TMRC

TANZANIA MORTGAGE
REFINANCE COMPANY LTD

Audited Financial Statements

for the year ended 31st December 2023

AUDITAX
International

TMRC

TANZANIA MORTGAGE
REFINANCE COMPANY LTD

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

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ACRONYMS

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
ESG	Environmental, Social and Governance
FHF	First Housing Finance Co. Ltd
FVOCI	Fair Value through Other Comprehensive Income
HHRCC	Head of Human Resources and Corporate Communications
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
IESBA	International Ethics Standards Board for Accountants
IFRS	International Financial Reporting Standards
KPI	Key Performance Indicator
MCC	Management Credit Committee
MD	Managing Director
MIC	Management Investment Committee
MRC	Mortgage Refinance Companies
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
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

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER 2023

BOARD OF DIRECTORS

S/N	Name	Representing	Position	Qualification	Age	Nationality
1.	Mr. Theobald Sabi	MD, NBC	Chairman	Bachelor of Science in Engineering, Fellow, Association of Chartered Certified Accountants (FCCA)	48	Tanzanian
2.	Mr. Imani John	MD, BancABC	Vice Chairman Appointed 23rd February 2023	B. Com (Accounting), CPA	44	Tanzanian
3.	Mr. Godfrey Ndalahwa	MD, DCB	Vice Chairman (Resigned on 23rd February 2023)	Master's in Business Administration (MBA), CPA	47	Tanzanian
4.	Mr. Isidori Msaki	Ag. MD, DCB	Member (Appointed on 23rd February 2023- Resigned on 20th December 2023)	Bachelor of Arts Economics, MEED	51	Tanzanian
5.	Mr. Abdulmajid Nsekela	MD, CRDB Bank	Member Resigned on 20th September 2023	MBA (International Banking and Finance)	53	Tanzanian
6.	Mr. Frederick Nshekanabo	CFO, CRDB	Member Appointed 20th September 2023	MSc Finance, CPA	52	Tanzanian
7.	Mr. Adam Mihayo	MD, BOA	Member	Bachelor of Commerce; (MBA), CPA	42	Tanzanian
8.	Ms. Lilian Mbassy	Director of Managed Funds, TIB	Member	MBA - (Finance & Banking)	47	Tanzanian
9.	Ms. Esther Mang'enya	MD, Azania Bank	Member	Master's in Business Administration (MBA)	52	Tanzanian
10.	Mr. Andrew Lyimo	Head Retail Banking, Exim Bank	Member	MSc. Accounting &Finance; CPA	48	Tanzanian
11.	Mr. Kingsley Muwowo	Ag. MD, Shelter Afrique	Member Resigned on 20th September 2023	MBA; CPA (Z)	61	Zambian
12.	Mr. Filbert Mponzi	Chief Retail & Agri Banking, NMB	Member	Master's in Business Administration (MBA), CPA	48	Tanzanian
13.	Mr. Adolph Kasegenya	Director of Finance, NHC	Member Appointed on 23rd February 2023	Bachelor of Commerce in Finance, Master of Arts in Revenue Law and Administration, CPA	51	Tanzanian
14.	Mr. Sanjay Suchak	Director, FHF	Member Resigned on 28th March 2023	Business Executive, Founder of African Risk & Insurance Services Limited (ARIS)	55	Tanzanian
15.	Ms. Pamela Lamoreaux	Director, IFC	Member	Consultant, World Bank Group	71	American

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

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, Head Office, Auditax House, 3rd Floor, Coca-Cola Road, 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.

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER 2023**

REPORT BY THOSE CHARGED WITH GOVERNANCE

The Directors present this report and the audited financial statements for the financial year ended 31st December 2023 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 2. In accordance with the Company's Articles of Association, no Director is due for retirement by rotation.

CORPORATE GOVERNANCE

TMRC Board consists of 11 Directors and 10 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 TMRC Audited financial statements and Directors' report for the year ended 31st December 2022 subject to external auditors providing assurance on prior year adjustments specifically on the approach and effect to the bottom line.
ii. To recommend to the Board of Directors proposal for payment of dividends for the year ended 2022 for further recommendation to the Shareholders for approval.
iii. To recommend to the Board of Directors for approval Q1, Q2 and Q3 2023 financial reports.
iv. To recommend to the Board of Directors for approval for TMRC to have credit card amounting to USD 5,000.00 at Exim Bank Tanzania to simplify company online payments.
v. To recommend for the Board's approval of the changes to the Internal Audit and Board Audit and Risk Committee Charters.
vi. To note the combined assurance framework.
vii. To withdraw the agenda on concept note and be reported as part of the business as usual.
viii. To note risk, audit reports and implementation status of Bank of Tanzania directives.
ix. To recommend for the Board's approval changes to the Investment Policy, Anti-Money Laundering Policy, Asset Liability Management Policy, Financial Management Policy, Business Management Continuity Policy, Compliance Risk Management Policy, Risk Management Policy, Stress Testing Policy, Stress Testing Framework, and ICT Policy.
x. To recommend for the Board's approval payment of the outstanding tax liability of TZS 209,147,087 arising from previous years' tax audit.
xi. To recommended to the Board for approval to join the MUSE online transaction system and opening of two new accounts at Bank of Tanzania and NMB.
xii. To recommend to the Board for approval the revised 2023 budget subject to Management ensuring that the targeted Profit Before Tax of TZS 2.3 billion is achieved at the end of year.
xiii. To recommend to the Board for approval the signing mandate subject to replacing HHRCC with business personnel.
xiv. To recommend the budget for 2024 to the Board of Directors for approval.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Audit and Risk Committee (Continued)

Board Audit and Risk Committee Purpose and Responsibilities (Continued)

xv. To recommend to the Board of Directors for approval to pay additional tax amounting to TZS 196.3 million by instalment.

xvi. To recommend to the Board for approval to rent the new office space at National Housing Corporation Morocco Square once the cost benefit analysis is thoroughly conducted of the relocation.

xvii. The option of buying be deferred to a later stage once the financial impact has been assessed and the performance of the Company is sustainable.

xviii. To recommend the proposed Internal Audit plan for 2024 to Board for approval.

xix. To recommend to the Board of Directors to recommend to the Shareholders to approve the Rights Issue of a total of 11,684,800 new shares (1 share for each 2 shares held) ordinary shares of the company at a price of TZS 1,459.80 being 10% discount from current price of TZS 1,622 per ordinary share.

xx. To note the updates on procurement of the new TMRC Integrated system and present the updates to the Board for noting.

Board Audit and Risk Committee Composition

Name	**Detail**	**Position**	**Nationality**
Mr. Andrew Lyimo	Head Retail Banking, Exim Bank Tanzania	Chairman	Tanzanian
Mr. Abdulmajid Nsekela	CEO, CRDB Bank	Member *(Resigned on 20th September 2023)*	Tanzanian
Mr. Fredrick Nshekanabo	CFO, CRDB Bank	Member *(Appointed on 20th September 2023)*	
Ms. Lilian Mbassy	Director of Managed Funds, TIB	Member	Tanzanian
Mr. Kingsley Muwowo	Ag. MD, Shelter Afrique	Member *(Resigned on 20th September 2023)*	Zambian
Ms. Pamela Lamoreaux	Consultant	Member	American

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

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 credit limit for Mwalimu Commercial Bank Plc (MCB) for Board's approval.
ii. To recommend to the Board of Directors for approval changes to the Credit limit model for members or non-member banks.
iii. To recommend to the Board of Directors evolution of the balance sheet to reflect the Company's core mandate.
iv. To recommend to the Board of Directors for approval Risk Grading Model for placements/ investments with Banks and Financial Institutions.
v. To recommend to the Board of Directors for approval Revision of TMRC Pricing Policy subject to Bank of Tanzania approval.
vi. To recommend to the Board of Directors for approval Primary Mortgage Lenders credit limits for 2023/2024.
vii. To recommend to the Board of Directors for approval changes to the Board Credit Committee charter except for part 3.2(e) on removing the risk grading model and adding item f under part 3.2 granting mandate to the Management Credit Committee to grant waivers on TMRC Eligibility criteria.
viii. To recommend to the Board of Directors for approval the credit limit for Maendeleo Bank Plc and Akiba Commercial Bank.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Credit Committee (Continued)

