation reserves	(47,328)	(1,477,333)
Adjusted balance at 1st January	-	-
Charge for the year	35,108	47,328
At end of year	**35,108**	**47,328**
Net book value	**72,169**	**125,297**

In the opinion of directors there is no impairment in the remaining value of intangible assets.

	2022 TZS '000	2021 TZS '000
12. Other receivables		
Prepaid expenses	405,812	606,553
Staff receivables	614,554	534,618
Less: Impairment loss allowance-ECL	(10,370)	(11,533)
	1,009,995	**1,129,638**

In the opinion of the directors, the carrying amounts of other receivables approximate to their fair value.

13. Deferred tax

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2021: 30%). The movement on the deferred tax account is as follows:

	2022 TZS '000	2021 TZS '000
At start of year	(43,233)	(129,117)
Fair value Revaluation Adjustment OCI	41,032	45,563
Current year release	69,809	40,321
At end of year	**67,608**	**(43,233)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Deferred tax (continued)

Deferred tax assets and liabilities, and the deferred tax charge/ (credit) in the statement of profit or loss and comprehensive income are attributable to the following items:

	At start of the year TZS '000	Charge/ (credit) to profit or loss TZS '000	At end of the year TZS '000
Year end 31st December 2022			
Deferred income tax liability			
Excess capital allowance over depreciation	51,323	(94,556)	(43,233)
Deferred income tax asset			
Provision for Doubtful Financial Instruments	-	-	-
Fair value Revaluation Adjustment OCI	-	41,032	41,032
Prior year Adjustments	-	69,809	69,809
	-	110,841	110,841
Net deferred tax liability	**51,323**	**16,285**	**67,608**

	At start of the year TZS '000	Charge/ (credit) to profit or loss TZS '000	At end of the year TZS '000
Year end 31st December 2021			
Deferred income tax liability			
Excess capital allowance over depreciation	51,323	(180,440)	(129,117)
Deferred income tax asset			
Provision for Doubtful Financial Instruments	-	-	-
Current Year release	-	40,321	40,321
Prior year Adjustments	-	45,563	45,563
	-	85,884	85,884
Net deferred tax liability	**51,323**	**(94,556)**	**(43,233)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Borrowings

		2022 TZS '000	2021 TZS '000
	The Borrowings are made up as follows:		
i	**Borrowing from Bank of Tanzania**		
	Current		
	Borrowing from Bank of Tanzania	36,300,000	53,500,000
	Accrued interest	346,274	490,274
		36,646,274	**53,990,274**
	Non- current		
	Loan from Bank of Tanzania	91,900,000	74,700,000
	Accrued interest	607,525	516,951
		92,507,525	75,216,951
	Total Loan from Bank of Tanzania	**129,153,799**	**129,207,225**
ii	**TMRC Corporate Bond**		
	Current		
	TMRC Corporate Bonds	14,521,500	2,000,000
	Accrued interest	192,760	80,818
	Non- current	**14,714,260**	**2,080,818**
	TMRC Corporate Bonds	35,057,100	32,578,600
	Accrued interest	462,155	356,322
		35,519,255	**32,934,922**
	Total TMRC Corporate Bond	**50,233,515**	**35,015,740**
iii	**Other Borrowings**		
	Current		
	NMB Standby line	1,000,000	-
	Accrued interest	658	-
		1,000,658	**-**
	Non- current		
	Line of Credit	-	-
	Accrued interest	-	-
	Total Other Borrowings	**1,000,658**	**-**
	Grand total	**180,387,971**	**164,222,965**

During the year, TMRC did not issue public bond. However, three transaction was closed through private bond placements with institutional investors.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Borrowing (continued)

(i) Borrowing from Bank of Tanzania

The Bank of Tanzania borrowing comprise the following:

2022: Value Date	Principal amount TZS '000	Interest to maturity TZS '000	Total TZS '000	Maturity period Years	Remaining Period to mature	Interest rate % p.a
3-Jan-22	4,000,000	1,644	4,001,644	1 Years	3 days	7.5%
10-Feb-22	5,000,000	1,542,123	6,542,123	5 Years	2 Years	6.0%
30-May-22	7,000,000	171,452	7,171,452	1 Years	5 Months	6.0%
30-May-22	1,000,000	264,986	1,264,986	5 Years	4 Years	6.0%
14-Jun-22	2,500,000	835,274	3,335,274	5 Years	4 Years	6.0%
11-Jul-22	10,000,000	2,717,260	12,717,260	5 Years	6 Months	6.0%
9-Aug-22	5,000,000	1,728,082	6,728,082	5 Years	4 Years	6.0%
19-Aug-22	5,000,000	1,389,863	6,389,863	5 Years	4 years	6.0%
22-Aug-22	6,500,000	248,959	6,748,959	1 Years	8 Months	6.0%
26-Sep-22	5,000,000	1,778,425	6,778,425	5 Years	4 Years	6.0%
14-Nov-22	2,500,000	914,384	3,414,384	5 Years	5 years	7.5%
4-Jun-18	7,000,000	224,384	7,224,384	5 Years	2 Years	7.5%
13-Aug-18	1,800,000	83,589	1,883,589	5 Years	2 Years	7.5%
26-Feb-19	1,500,000	130,068	1,630,068	5 Years	3 Years	7.5%
15-Mar-19	2,000,000	180,411	2,180,411	5 Years	3 Years	7.5%
27-May-19	1,000,000	84,329	1,084,329	5 Years	3 Years	6.0%
26-Jun-19	2,750,000	245,014	2,995,014	5 Years	3 Years	6.0%
26-Jun-19	2,500,000	222,740	2,722,740	5 Years	3 Years	6.0%
14-Jul-19	2,000,000	184,767	2,184,767	5 Years	3 Years	6.0%
15-Jul-19	1,400,000	129,337	1,529,337	5 Years	3 Years	6.0%
22-Aug-19	5,900,000	580,948	6,480,948	5 Years	3 Years	6.0%
29-Jan-20	2,500,000	311,918	2,811,918	5 Years	4 Years	6.0%
6-Mar-20	3,000,000	378,247	3,378,247	5 Years	4 Years	6.0%
30-Mar-20	5,000,000	650,137	5,650,137	5 Years	4 Years	6.0%
13-Apr-20	3,000,000	411,781	3,411,781	5 Years	4 Years	6.0%
30-Apr-20	1,700,000	237,534	1,937,534	5 Years	4 Years	6.0%
6-Jul-20	5,000,000	756,164	5,756,164	5 Years	4 Years	6.0%
21-Sep-20	8,000,000	1,309,808	9,309,808	5 Years	4 Years	6.0%
1-Nov-20	1,700,000	289,233	1,989,233	5 Years	4 Years	6.0%
4-Jan-21	4,000,000	723,945	4,723,945	5 Years	4 Years	6.0%
22-Mar-21	5,000,000	968,219	5,968,219	5 Years	4 Years	6.0%
30-Aug-21	1,450,000	319,159	1,769,159	5 Years	5 Years	6.0%
1-Nov-21	5,000,000	1,152,329	6,152,329	5 Years	5 Years	6.0%
6-Dec-21	1,500,000	354,329	1,854,329	5 Years	5 Years	6.0%
	128,200,000	**21,520,841**	**149,720,841**			

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Borrowing (continued)

(i) Borrowing from Bank of Tanzania (continued)

The Bank of Tanzania borrowing comprise the following:

2021: Value Date	Principal amount TZS '000	Interest to maturity TZS '000	Total TZS '000	Maturity period Years	Remaining Period to mature	Interest rate % p.a.
04-Jan-21	4,000,000	2,466	4,002,466	1 Years	3 days	7.5%
11-Feb-19	5,000,000	42,123	5,042,123	3 Years	1 Month	7.5%
30-May-19	7,000,000	172,603	7,172,603	3 Years	5 Months	6.0%
30-May-19	1,000,000	24,658	1,024,658	3 Years	5 Months	6.0%
15-Jun-17	2,500,000	88,870	2,588,870	5 Years	6 Months	7.5%
10-Jul-19	10,000,000	315,616	10,315,616	3 Years	6 Months	6.0%
06-Aug-21	5,000,000	222,945	5,222,945	1 Years	7 Months	7.5%
20-Aug-19	5,000,000	189,863	5,189,863	3 Years	8 Months	6.0%
21-Aug-19	6,500,000	247,890	6,747,890	3 Years	8 Months	6.0%
25-Sep-17	5,000,000	276,370	5,276,370	5 Years	9 Months	7.5%
12-Nov-21	2,500,000	163,356	2,663,356	1 Years	11 Months	7.5%
04-Jun-18	7,000,000	749,384	7,749,384	5 Years	2 Years	7.5%
13-Aug-18	1,800,000	218,589	2,018,589	5 Years	2 Years	7.5%
26-Feb-19	1,500,000	242,568	1,742,568	5 Years	3 Years	7.5%
15-Mar-19	2,000,000	330,411	2,330,411	5 Years	3 Years	7.5%
27-May-19	1,000,000	144,329	1,144,329	5 Years	3 Years	6.0%
26-Jun-19	2,750,000	410,014	3,160,014	5 Years	3 Years	6.0%
26-Jun-19	2,500,000	372,740	2,872,740	5 Years	3 Years	6.0%
14-Jul-19	2,000,000	304,767	2,304,767	5 Years	3 Years	6.0%
15-Jul-19	1,400,000	213,337	1,613,337	5 Years	3 Years	6.0%
22-Aug-19	5,900,000	934,948	6,834,948	5 Years	3 Years	6.0%
29-Jan-20	2,500,000	461,918	2,961,918	5 Years	4 Years	6.0%
06-Mar-20	3,000,000	558,247	3,558,247	5 Years	4 Years	6.0%
30-Mar-20	5,000,000	950,137	5,950,137	5 Years	4 Years	6.0%
13-Apr-20	3,000,000	591,781	3,591,781	5 Years	4 Years	6.0%
30-Apr-20	1,700,000	339,534	2,039,534	5 Years	4 Years	6.0%
06-Jul-20	5,000,000	1,056,164	6,056,164	5 Years	4 Years	6.0%
21-Sep-20	8,000,000	1,789,808	9,789,808	5 Years	4 Years	6.0%
01-Nov-20	1,700,000	391,233	2,091,233	5 Years	4 Years	6.0%
04-Jan-21	4,000,000	963,945	4,963,945	5 Years	4 Years	6.0%
22-Mar-21	5,000,000	1,268,219	6,268,219	5 Years	4 Years	6.0%
30-Aug-21	1,450,000	406,159	1,856,159	5 Years	5 Years	6.0%
01-Nov-21	5,000,000	1,452,329	6,452,329	5 Years	5 Years	6.0%
06-Dec-21	1,500,000	444,329	1,944,329	5 Years	5 Years	6.0%
	128,200,000	**16,341,650**	**144,541,650**			

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Borrowing (continued)

(i) Borrowing from Bank of Tanzania (continued)

The interest is payable quarterly effective from the date of disbursement of the loan.

The loans from Bank of Tanzania are secured against a debenture issued by TMRC to cover the loans. This debenture ranks equally with all bonds to be issued by TMRC.

In the opinion of the directors, it is impracticable to assign fair values to the Company's long-term borrowing due to inability to forecast interest rate changes.

Borrowings are denominated in Tanzania Shillings.

(ii) TMRC Corporate Bond

On May, 2019, TMRC obtained approval from CMSA and Dar es Salaam Stock Exchange (DSE) for 5 years corporate bond programme amounting to TZS 120.0 billion to issue public bonds in tranches.

	2022 TZS '000	2021 TZS '000
Opening Balance	34,578,600	25,699,100
Issuance of Private bond placements	17,000,000	-
Issuance of Public Bond Placement	-	8,879,500
Repayment of corporate bond	(2,000,000)	-
Total Corporate Bond amount at year end	**49,578,600**	**34,578,600**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Trade and other payables	**2022 TZS '000**	**2021 TZS '000**
Other payables	319,483	348,312
Accrued expenses	51,414	120,414
Gratuity payable	1,650	-
Deferred revenue	347,552	279,922
Facility Fees receivables	-	-
Withholding tax payable	29,868	32,085
VAT payable	1,980	22,750
Lease Liability	210,306	424,871
Provision for audit fees	9,440	9,940
Provision for staff leave	1,375	-
	973,068	**1,238,294**

In the opinion of the directors, the carrying amounts of the trade and other payables approximate to their fair value.
The carrying amounts of the company's trade and other payables are denominated in Tanzania Shillings.
The maturity analysis based on ageing of the trade and other payables is as follows:

	2022 TZS '000	**2021 TZS '000**
The maturity analysis based on ageing of the trade and other payables is as follows:		
within three months	622,492	958,372
three to twelve months	350,577	279,922
Over twelve months	-	-
	973,068	**1,238,294**

The company's liabilities as above will be settled by either cheque or direct bank transfer.

15. Movement in provision for staff leave	**2022 TZS '000**	**2021 TZS '000**
At start of year	-	500
Additions	167,323	157,922
Redemptions	(165,948)	(158,422)
At end of year	**1,375**	-
Movement in gratuity payable		
At start of year	-	600
Additions	232,960	221,679
Redemptions	(231,310)	(222,279)
At end of year	**1,650**	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Share capital	No. of Ordinary shares	Issued and fully paid up capital TZS '000	Share premium TZS '000
At 1st January 2022	**23,061,291**	**22,831,291**	**2,543,430**
Issue for cash-under Right Issue	-	-	-
Issue for cash-Normal	-	-	-
Alloted shares	-	-	-
At 31st December 2022	**23,061,291**	**22,831,291**	**2,543,430**
At 1 January 2021	**23,061,291**	**22,831,291**	**2,543,430**
Issue for cash-under Right Issue	-	-	-
Issue for cash-Normal	-	-	-
Alloted shares	-	-	-
At 31st December 2021	**23,061,291**	**22,831,291**	**2,543,430**

The total number of authorised ordinary shares is 30,000,000 (2021: 30,000,000) with a par value of TZS 1,000 each.