Board Credit Committee Composition

Name	Detail	Position	Nationality
Mr. Adam Mihayo	MD, BOA	Chairman	Tanzanian
Mr. Filbert Mponzi	Chief Retail & Agri Banking, NMB	Member *(Appointed 23rd February 2023)*	Tanzanian
Mr. Imani John	MD, BancABC	Member *(Resigned on 23rd February 2023)*	Tanzanian
Mr. Isidori Msaki	Ag. MD, DCB	Member *(Appointed on 23rd February 2023- Resigned on 20th December 2023)*	Tanzanian
Ms. Esther Mang'enya	MD, Azania Bank	Member *(Appointed on 23rd February 2023)*	Tanzania

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 on the appointment, reappointment and termination of TMRC Directors.
ii. To note the update on the Company's succession plan
iii. To recommend to the Board of Directors approval of changes to the Human Resources policy.
iv. To recommend to the Board of Directors for approval of changes to the Board Charter.
v. To recommend to the Board of Directors approval of changes to the corporate governance policy.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

Board Human Resources Governance and Governance Committee (Continued)

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 *(Resigned on 28th March 2023)*	Tanzanian
Mr. Imani John	MD, BancABC	Member *(Resigned 23rd February 2023)*	Tanzanian
Mr. Godfrey Ndalahwa	MD, DCB	Member *(Resigned on 23rd February 2023)*	Tanzanian
Mr. Isidori Msaki	Ag. MD, DCB	Member *(Appointed on 23rd February 2023- Resigned on 20th December 2023)*	Tanzanian
Ms. Esther Mang'enya	MD, Azania Bank	Member *(Appointed on 23rd February 2023)*	Tanzanian

BOARD ACTIVITIES DURING THE YEAR

During the year, there were six (6) Board meetings two (2) of which were Extraordinary Board meetings. There were also; -

- Five (5) Board Audit and Risk Committee meetings.
- Four (4) Board Credit Committee meetings.
- Four (4) Board Governance and Human Resources Committee meetings.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

CORPORATE 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	6	5	n/a	n/a	n/a	n/a	n/a	n/a
2.	Mr. Imani John	6	6	n/a	n/a	n/a	n/a	n/a	n/a
3.	Mr. Fredrick Nshekanabo	6	5	5	5	n/a	n/a	n/a	n/a
4.	Mr. Adam Mihayo	6	6	n/a	n/a	4	4	4	4
5.	Ms. Lilian Mbassy	6	6	5	5	n/a	n/a	n/a	n/a
6.	Mr. Isidori Msaki	6	3	n/a	n/a	4	2	4	2
7.	Ms. Esther Mang'enya	6	5	n/a	n/a	4	4	4	4
8.	Mr. Andrew Lyimo	6	5	5	5	n/a	n/a	n/a	n/a
9.	Mr. Kingsley Muwowo	6	5	5	5	n/a	n/a	n/a	n/a
10.	Mr. Filbert Mponzi	6	4	n/a	n/a	4	4	4	4
11.	Ms. Pamela Lamoreaux	6	6	5	5	n/a	n/a	n/a	n/a

The Board considered strategy matters at each of its Board meetings throughout 2023 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 2023 were:

Strategy and business performance

- Reviewed quarterly performance of the company;
- Reviewed company strategic plan implementation status;
- Monitored and assessed the strength of the TMRC's capital and liquidity positions;
- Deliberated progress funding initiatives;
- Deliberated progress of the costs and investment initiatives;
- Approved the company's credit limits for loans and term deposits;
- Received updates on the performance of loan portfolio;
- Reviewed and approval of company policies;
- Recommended to the shareholders for approval admission of Mwanga Hakika Bank Limited and ABSA Bank Tanzania Limited as TMRC shareholder;
- Recommend to the Shareholders for approval Rights Issue of a total of 11,684,800 new shares (1 share for each 2 shares held) ordinary shares of the Company at a price of TZS 1,459.80 being 10% discount from current price of TZS 1,622 per ordinary share;
- Recommended to the Shareholders for approval the Government's request to join TMRC as a new Shareholder at 10% discount from the current TMRC share price.

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 2022;
- The Board approved payment of Dividend amounting to TZS 851 million equivalent to TZS 36.9 per share for the year ended 31st December 2022; and
- Approved Credit Card opening of USD 5 000.00 at Exim Bank Tanzania Limited.

Budget and Performance oversight

- Monitored the TMRC's financial performance against the budget for the year 2023;
- Approved the 2023 revised budget;
- Approved the TMRC's 2024 budget and key strategic initiatives;
- Approval of the quarterly financial results for publications; and
- Approved the full year financial results and considered the key internal and external factors in determining payment of dividend.

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 BOT examination report and the recommended action plans;

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

BOARD ACTIVITIES DURING THE YEAR (CONTINUED)

- 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 plan for 2024.

Technology

- Throughout the year, the Board received regular updates on procurement of the TMRC Core integrated system;

People, culture, and values

- Received an update on succession planning and an overview of the Strategy for 2024;
- 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;
- The Board approved Terms of Reference and composition of the Steering Committee and Project Team.
- 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.
- To recommend to the Shareholders for approval changes to the Company Memorandum and Articles of Association.
- To recommend to the Shareholders for approval appointments, reappointments, and termination of TMRC Directors.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

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 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 2023 is disclosed below:

S/N	Name of Director	Amount '000'
1	Theobald Maingu Sabi	7,882
2	Imani John	8,912
3	Sanjay Ramniklal Suchak	1,353
4	Isidori John Msaki	3,412
5	Bruno John Ngooh	4,824
6	Salehe Ramadhani	4,824
7	Ms. Lilian Mbassy	6,588
8	Fredrick Nshekanabo	6,941
9	Gladness Deogratius	5,529
10	Filbert Mponzi	5,892
11	Adolph Kasegenya	6,941
12	Abdulmajid Nsekela	1,529
13	Vinod Rustagi	1,294
14	Andrew John Lyimo	7,412
15	Kasamalola W. Swalala	5,882
16	Esther Mang'enya	4,235
17	Salehe Mohamedi	4,118
18	Zainab Nungu	3,529
19	Adam Mihayo	6,765
20	Jacqueline Lyatuu	7,294
21	Kingsley Muwowo	5,176
22	Pamela Lameroux	6,941
23	Alex Ngusaru	1,824
24	Sarah Massamu	1,765
25	Zachary Munene	2,235
	TOTAL	**123,098**

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 2023 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, compliance and environment, social and governance 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 the ALCO.
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 hedges and monitors financial risks affecting the company's operations. The Board provides written principles for overall risk management as well as written policies covering specific areas, such as strategic risk, operational risk, market 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 (BCC). 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.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

(ii) Market Risk (Continued)

- **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.

- **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 for risk management. 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.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

(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.

(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.

(vii) ESG Risks Management

TMRC is working to incorporate climate risk on Company's Risk taxonomy through the Risk Management Framework. ESG risks are the risks that will cause TMRC to fails to meet strategic objectives and/or internal and external commitments because of environment, social and governance agenda.
During the year 2023, Management started to work on putting processes and documentation in place as well as investing in appropriate levels of training and competence within the management and teams in credit, risk, and the Investment Committee members. The aim being to ensure that material environment, social and governance risks to be considered in investment decisions.

REGULATORY CHANGE AGENDA AND IMPACT ON BUSINESS MODEL

During the year 2023, Bank of Tanzania issued Guidelines on the Internal Capital Adequacy Assessment process (ICAAP) for Banks and Financial Institutions that will have impact on TMRC business model from year 2024.
The Basel II framework, under Pillar II requires banks and financial institutions to have an Internal Capital Adequacy Assessment Process (ICAAP) to assess their overall capital adequacy in relation to their risk profile and strategy for maintaining capital levels.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

REGULATORY CHANGE AGENDA AND IMPACT ON BUSINESS MODEL (CONTINUED)

Under the ICAAP Framework, management of a bank or financial institution has the responsibility to develop an ICAAP and set capital targets that are commensurate with the bank or financial institution's individual circumstances and needs, considering the bank or financial institution's risk profile, control environment and level of sophistication of its operations.

As part of the Guidelines requirements, TMRC shall, not later than end of April submit to the Bank a board approved ICAAP report as at 31st December of the previous year. The Guidelines shall come into application with effect from/on 01st April 2025.

Currently, TMRC management is working on assessment of the requirements under the guidelines and development of the ICAAP for the company to ensure they are completed within the required timeframes and provide information based on capital requirements and on the management of risks faced by TMRC.

SHARE CAPITAL STRUCTURE

During the year issued and paid-up ordinary share capital of the company is TZS 25.87 billion for 23,369,354 ordinary shares (2022: 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 33.10 billion (2022: TZS 30.80 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 51.99% each (2022: 61.80% 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	2023			2022		
	Number of shares held	% holding	TZS '000	Number of shares held	% holding	TZS '000
CRDB Bank Plc	3,000,000	12.84%	3,039,000	3,000,000	13.01%	3,039,000
Azania Bank Limited	2,500,000	10.70%	2,632,500	2,500,000	10.84%	2,632,500
Shelter Afrique	2,332,500	9.98%	2,456,123	2,332,500	10.11%	2,456,123
International Finance Corporation (IFC)	2,120,530	9.07%	3,439,500	2,120,530	9.20%	3,439,500
NMB Bank Plc	1,800,000	7.69%	1,740,000	1,800,000	7.80%	1,740,000
TIB Development Bank Limited	1,500,000	6.42%	1,450,000	1,500,000	6.50%	1,450,000
National Bank of Commerce Limited	1,250,000	5.35%	1,316,250	1,250,000	5.42%	1,316,250
Exim Bank (Tanzania) Limited	1,200,000	5.14%	1,200,000	1,200,000	5.20%	1,200,000
National Housing Corporation	1,200,000	5.14%	1,200,000	1,200,000	5.20%	1,200,000
DCB Commercial Bank Plc	1,100,000	4.71%	1,100,000	1,100,000	4.77%	1,100,000
BancABC Tanzania Limited	1,000,000	4.28%	1,000,000	1,000,000	4.34%	1,000,000
Bank of Africa (Tanzania) Limited	1,000,000	4.28%	1,000,000	1,000,000	4.34%	1,000,000
First Housing Finance Co. Ltd	1,000,000	4.28%	1,485,098	1,000,000	4.34%	1,485,098
Peoples Bank of Zanzibar Limited	625,000	2.67%	658,125	625,000	2.71%	658,125
I&M Bank (T) Limited	625,000	2.67%	658,125	625,000	2.71%	658,125
NCBA Bank (Tanzania) Limited	500,000	2.14%	500,000	500,000	2.17%	500,000
Mkombozi Commercial Bank Plc	308,262	1.32%	500,000	308,262	1.34%	500,000
Mwanga Hakika Bank Limited	308,262	1.32%	500,000	-	-	-
	23,369,554	**100.00%**	**25,874,721**	**23,061,292**	**100.00%**	**25,374,721**

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

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

MANAGEMENT (CONTINUED)

Management Committees

Management of TMRC has six Committees playing various roles in overseeing the operations of the Company and implementation of strategies and policies. These committees are mandated and form part of TMRCs' formal governance architecture. They are convened to oversee a specific attribute of the TMRCs control framework. Current TMRC committees are Executive Committee, Management Committee, Management Credit Committee (MCC), Asset Liabilities Management Committee (ALCO), TMRC ICT Steering Committee and Procurement Committee. The activities of the Committees are governed by the respective Term of Reference which are approved by the Board.

Executive Committee

The Committee is composed of Chief Executive Officer, Chief Finance Officer, Chief Operations Officer, Head of Legal Services and Company Secretary, Head of Risk and Compliance, and Head of Human Resources and Corporate Communications. The Committee meets at least monthly. The Committee is responsible for:

i. Reviewing and approving monthly financial statements of the company;
ii. Review and monitor progress made on the implementation of the Company's strategic plan;
iii. Maintain the minutes of the meetings whose summary shall be presented to Board Audit and Discussing risks embedded in institutions operations;

Management

The Committee is composed of Chief Executive Officer, Chief Finance Officer, Chief Operations Officer, Head of Legal Services & Company Secretary, Head of Human Resources and Corporate Communications, Head of Risk and Compliance, Credit Manager, Senior Finance Manager, Treasury and Investment Manager, Information Technology Manager, Operations Manager, and Finance Manager. The Committee meets weekly. The Committee is responsible for:

i. Oversee daily operations of the company while assessing implementation of the same through weekly departmental updates;
ii. Receive all operational updates from all departments;
iii. Attending matters requiring immediate attention for prompt and collective resolutions;
iv. Manage the Company's activities in line with the objectives and strategy approved by the Board;
v. Implement the culture, values, standards, ethics and conduct of business rules of the Company, as established by the Board;
vi. Maintain a good relationship with the Company's Regulators and other supervisory bodies;
vii. Ensure compliance and implementation of the organisational requirements applicable to the Company;
viii. Implement Board and its Committee directives and report back to the Board;

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

MANAGEMENT (CONTINUED)

Management Committees (continued)

ix. Organise and asses the internal control mechanisms and procedures, in particular with regard to the independent control functions and their resources, without prejudice to the supervision carried out by the Board;
x. Review and approve Company manuals;
xi. Reviewing ICT aspects of the company including review of Core Mortgage System;
xii. Review and monitor loan performance to ensure compliance i.e. new applications, replenishments and conversion; and
xiii. Organise and assess the internal control mechanisms and procedures, in particular with regard to the independent control functions and their resources.

Management Credit Committee

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

i. Assist the Board Credit Committee in managing credit risk by ensuring sufficient oversight of lending activities;
ii. Recommends PML limits to the Board Credit Committee;
iii. Approve credit transactions to PMLs within Board approved PML limits;
iv. In the event a PML wishes to appeal a decision made by the management credit committee, the appeal shall be submitted to the Board Credit Committee;
v. Review, monitor and report the performance and quality of the company's credit portfolio to the Board Credit Committee at least quarterly;
vi. Review, monitor and report the effectiveness and application of credit risk management policies, related standards and procedures and the control environment with respect to credit decisions;
vii. Review and recommend for approval credit risk policies and procedures; and
viii. Oversee the credit risk assessment and management process;

Asset Liability Management Committee

The Committee is composed of Chief Executive Officer, Chief Finance Officer, Chief Operations Officer, Senior Finance Manager, Credit Manager and Treasury and Investment Manager. The Committee meets at least monthly and when there is business to transact. The Committee is responsible for:

i. Developing, managing and monitoring Investment strategies;
ii. To ensure that investment goals, objectives and standards are effectively communicated to the Committee including any material changes that may subsequently occur;
iii. To approve any long term investment decision which align with the Investment Policy;
iv. To review financial markets performance and advice on appropriate investment strategy for TMRC assets;

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

MANAGEMENT (CONTINUED)

Asset Liability Management Committee (continued)

v. oversee and manage the assets and liabilities of the organization effectively;
vi. ensure the prudent management of financial resources, optimize asset allocation, and monitor liquidity, interest rate, and credit risk exposures;
vii. Review and approve the organization's overall asset and liability management strategy;
viii. Ensure alignment of ALM strategies with the organization's risk tolerance and financial objectives;
ix. Periodically assess and adjust the asset mix, funding sources, and risk positions in accordance with market conditions and organizational goals;
x. Monitor and manage the organization's liquidity position;
xi. Develop contingency funding plans to address liquidity shortfalls;
xii. Approve the liquidity risk management framework;
xiii. Assess and manage the organization's interest rate risk exposure;
xiv. Approve interest rate risk limits and tolerance levels;
xv. Review and approve interest rate risk mitigation strategies;
xvi. Monitor the credit risk exposure of the organization's assets and liabilities;
xvii. Allocate capital resources to business units and projects based on risk-adjusted return metrics;
xviii. Ensure capital adequacy and regulatory compliance;
xix. Receive regular reports on the organization's financial performance, asset and liability positions, risk exposures, and compliance with ALM policy;
xx. Communicate ALCO decisions and recommendations to the Management and Board of directors; and
xxi. Organising appropriate administrative and accounting procedures and internal control that ensure the data quality of financial and prudential reporting systems in compliance with the applicable regulations.

TMRC ICT Steering Committee

The Committee is composed of Chief Executive Officer, Chief Finance Officer, Chief Operations Officer, Head of Legal and Company Secretary, Head Human Resources and Corporate Communication, Senior Finance Manager and IT Manager. The Committee meets once in every six months and when there is business to transact. The Committee is responsible for:

i. Review and approve ICT budget;
ii. To review and recommend for approval ICT policy and ICT strategy of the institution followed by relevant approval requirements, if applicable;
iii. To ensure alignment of ICT with organization’s business needs so that ICT initiatives and services facilitate achievement of organization’s strategic objectives;
iv. To review and provide advice on ICT investment portfolio and priorities with a view of attaining value delivery;
v. To ensure all ICT related risks are properly managed, this includes reviewing and approving institutional disaster recovery plan and ensure its effective implementation;

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

MANAGEMENT (CONTINUED)

Procurement Committee

vi. To ensure optimal resource utilization in ICT initiatives implementation, including proper management of infrastructure, human capital, and finance;
vii. To undertake continuous monitoring and evaluation of institutional ICT projects to ensure the anticipated benefits are realized; and
viii. To perform such other functions as may be directed by the Management.