Issued and fully paid:
2022
During the year there was no ordinary shares issued or paid.

2021
During the year there was no ordinary shares issued or paid.

17. Dividends
At the forthcoming annual general meeting, a final dividend in respect of the year ended 31st December 2022 of TZS 36.90 per share amounting to TZS 850.96 million is to be proposed (2021: TZS 27.95 per share amounting to TZS 636.30 million was recommended and paid). Cash payment of year 2022 dividend will be subject to Bank of Tanzania no objection.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Cash used in operations

Reconciliation of profit before tax to cash used in operations:

Cash used in operations	**2022 TZS '000**	**2021 TZS '000**
Reconciliation of profit before tax to cash used in operations:		
Profit before tax	2,933,132	2,763,458
Adjustments for:		
Depreciation on equipment (Note 10 a)	148,443	117,487
Amortization of Right of use asset (Note 10 b)	193,364	194,474
Amortization of intangible assets (Note 11)	35,108	57,775
Other non-cash movement	211,332	18,672
Interest expense (Note 2)	13,255,532	12,238,150
Provision for Impairments	(13,262)	31,477
Loss from assets disposal	2,786	-
Release of fair value loss	-	5,600
Realized gain/loss on Government Security-FVOCI	490,064	-
Proceeds from Available for Sale Government Security	3,159,107	2,681,029
Changes in working capital:		
- Mortgage refinance loans	(12,202,976)	1,518,959
- Other assets	119,643	(127,994)
- Trade and other payables	(142,538)	878,693
Cash used in operations	**8,189,734**	**19,916,441**

19. Related party transactions and balances

The Company is owned by commercial banks and non-banks in Tanzania. The percentage shareholding of each member is shown on page 19 share capital structure.

The following balances and transactions arose from transactions carried out with related parties:

	2022 TZS '000	**2021 TZS '000**
(i) Loans to related parties		
Loans to shareholders (Note 8)	**114,800,000**	**102,800,000**
Loans to key management	**234,388**	**439,645**
(ii) Investment securities with member banks (Note 7)		
Fixed deposits with Exim Bank Tanzania Limited	-	-
Fixed deposits with Azania Bank Limited	-	-
	-	**1,600,000**

19. Related party transactions and balances (continued)

	2022	2021
(iii) Interest income from related parties		
Interest income derived from member banks (Note 1)	**TZS '000**	**TZS '000**
- Interest income from mortgage refinance and pre-finance loans	8,744,570	8,221,948
- Interest income from fixed deposits	30,081	46,612
	8,774,651	**8,268,560**
Interest income from loans to key management	**23,796**	**35,961**
(iv) Key management compensation		
Salaries and other short-term benefits	1,821,863	1,444,688
Pension costs: defined contribution scheme	91,093	73,031
	1,912,958	**1,517,719**

20. Revenue Grants

	2022	2021
Revenue Grants	**TZS '000**	**TZS '000**
At start of year	27,472	46,144
Additions during the year	-	-
Amortisation of revenue grants	(18,672)	(18,723)
At end of year	**8,800**	**27,472**

TMRC revenue grants comprises expenditure grants from Housing Finance Project (HFP) to support TMRC first Medium Term Note issuance in 2018.

21. Specific reserve

	2022	2021
The movement in the specific reserve during the year is as follows:	**TZS '000**	**TZS '000**
Opening balance	416,393	416,393
Transfer to specific reserve	-	-
Closing balance	**416,393**	**416,393**

Specific reserves related to 20% reserves kept aside from of audited annual net profit after tax for the year 2015, 2016 and 2017. This reserve set aside by the Company from retained earnings approved by Board of Directors in 2018 to cover the Company from various risks and unforeseen losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Capital management

Internally imposed capital requirements

The Company's objectives when managing capital are:

To provide an adequate return to shareholders by pricing products and services commensurate with the level of risk;

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To maintain a strong asset base to support the development of business; and
- To maintain an optimal capital structure to reduce the cost of capital.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Capital comprises all components of equity (i.e., share capital and retained earnings).