The Committee is composed of Chief Finance Officer, Chief Operations Officer, Head of Legal and Company Secretary, Head Human Resources and Corporate Communication, Senior Finance Manager, Credit Manager, and IT Manager. The Committee meets monthly and when there is business to transact. The Committee is responsible for:

i. Ensure TMRC procurement is carried out with a view to realizing the lowest possible total cost which includes the actual purchase prices and avoidance of hidden costs due to poor product quality, poor supplier performance or short shelf-life, and inventory holding costs at various levels of the supply system;
ii. Ensure that goods and services procured are delivered on time and in appropriate quantities to TMRC;
iii. Ensure systematic evaluation and measurement of supplier's performance to ensure compliance with the terms and conditions of contract; and
iv. Ensure all Company procurements are carried out ethically and efficiently in line with the provisions of Procurement manual to obtain the best value for TMRC expenditure.

STOCK EXCHANGE INFORMATION

The Company is not listed on the stock exchange.

BUSINESS ENVIRONMENT AND PERFOMANCE

BUSINESS ENVIRONMENT

During 2023, the global economic outlook continued to face downside risks of economic shocks, heightened by geopolitical tensions stemming from the conflict in the Middle East and the war in Ukraine. Inflation levels, though still above the target in most countries, have recently shown a declining trend on the back of decreasing energy prices. However, the ongoing geopolitical tensions are likely to lead into disruptions in energy markets and exert pressure in oil and food prices further fuelling inflation.

In Tanzania, inflation declined during the year to 3.2% from 4.9% recorded 2022. Inflation is projected to remain within the target in the near term, supported by moderation in food prices owing to adequate food supply in the market and easing inflation.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

BUSINESS ENVIRONMENT (CONTINUED)

During the year, mortgage market grew by TZS 105.8 billion. The total mortgage portfolio balances amongst banks stood at TZS 649.2 billion as at the end of the year 2023 representing 5,392 properties compared to TZS 543.4 billion outstanding balance for financing 5,823 properties that was reported in the previous year. This signifies an annual increase of 19.5% in outstanding value of Mortgage loans while a number of mortgages decreased by 7.9%. The above data indicates that mortgage market as percentage of Gross Domestic Product (GDP) increased to 0.36% from 0.32% recorded in 2022. This ratio is one of the lowest in the East African region.

BUSINESS PERFORMANCE

During 2023, 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 3.30 billion (2022: TZS 2.93 billion). The result was mainly attributed to creation and maintenance of good investment portfolio as well as effective cost management. During the year, Total income increased from TZS 8.25 billion in the prior year to TZS 9.76 billion, an increase of 18.05%

TMRC balance sheet decline during the year from TZS 221.7 billion recorded in previous year to TZS 217.6 billion, a decline of 1.8%. The change in balance sheet size is primary because of repayment of matured corporate bonds and line of credit during the year as well as the decline of previously gains in the valuation of our FVOCI investments.

Results for the year summary:

	2023	2022
	TZS '000	TZS '000
Profit before tax	3,302,356	2,933,132
Tax charge	(953,080)	(802,259)
Profit for the year	**2,349,276**	**2,130,873**

KEY PERFORMANCE INDICATORS (KPIs)

During the year 2023, TMRC exceeded performance targets in terms of profitability compared to projected Profit Before Tax (PBT). In 2023, PBT grew by 12.59% compared to PBT recorded in 2022. 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.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

BUSINESS ENVIRONMENT AND PERFOMANCE (CONTINUED)

KEY PERFORMANCE INDICATORS (KPIs) (CONTINUED)

Below is the summary of TMRC key financial highlights:

S/No.	Description	2023	2022	% Change
1	Return on Equity	6.2%	5.8%	8%
2	Return on Assets	1.1%	1.0%	5%
3	Cost to income ratio	66.1%	64.5%	3%
4	Capital Adequacy Ratio	52.0%	62.1%	(16%)
5	Basic Earnings Per Share	101.53	92.40	10%
6	Dividend per Share	40.15	36.90	9%
7	Core Capital (Amt in TZS billion)	33.10	30.97	7%
8	Loans Portfolio (Amt in TZS billion)	160.15	146.70	9%
9	Government Securities at amortized costs (Amt in TZS billion)	24.18	25.49	(5%)
10	Government Securities at FVOCI (Amt in TZS billion)	27.16	44.39	(39%)
11	Term Deposits with Commercial Banks (Amt in TZS billion)	2.11	0.00	100%
12	Total Assets (Amt in TZS billion)	217.66	221.70	(2%)
13	Shareholders' Equity (Amt in TZS billion)	34.97	40.33	(13%)
14	Revenue (Amt in TZS billion)	23.22	21.50	8%
15	PBT (Amt in TZS billion)	3.30	2.93	13%

DIVIDEND

Directors proposes to the forthcoming Annual General Meeting (AGM), a final dividend in respect of the year ended 31st December 2023 of TZS 40.10 per share (2022: TZS 36.90) amounting to TZS 939.7 million, (2022: TZS 850.96 million) to be paid to shareholders on record as at 31st December 2023. 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 158.70 billion to fourteen (14) of its member banks and four (4) non-member banks. As at 31st December, 2023, 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 four Tranches. Tranche one in 2018 amounting to TZS 12.52 billion, Tranche two in 2019 amounting to TZS 9.18 billion, Tranche three in 2020 amounting to TZS 8.88 billion and Tranche four in 2023 amounting to TZS 11.28 billion which were all oversubscribed.

In the thirteen 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 2023 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)

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 2023 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 120 billion which are being issued in tranches. The first four 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.

Below are TMRC main sources of funding:

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

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

EMPLOYEES' WELFARE

The well-being and overall quality of life of employees within an organization continued to be very good. This includes various initiatives and benefits provided by employers to support the employees' physical, mental, and financial health. Employee welfare programs encompass healthcare, retirement plans, and work-life balance. These programs are designed to attract and retain talent, boost employee morale, and enhance productivity.

Management and Employees' Relationship

There continued a positive employer-employee relationship based on trust, respect, and fairness during the year ended 31st December 2023. Both parties understand their roles and responsibilities and work together harmoniously, which lead to a productive and satisfying work environment, benefiting both the organization and the employee. Effective communications and mutual respect continued to be key to maintaining a healthy relationship.

Training Facilities

TMRC is committed to support and provide learning opportunities for every employee to reach their potential and achieve their personal goals, which in turn will assist the Company to achieve its goals. The training costs for the year 2023 amounted to TZS 199.74 million (2022: TZS 86.97 million). Staff training meant to enable employees to acquire knowledge skills, experience, and attitudes that they need to perform their jobs effectively for the achievement of individual and Organizational goals.
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

TMRC offer medical benefits to support the employees. During the year ended 2023 the company continues to provide health insurance cover to its employees. The Employee, spouse, and a maximum of four dependent children under-age of 21 continued to be entitled to free medical and dental attention in accordance with the Employer's Health Insurance Plan.

Staff health and well-being

Ensuring a safe work environment is essential. TMRC adhere to safety regulations to minimize workplace accidents and injuries. The health and well-being of staff in Tanzania, as in TMRC, is a critical aspect of the overall quality of life.
The company continued to provide a safe and healthy working environment to the employees, which includes conducting risk assessments, providing necessary safety, and ensuring compliance with OSHA standards which helps prevent accidents, protect workers' well-being, and ensure legal compliance.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

EMPLOYEES' WELFARE (CONTINUED)

Health Education

Health awareness and support are increasingly important. During the year ended December 2023 TMRC with collaboration with Jubilee Insurance conducted Health talks that provide valuable information and education on various health topics which helps staff understand the importance of healthy behaviours, disease prevention, and the benefits of a healthy lifestyle. Overall, health talks play a crucial role in promoting staff well-being, fostering a culture of health, and improving the overall quality of life, empower people with knowledge, encourage healthier choices, and contribute to the prevention and management of health problems.

Financial Assistance to Staff

TMRC develop and achieving a sound balance between TMRC staff's interest and that of the Company to achieve its objectives. Its purpose is defined in the manner within which the Company process, recommend, support and extend credit exposures to its 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.
This assistance continued to enhance the employee well-being and overall job satisfaction which contribute to employee retention and loyalty.

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.

Social Security and Benefits Plan

TMRC contribute to the state social security scheme which is the National Social Security Fund (NSSF). NSSF helps employees save for their retirement by collecting contributions from both employers and employees. During the year under review TMRC contributed to NSSF which in turn will help its employee upon reaching retirement age. Members will be able to access these funds to support their financial well-being during retirement.

Gender Parity

The average number of employees during the year was 23 (2022: 21) out of which 11 were female and 12 were male (2022: 11 females and 10 male).

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

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

Date: 22nd February 2024

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 2023 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 **37 to 83**, which have been prepared on going concern basis, were authorized, and approved by the Board on **22nd February 2024** and signed on its behalf by:

....	....
Mr. Theobald Sabi	**Mr. Andrew Lyimo**
Chairman	**Director**

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER 2023

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 **32**.

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 2023 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:	**22nd February** ……………………………2024

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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 **37** to **83**, which comprise the statement of financial position as at 31st December 2023, 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 Ltd present fairly, in all material respects, the financial position of Tanzania Mortgage Refinance Company Limited as at 31st December, 2023 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 2023.

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 Khalfani Mbwambo.

Auditax International

Certified Public Accountants

Dar es Salaam, Tanzania

Signed by: Khalfani Mbwambo (FCCA)

Date 22nd February 2024

Registration No: ACPA 3224

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2023 TZS '000	2022 TZS '000
Interest income	1	20,788,628	20,756,411
Interest expense	2	(13,371,255)	(13,255,532)
Net interest income		**7,417,373**	**7,500,879**
Financial Instruments Impairment charges	9	(101,112)	13,262
Net interest income after Financial Instruments Impairment charges		**7,316,261**	**7,514,141**
Other income	3	2,428,805	740,782
Total income		**9,745,066**	**8,254,923**
Operating expenses	4	(6,442,710)	(5,321,791)
Profit before tax		**3,302,356**	**2,933,132**
Tax charge	5	(953,080)	(802,259)
Profit and comprehensive income for the year		**2,349,276**	**2,130,873**
Other comprehensive income			
Change in FVOCI financial assets		1,283,419	8,252,765
Total comprehensive income for the year attributable to the owners of the company		**3,632,695**	**10,383,638**
Dividends:			
Proposed/Final dividends		**939,710**	**850,962**

The financial statements on **pages 37 to 83** were authorised and approved for issue by the Board of Directors on **22nd February 2024** and were signed on its behalf by:

……………………………… ……………………………………

Mr. Theobald Sabi
Chairman

Mr. Andrew Lyimo
Director

The significant accounting policies on pages 41 to 55 and notes on pages 56 to 83 form an integral part of these financial statements.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

STATEMENT OF FINANCIAL POSITION

ASSETS	**Notes**	**2023 TZS '000**	**2022 TZS '000**
Cash and bank balances	6	77,548	2,131,583
Government securities	7(a)	52,275,566	70,887,130
Investment Securities	7(c)	3,461,296	98,002
Net Mortgage refinance and pre-finance loans	8	160,153,811	146,699,312
Equipment	10 (a)	502,868	594,945
Right-of-use assets	10 (b)	16,115	209,478
Intangible assets	11	36,411	72,169
Other receivables	12	1,113,674	1,009,995
Deferred tax asset	13	22,716	-
Total assets		**217,660,004**	**221,702,614**
LIABILITIES			
Deferred tax liability	13	-	67,608
Loans and borrowings	14 (i)	129,109,374	130,154,456
TMRC Corporate Bond	14 (ii)	52,106,960	50,233,515
Trade and other payables	15	1,184,407	973,068
Current tax payable		292,885	(57,047)
Total liabilities		**182,693,626**	**181,371,600**
SHAREHOLDERS' EQUITY			
Share capital	16	23,139,553	22,831,291
Share premium	16	2,735,169	2,543,430
Fair value gain/(loss)		1,283,419	8,252,765
Specific reserve	21	416,392	416,392
Retained earnings		7,391,845	6,287,136
Total equity		**34,966,378**	**40,331,014**
Total equity and liabilities		**217,660,004**	**221,702,614**

The financial statements on pages **37 to 83** were authorised and approved for issue by the Board of Directors on **22nd February 2024** and were signed on its behalf by:

……………………………………

Mr. Theobald Sabi
Chairman

……………………………………

Mr. Andrew Lyimo
Director

The significant accounting policies on pages 41 to 55 and notes on pages 56 to 83 form an integral part of these financial statements

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER 2023

STATEMENT OF CHANGES IN EQUITY

Year ended 31st December, 2023	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	6,287,134	8,129,153	123,612	416,393	40,331,014
Changes in equity 2023								
Profit and comprehensive income for the year		-	-	2,349,276	-	-	-	2,349,276
Fair value revaluation Gain/Loss for the year		-	-	-	(6,969,346)	-	-	(6,969,346)
Adjustments during the year	24(a)			(393,605)				(393,605)
Changes during the year		-	-	1,955,671	(6,969,346)	-	-	(5,013,675)
Transactions with owners:								
Issue of ordinary shares	15	308,261	191,739	-	-	-	-	500,000
Dividends paid - final 2022	17	-	-	(850,961)	-	-	-	(850,961)
Transfer to specific reserve	20	-	-	-	-	-	-	-
At end of year		**23,139,553**	**2,735,169**	**7,391,845**	**1,159,807**	**123,612**	**416,393**	**34,966,378**
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)	-	-
Share premium on new issuance		-	-	-	-	-	-	-
Adjustments during the year		-	-	9,196	-	-	-	9,196
Gain or Loss on Available-for-sale revaluation		-	-	-	-	-	-	-
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**

The financial statements on pages **37 to 83** were authorised and approved for issue by the Board of Directors on 22nd February 2024 and were signed on its behalf by:

....
Mr. Theobald Sabi
Chairman

....
Mr. Andrew Lyimo
Director

The significant accounting policies on pages 42 to 56 and notes on pages 57 to 85 form an integral part of these financial statements.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023

STATEMENT OF CASH FLOWS

	Notes	2023	2022
Operating activities		**TZS '000**	**TZS '000**
Cash used in operations	18	5,885,501	8,189,734
Interest paid		(11,692,621)	(13,090,526)
Tax paid		(750,518)	(789,498)
Net cash used in operating activities		**(6,555,077)**	**(5,690,289)**
Investing activities			
Net movement in placement with other banks		(3,363,294)	1,502,000
Net movement in government securities		9,685,502	(10,342,497)
Purchase of intangible asset	11	-	(2,930)
Purchase of equipment	10 (a)	(84,444)	(436,736)
Proceeds from disposal		-	102,377
Net cash used in investing activities		**6,237,763**	**(9,177,787)**
Financing activities			
Proceeds from borrowings		-	947,231
Repayment of borrowings		(15,521,500)	(2,000,000)
Proceeds from issue of ordinary shares	16	500,000	-
Proceeds from TMRC corporate bond issuance		16,280,600	17,217,775
Payment of Lease Liability		(219,557)	(219,557)
Payment of dividends		(850,962)	(636,261)
Net cash generated from financing activities		**188,582**	**15,309,188**
(Decrease)/increase in cash and cash equivalents		**71,268**	**441,112**
Movement in cash and cash equivalents			
At start of year		2,131,582	1,690,470
(Decrease)/increase		71,268	441,112
At end of year	6	**2,202,850**	**2,131,582**

The financial statements on pages **37** to **83** were authorised and approved for issue by the Board of Directors on **22nd February 2024** and were signed on its behalf by:

....
Mr. Theobald Sabi
Chairman

....
Mr. Andrew Lyimo
Director

The significant accounting policies on pages 41 to 55 and notes on pages 56 to 83 form an integral part of these financial statements.

SIGNIFICANT ACCOUNTING POLICIES

This section describes the significant policies and critical accounting estimates that relate to the financial statements and notes. 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 several new standards and amendments to standards that are effective for annual periods beginning after 1 January 2023 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

- ***IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)***

The company has adopted IFRS 17 and the related amendments for the first time in the current year. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders 'options and guarantees.

The company does not have any contracts that meet the definition of an insurance contract under IFRS 17.

- ***Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies***

The company has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.
The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and revised standards (continued)

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

- ***Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

The company has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.
Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

- ***Amendments to IAS 12 Income Taxes— International Tax Reform—Pillar Two Model Rules***

The company has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the company is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

- ***Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates***

The company has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and revised standards (continued)

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the company has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective; -

Amendments to IFRS 10 and IAS 28	- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	- Classification of Liabilities as Current or Non-current
Amendments to IAS 1	- Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	- Supplier Finance Arrangements
Amendments to IFRS 16	- Lease Liability in a Sale and Leaseback

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in future periods, except if indicated below.

- ***Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current***

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to IAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early.