The gearing ratios as at 31st December, 2022 and 2021 were as follows:

	2022 TZS '000	2021 TZS '000
Total borrowings (Note 14)	180,387,971	164,222,965
Less: cash and cash equivalents (Note 6)	2,131,583	1,693,462
Net debt	178,256,388	162,529,503
Total equity	40,331,014	33,127,888
Gearing ratio	**442%**	**491%**

The Company's borrowings are composed of interest-bearing loans from Bank of Tanzania and TMRC Corporate bond. Total equity is made of member banks and non-banks contributions to capital adjusted by profit for the year.

Externally imposed capital requirements

(i) BOT Banking and Financial Institutions (Mortgage refinance companies) regulations, 2022 requires the Company to maintain at all times a minimum core capital of not less than TZS 30 billion or such higher amount as BOT may determine. As at year end, the core capital of the Company was TZS 30.97 billion (2021: TZS 28.90 billion).

(ii) The Regulations further require TMRC to maintain at all times a minimum core capital to the value of its risk-weighted assets and off-balance sheet exposures of not less than 10% and a minimum ratio of total capital to the value of its risk-weighted assets and off-balance sheet exposures of not less than 12%. The respective ratios at the statement of financial position date were 62% each (2021: 74% each) respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Country of Incorporation

Tanzania Mortgage Refinance Company Limited (TMRC) was incorporated in Tanzania under the Tanzania Companies Act, 2002 as a private limited liability Company and is domiciled in Tanzania.

24. Prior Years Adjustments

During the year the correction of error on computation of Right of Use on lease amounting to TZS 9.19 million (Note 10a).

During the year ended 31st December, 2022 a correction of error on interest expenses on lease from right of uses assets impacted the opening balance of retained earnings on 2021 financial statement amounting to TZS 9.19 million (Note 10a). Amount of Right of use as well as lease liability for 2021 was impacted by TZS 2.74 million and 23.28 million respectively.

Leasehold improvements

Costs	After Restatement	Before Restatement	Restatement
Finance cost on lease 2019-2021	15,817	19,433	(3,616)
Finance cost on lease 2021-2024	41,051	46,631	(5,580)
Over expensed lease finance cost 2021	**56,868**	**66,064**	**(9,196)**

24 (b) Prior year adjustment on Right of Use and Leas Liability for the year ended 31 December, 2022

Right of Use and Leas Liability

Costs	After Restatement	Before Restatement	Restatement
Carrying Value ROU	402,842	400,096	2,746
At the end of the year 2021	402,842	400,096	2,746
Over depreciated Right of Use in 2021			**2,746**

Carrying Value Lease Liability

Costs	After Restatement	Before Restatement	Restatement
Opening Balance	401,587	424,871	(23,285)
At the end of the year 2021	401,587	424,871	(23,285)
Under amortized lease liability Use in 2021			**(23,285)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Schedule of operating expenses

		2,022	2021
Schedule of operating expenses		**TZS '000**	**TZS '000**
1	**Administrative expenses**		
	Staff costs (Note 4(b))	3,687,066	3,420,753
	Travel expenses	99,814	87,674
	Legal costs	7,501	1,062
	Audit fees	23,600	25,091
	Depreciation on equipment (Note 10 a)	148,443	85,535
	Depreciation charge for the year (Note 10b)	193,364	194,474
	Amortization of intangible assets (Note 11)	35,108	47,328
	Total administrative expenses	**4,194,895**	**3,861,917**
	Courier and postages	1,407	1,446
	Email and website development	758	771
	Repair and maintenance of motor vehicles	3,365	11,480
	Repair and maintenance of office equipment	15,763	10,860
	Condolences and burial expenses	1,000	3,500
	Stationeries and consumables	20,558	24,572
	Vehicle running expenses	276	754
	Electricity expenses	10,001	11,037
	Fuel expenses	13,348	10,706
	Office cleaning expenses	1,146	496
	Newspaper and publications	3,262	2,955
	Office security services	2,521	2,996
	ICT Equipment's Maintenance	13,855	13,890
	Repair and maintenance of office furniture	400	69
	Parking Fees	236	2,470
	Office sundry and snacks	16,228	15,246
	Business license fees and returns	600	600
	Board Fees and expenses	104,588	115,588
	Other Board meeting expenses	85,913	56,789
	Recruitment costs	12,001	-
	Transport expenses	1,094	9,638
	Internet expenses	28,725	25,279
	Gifts and donations	55,267	43,159
	Subscriptions Fees	985	996
	Statutory levy and fees	15,881	16,818
	Accounting Software License Fees	11,553	16,542
	Other expenses	**420,732**	**398,655**

AUDITAX
International

Audit • Tax • Advisory • Accounting Services