The directors of the company anticipate that the application of these amendments may have an impact on the company's financial statements in future periods.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and revised standards (continued)

- ***Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants***

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent).Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

The directors of the company anticipate that the application of these amendments may have an impact on the company's financial statements in future periods.

IFRS Sustainability Disclosure Standards:

In June 2023, the International Sustainability Standards Board (the ''ISSB'') released its first two sustainability disclosure standards:

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (General Requirements standard); and
- IFRS S2 Climate-related Disclosures (Climate standard).

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and revised standards (continued)

IFRS S1 and IFRS S2 are effective for annual reporting periods beginning on or after 1 January 2024, with early adoption permitted. This is subject to the adoption of the standards by local jurisdictions.
Because the standards are subject to adoption by individual jurisdictional authorities, there may be differences in relation to when the standards are effective. The ISSB has proposed a number of transitional reliefs when adopting the new standards.
The disclosure standards require that:

- the disclosures are prepared:
  - at the same time as annual financial statements (subject to transition relief)
  - for the same reporting entity as financial statements, and
- to the extent possible, assumptions used to prepare the reporting are on the same basis as the financial statements.

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, 2023, 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 of 31st December 2023 have been paid.

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 financial instruments at FVOCI.

(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) Leases

At inception of contract, TMRC assesses whether a contract is, or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) TMRC acting as a lessee.

When TMRC is acting a lessee, it is required to recognise both:

- A lease liability, measured at the present value of remaining cash flows on the lease, and
- A right of use (ROU) asset, measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received.

Subsequently the lease liability will increase for the accrual of interest, resulting in a constant rate of return throughout the life of the lease, and reduce when payments are made. The right of use asset will amortise to the income statement over the life of the lease. The lease liability is remeasured when there is a change in one of the following:

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Lease (Continued)

- Future lease payments arising from a change in an index or rate;
- TMRC's estimate of the amount expected to be payable under a residual value guarantee; or
- TMRC's assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in the income statement if the carrying amount of the ROU asset has been reduced to nil.

On the balance sheet, the ROU assets are included within property, plant and equipment and the lease liabilities are included within other liabilities.

TMRC applies the recognition exemption in IFRS 16 for leases with a term not exceeding 12 months and or annual lease cost is less than TZS 10,000,000. For these leases the lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more appropriate.

(ii) TMRC acting as a lessor.

When TMRC is the lessor, the lease must be classified as either a finance lease or an operating lease. A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee. An operating lease is a lease where substantially all of the risks and rewards of the leased asset remain with the lessor.

When the lease is deemed a finance lease, the leased asset is not held on the balance sheet; instead, a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease.

When the lease is deemed an operating lease, the lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

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)

l) 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) 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.

o) 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.

p) 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.

q) 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.

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) 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.

s) 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.

t) Comparatives

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

u) 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. TMRC’s initial assessment indicates the pandemic did not have a direct impact on the financial position of the company as at 31 December 2023. No material 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.

Key challenges of further waves or new strains of COVID-19 that could impact TMRC is expected in the mortgage market and overall financial institutions 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; 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

		2023 TZS '000	2022 TZS '000
1.	**Interest income**		
	Interest income on mortgage refinance and pre-finance loans	11,991,220	11,610,967
	Interest income on government securities (Note 7)	8,681,296	9,067,682
	Interest income on investment securities	50,377	30,081
	Interest income on staff loans	52,233	47,133
	Interest Income on Other Investments	13,501	548
		20,788,628	**20,756,411**
2.	**Interest expense**		
	Interest expense on TMRC Corporate Bond	5,117,579	5,117,579
	Interest expense on loan from Bank of Tanzania	8,242,497	8,137,295
	Interest expense on Other Borrowings	11,178	658
		13,371,255	**13,255,532**
3.	**Other income**		
	Loan facilitation fees	162,334	211,332
	Gain from assets disposal	-	(2,786)
	Contributions	-	23,500
	Gain from collective investment Scheme	425,079	-
	Revenue grants amortization (Note 20)	8,799	18,672
	Trading Income	1,832,593	490,064
		2,428,805	**740,782**
4.	**(a) Operating expenses**		
	Staff costs (Note 4(b))	4,308,528	3,687,066
	Travel expenses	136,312	99,814
	Legal costs	9,875	7,501
	Audit fees	25,665	23,600
	Bank charges and commissions	13,337	11,998
	Brokerage commission	137,412	137,919
	Foreign exchange loss	6,502	194
	Depreciation on equipment (Note 10 (a))	177,277	148,443
	Depreciation charge of right-of-use assets (Note 10 (b))	192,607	193,364
	Amortization of intangible assets (Note 11)	35,758	35,108
	Office rent	9,748	9,748
	Telephone and fax	48,943	45,526
	Insurance	161,236	152,925
	Marketing and communication	79,387	56,488
	Consultancy fees	432,305	40,338
	IT license fees	146,282	188,528
	Membership fees	35,687	34,421
	Finance Cost on Lease	9,251	28,276
	Other operating expenses (Schedule other expenses page 83)	476,598	420,732
		6,442,710	**5,321,791**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(b) Staff costs

	2023	2022
Salaries and wages	2,747,422	2,534,638
Social security costs (defined contributions)	483,157	439,785
Gratuity expenses	253,759	232,960
Skills and Development Levy (SDL)	119,614	117,276
Workers Compensation Fund (WCF)	16,105	15,911
Leave expense	183,583	167,323
Staff Welfare	20	797
Training expenses	200,745	86,986
Medical expenses	103,789	91,389
Bonus	119,120	-
Other Staff costs	81,214	-
	4,308,528	**3,687,066**

5. Tax

	2023 TZS '000	2022 TZS '000
Current tax		
- Current year	1,043,403	734,652
Deferred tax charge (Note 13)	(90,323)	67,607
Tax charge	**953,080**	**802,259**

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

	2023 TZS '000	2022 TZS '000
Profit before tax	3,302,356	2,933,132
Tax calculated at a tax rate of 30% (2022: 30%)	990,707	879,940
Tax effect of:		
- Adjustment (IFRS 16)	-	7,809
- Permanently disallowed expenditure	109,152	28,890
- Interest Income from Government bond	(146,215)	(175,085)
Non Qualifying capital expenditure	(564)	60,706
Tax charge	**953,080**	**802,259**

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)

6. Cash and bank balances	**2,023 TZS '000**	**2022 TZS '000**
Cash in hand	653	1,908
Cash at bank	76,896	2,129,675
	77,548	**2,131,583**

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

Short term placement with other Banks		
Financial assets with maturity of less than 91 days (Note 7)	2,125,302	-
Less: Impairment loss allowance-ECL (note 9)	(11,371)	-
	2,113,930	**-**

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.

7. Investments	**2023 TZS '000**	**2022 TZS '000**
a) Government securities		
Government Securities at amortized costs	24,177,896	25,490,463
Government Securities at FVOCI	27,160,696	44,387,371
Accrued interest	974,695	1,059,551
Less: Impairment loss allowance-ECL	(37,722)	(50,255)
	52,275,566	70,887,130
b) Government securities		
Maturing within a year	2,123,151	1,059,551
Maturing within 1-2 years	540,589	5,077,366
Maturing within 2-3 years	27,260,542	44,954,118
Maturing within 3-5 years	462,056	-
Maturing within 5-10 years	3,680,146	3,897,872
Maturing after 10 years	15,597,369	15,898,224
	52,275,566	**70,887,130**

NOTES TO THE FINANCIAL STATEMENTS (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 2023 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 14.44% and 14.28% per annum for Government Securities at amortized costs and Government Securities at FVOCI respectively (2022: 16.87% and 14.36%) during the year.

Movement in government securities during the year	2023 TZS '000	2022 TZS '000
Government securities (Continued)		
At start of year	70,887,130	60,544,633
Additions	2,622,646	7,076,804
Redemptions	(21,149,355)	2,564,344
Interest earned (Note 1)	8,681,296	9,067,682
Interest received	(8,766,152)	(8,366,333)
At end of year	**52,275,566**	**70,887,130**

c) **Investment Securities**		
Long term placement with other Banks	300,000	100,000
Deposits with financial institutions (at cost)	2,125,302	-
Investment on collective investment Scheme	1,026,079	-
Accrued interest	21,286	548
Less: Impairment loss allowance-ECL	(11,371)	(2,546)
	3,461,296	**98,002**

Placements with other banks are made up of investments in fixed deposits, collective investment scheme and listed corporate bonds made with banks during the year. Accrued interest comprises of interest earned but not received as at the year end. These investments are denominated in Tanzania Shillings and attracted a weighted average interest rate of 9.50% per annum (2022: 5.43%) during the year.

Movement in placement with other banks during the year	2023 TZS '000	2022 TZS '000
At start of year	98,002	1,600,001
Additions	38,830,302	6,605,000
Redemptions	(35,467,007)	(8,107,000)
At end of year	**3,461,296**	**98,002**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Investments (continued)

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

Tanzania Shilling	3,335,383	98,002
US Dollar	125,913	-
	3,461,296	**98,002**

There were gains of TZS 1.86 billion arising from the disposal of financial assets (government securities) during the year ended 31 December 2023.

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:	**2023 TZS '000**	**2022 TZS '000**
Maturity within 91 days	3,346,663	-
Maturity after 91 days	20,831,233	25,490,463
Total	**24,177,896**	**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	25,490,463	24,868,440
Net of additions and redemptions during the year	(1,312,568)	622,023
At the end of the year	**24,177,895**	**25,490,363**

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 26.62% (2022: 31.97%).

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

	2023 TZS '000	2022 TZS '000
Mortgage refinance	122,700,000	108,900,000
Pre-finance loans	36,000,000	36,300,000
Accrued Interest	1,600,931	1,546,512
Less: Impairment loss allowance-ECL	(147,120)	(47,200)
Net Mortgage refinance and pre-finance loans	**160,153,811**	**146,699,312**

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:

Name of the Bank	2023	2022
	TZS '000	TZS '000
Azania Bank Limited - refinance	9,200,000	9,200,000
Azania Bank Limited - pre- finance	6,500,000	6,500,000
Bank of Africa (Tanzania) Limited – refinance	10,750,000	10,750,000
Exim Bank (Tanzania) Limited - re-finance	8,500,000	6,000,000
Exim Bank (Tanzania) Limited - pre-finance	-	2,500,000
DCB Commercial Bank Plc - refinance	3,500,000	3,500,000
DCB Commercial Bank Plc - pre-finance	4,000,000	4,000,000
BancABC Limited - refinance	6,400,000	1,400,000
BancABC Limited - pre-finance	-	5,000,000
CRDB Bank Plc - re-finance	27,000,000	27,000,000
I&M Bank (T) Limited - refinance	3,250,000	3,250,000
NBC Bank (T) Limited - refinance	3,000,000	3,000,000
NBC Bank (T) Limited -prefinance	10,000,000	10,000,000
NMB Bank Plc - refinance	16,700,000	11,700,000
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 Tanzania Limited - refinance	3,000,000	3,000,000
KCB Bank Tanzania Limited - re-finance	10,000,000	10,000,000
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 refinance	9,000,000	5,200,000
First Housing Finance Company - pre-finance	2,000,000	3,800,000
Maendeleo Bank Plc - pre-finance	3,500,000	-
Mwanga Hakika Bank -pre-finance	3,000,000	-
Accrued interest	1,600,931	1,546,512
	160,300,931	**146,746,512**
Less Impairments	(147,120)	(47,200)
Total	**160,153,811**	146,699,312

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The mortgages refinance loans in 2023:

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%
BancABC Limited	2023	5,000,000	5 years	7.5%
DCB Commercial Bank Plc	2019	1,500,000	5 years	7.5%
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 year	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%
NMB Bank Plc	2023	5,000,000	5 years	8.95%
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	2022	5,000,000	5 years	7.5%
CRDB Bank Plc	2023	7,000,000	5 years	7.5%
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	2023	1,800,000	5 years	7.5%
I&M Bank	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	2020	1,000,000	5 years	7.5%
First Housing Finance Company	2022	4,200,000	2 years	10.8%
First Housing Finance Company	2022	1,800,000	2 years	10.8%
First Housing Finance Company	2022	2,000,000	3 years	11.0%
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		1,110,802		
Sub total		**123,810,802**		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The mortgage 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	202	5,000,000	5 year	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	2018	1,800,000	5 years	9.0%
I&M Bank	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	2020	1,000,000	5 years	7.5%
First Housing Finance Company	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 pre-finance loans in 2023:

Name of Bank	Year disbursed	Principal Amount TZS '000	Maturity period from date of disbursement	Interest rate % p.a
ABSA Bank (Tanzania) Limited	2023	7,000,000	1 years	8.5
National Bank of Commerce Limited	2023	10,000,000	1 years	7.5
Azania Bank Limited	2023	6,500,000	1 years	7.5
DCB Commercial Bank Plc	2022	4,000,000	2 years	10.82
First Housing Finance Company	2023	2,000,000	3 years	11
Mwanga Hakika Commercial Bank Plc	2023	3,000,000	3 years	9.95
Maendeleo Bank Plc	2023	3,500,000	3 years	9.95
Total accrued interest		435,710		
Sub total		**36,435,710**		

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 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 2023:

The movement in provisions for financial instruments charges 2023					
					TZS '000
	Re& Pre-Financing Loans	Government securities	Placement with other banks	Other receivables	Total Provision
At start of the year	**(47,200)**	**(50,255)**	**(2,546)**	**(10,370)**	**(110,371)**
Movement During the year:					
Previous years Adjustments	-	-	-	-	**-**
Impairment provision charges	(99,920)	12,533	(8,825)	(4,900)	**(101,112)**
At the end of the year	**(147,120)**	**(37,722)**	**(11,371)**	**(15,270)**	**(211,482)**

The movement in provisions for financial instruments charges 2022					
					TZS '000
	Re& Pre-Financing Loans	Government securities	Placement with other banks	Other receivables	Total Provision
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)**

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, 2023:

Description	Stage 1 TZS '000	Stage 2 TZS '000	stage 3 TZS '000	Total 2023 TZS '000	Total 2022 TZS '000
Government Securities:					
At start of the year	**(50,255)**	-	-	**(50,255)**	**(53,872)**
Charge for the period	12,533	-	-	12,533	3,617
Write-offs	-	-	-	-	-
At the end of the year	**(37,722)**	-	-	**(37,722)**	**(50,255)**
Impairment charge to Income Statement		-	-	-	-
Impairment provision ECL	12,533	-	-	12,533	3,617
Charge/Release to Income Statement	**12,533**	-	-	**12,533**	**3,617**
Placement with other Banks					
At start of the year	**(2,546)**	-	-	**(2,546)**	**(2,992)**
Charge for the period	(8,825)	-	-	(8,825)	446
Write-offs	-	-	-	-	-
At the end of the year	**(11,371)**	-	-	**(11,371)**	**(2,546)**
Impairment charge to Income Statement		-	-	-	-
Impairment provision ECL	(8,825)	-	-	(8,825)	446
Charge/Release to Income Statement	**(8,825)**	-	-	**(8,825)**	**446**
Mortgagee Re & Pre-finance Loans					
At start of the year	**(47,200)**	-	-	**(47,200)**	**(55,236)**
Charge for the period	(99,920)	-	-	(99,920)	8,036
Previous years Adjustments	-			-	-
Write-offs	-	-	-	-	-
At the end of the year	**(147,120)**	-	-	**(147,120)**	**(47,200)**
Impairment charge to Income Statement		-	-	-	-
Impairment provision ECL	(99,920)	-	-	(99,920)	8,036
Charge/Release to Income Statement	**(99,920)**	-	-	**(99,920)**	**8,036**
Other Receivables					
At start of the year	**(10,370)**	-	-	**(10,370)**	**(11,533)**
Charge/Release for the period	(4,900)	-	-	(4,900)	1,163
Write-offs	-	-	-	-	-
At the end of the year	**(15,270)**	-	-	**(15,270)**	**(10,370)**
Impairment charge to Income Statement		-	-	-	-
Impairment provision ECL	(4,900)	-	-	(4,900)	1,163
Charge/Release to Income Statement	**(4,900)**	-	-	**(4,900)**	**1,163**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Property, Plant and Equipment

10(a). **Equipment**	Leasehold improvements	Computers & equipment	Office equipment	Office furniture	Motor vehicle	Total
Year ended 31st December, 2023	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Opening carrying amount	**66,919**	**89,879**	**133,391**	**40,396**	**264,359**	**594,945**
Additions	-	42,368	12,626	29,450	-	84,444
Depreciation charge	**(7,435)**	**(44,370)**	**(32,884)**	**(13,280)**	**(79,308)**	**(177,277)**
Prior year Adjustment	-	756	-	-	-	756
Closing carrying amount	**59,483**	**88,633**	**113,133**	**56,566**	**185,051**	**502,868**
At 31st December, 2023						
Cost or valuation	74,355	118,536	161,263	49,584	317,231	720,968
Additions	-	42,368	12,626	29,450	-	84,444
Accumulated depreciation	(14,871)	(72,271)	(60,756)	(22,468)	(132,179)	(302,545)
Net carrying amount	**59,484**	**88,633**	**113,133**	**56,566**	**185,051**	**502,868**
Year ended 31st December, 2022						
Opening carrying amount	**1,247**	**35,702**	**79,666**	**33,943**	**95,522**	**246,079**
Reclassification and reserves	73,108	20,969	32,365	7,232	24,051	157,724
Adjusted balance on 1 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)
Depreciation charge on disposed assets	-	-	-	-	22,420	**22,420**
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
Reclassification and reserves	(111,298)	11,001	51,223	5,322	(7,790)	(51,543)
Adjusted balance at 1 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
Accumulated depreciation	(191,841)	(28,656)	(27,872)	(9,188)	(75,292)	(332,848)
Reclassification and 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**	**594,945**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 (b). Lease

This note provides information for leases where the company is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2023	2022
Right-of-use assets	**TZS '000**	**TZS '000**
Balance at 1 January 2023	209,478	400,096
Depreciation charge for the year	(192,607)	(193,364)
Adjustments	-	2,746
Balance at 31 December 2023	16,115	209,478
Movement of Lease liabilities		
Balance at 1 January	210,306	424,871
Additions	-	-
Principal payments	(210,306)	(191,281)
Adjustments	-	(23,285)
Balance at 31 December	-	210,306
Lease liabilities		
Current	-	210,306
Non-current	-	-
	-	210,306

ii) Amounts recognised in the income statement

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

	2,023	2,022
Depreciation charge of right-of-use assets	**TZS '000**	**TZS '000**
Office Building	192,607	193,364
	192,607	193,364
Interest on lease liabilities	9,251	28,276
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	9,748	9,748
	18,999	38,025

The total cash outflow for leases in 2023 was TZS 219.56 million (2022: TZS 219.56 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2023	2022
11.	**Intangible assets**	**TZS '000**	**TZS '000**
	Cost		
	At start of year	107,277	125,297
	Reclassification and reserves	-	(20,950)
	Adjusted balance at 1 January 2023	**107,277**	**104,347**
	Additions	-	2,930
	At end of year	**107,277**	**107,277**
	Amortisation		
	At start of year	35,108	47,328
	Reclassification and reserves	-	(47,328)
	Charge for the year	35,758	35,108
	At end of year	**70,866**	**35,108**
	Net book value	**36,411**	**72,169**

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

		2023	2022
12.	**Other receivables**	**TZS '000**	**TZS '000**
	Prepaid expenses	458,983	405,812
	Staff receivables	669,961	614,554
	Less: Impairment loss allowance-ECL	(15,270)	(10,370)
		1,113,674	**1,009,995**

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% (2022: 30%). The movement on the deferred tax account is as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Deferred Tax Assets (continued)

	2023 TZS '000	2022 TZS '000
At start of year	67,608	(43,233)
Fair value Revaluation Adjustment OCI	-	41,032
Current year release	(90,324)	69,809
At end of year	**(22,716)**	**67,608**

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 31 December 2023			
Deferred income tax liability			
Excess capital allowance over depreciation	**67,608**	**-**	**67,608**
Deferred income tax asset			
Fair value Revaluation Adjustment OCI	-	-	-
Current Year release	-	(90,324)	(90,324)
	-	**(90,324)**	**(90,324)**
Net deferred tax liability	**67,608**	**(90,324)**	**(22,716)**
Year end 31 December 2022			
Deferred income tax liability			
Excess capital allowance over depreciation	51,323	(94,556)	(43,233)
Deferred income tax asset			
Fair value Revaluation Adjustment OCI	-	41,032	41,032
Current Year release	-	69,809	69,809
	-	110,841	110,841
Net deferred tax liability	**51,323**	**16,285**	**67,608**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Borrowings

		2023 TZS '000	2022 TZS '000
	The Borrowings are made up as follows:		
i	**Borrowing from Bank of Tanzania**		
	Current		
	Borrowing from Bank of Tanzania	3,500,000	36,300,000
	Accrued interest		
	- Loan from Bank of Tanzania	17,774	346,274
		3,517,774	**36,646,274**
	Non- current		
	Loan from Bank of Tanzania	124,700,000	91,900,000
	Accrued interest		
	- Loan from Bank of Tanzania	891,600	607,525
		125,591,600	92,507,525
	Total Loan from Bank of Tanzania	**129,109,374**	**129,153,799**
ii	**TMRC Corporate Bond**		
	Current		
	TMRC Corporate Bonds	19,178,100	14,521,500
	Accrued interest		
	- TMRC Corporate Bonds	247,444	192,760
		19,425,544	**14,714,260**
	Non- current		
	TMRC Corporate Bonds	32,159,600	35,057,100
	Accrued interest		
	- TMRC Corporate Bonds	521,816	462,155
		32,681,416	**35,519,255**
	Total TMRC Corporate Bond	**52,106,960**	**50,233,515**
iii	**Other Borrowings**		
	Current		
	NMB Standby line	-	1,000,000
	Accrued interest	-	658
		-	**1,000,658**
	Total Other Borrowings	**-**	**1,000,658**
	Grand total	**181,216,334**	**180,387,971**

During the year, TMRC issued one public bond and two private bond placements with institutional investors.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(i) Borrowing from Bank of Tanzania

The Bank of Tanzania borrowing comprise the following:

Value Date	Principal amount	Interest to maturity	Total Value	Maturity period	Remaining Period to mature Month/ Years	Interest rate p.a
	TZS '000	TZS '000	TZS '000	Years		%
26-Feb-19	1,500,000	21,082	1,521,082	5	2 Months	9.00%
15-Mar-19	2,000,000	36,493	2,036,493	5	3 Months	9.00%
27-May-19	1,000,000	30,411	1,030,411	5	5 months	7.50%
30-May-19	7,000,000	246,151	7,246,151	5	5 Months	8.50%
26-Jun-19	2,750,000	100,017	2,850,017	5	6 Months	7.50%
10-Jul-19	10,000,000	396,575	10,396,575	5	6 Months	7.50%
15-Jul-19	1,400,000	56,671	1,456,671	5	7 Months	7.50%
14-Jul-19	2,000,000	80,959	2,080,959	5	7 Months	7.50%
22-Aug-19	5,900,000	321,510	6,221,510	5	8 Months	8.50%
22-Aug-19	6,500,000	313,870	6,813,870	5	8 Months	7.50%
29-Jan-20	2,500,000	202,397	2,702,397	5	1 Year	7.50%
06-Mar-20	3,000,000	265,068	3,265,068	5	1 Year	7.50%
30-Mar-20	5,000,000	468,493	5,468,493	5	1 Year	7.50%
13-Apr-20	3,000,000	289,726	3,289,726	5	2 Years	7.50%
30-Apr-20	1,700,000	168,370	1,868,370	5	2 Years	7.50%
06-Jul-20	5,000,000	570,205	5,570,205	5	2 Years	7.50%
21-Sep-20	8,000,000	1,037,260	9,037,260	5	2 Years	7.50%
01-Nov-20	1,700,000	234,041	1,934,041	5	2 Years	7.50%
02-Jan-21	4,000,000	604,110	4,604,110	5	2 Years	7.50%
23-Mar-21	5,000,000	945,479	5,945,479	5	2 Years	8.50%
30-Aug-18	1,450,000	289,901	1,739,901	8	3 Years	7.50%
02-Nov-21	5,000,000	1,207,466	6,207,466	5	3 Years	8.50%
03-Dec-21	1,500,000	328,870	1,828,870	5	3 Years	7.50%
10-Feb-22	5,000,000	1,167,123	6,167,123	5	3 Years	7.50%
30-May-22	1,000,000	256,027	1,256,027	5	3 Years	7.50%
14-Jun-22	2,500,000	647,774	3,147,774	5	4 Years	7.50%
26-Jun-22	2,500,000	654,966	3,154,966	5	4 Years	7.50%
09-Aug-22	5,000,000	1,533,493	6,533,493	5	4 Years	8.50%
19-Aug-22	5,000,000	1,363,356	6,363,356	5	4 Years	7.50%
26-Sep-22	5,000,000	1,403,425	6,403,425	5	4 Years	7.50%
14-Nov-22	2,500,000	726,884	3,226,884	5	4 Years	7.50%
02-Jan-23	4,000,000	1,203,288	5,203,288	5	4 Years	7.50%
04-Jun-23	7,000,000	2,327,260	9,327,260	5	5 Years	7.50%
13-Aug-23	1,800,000	624,329	2,424,329	5	5 Years	7.50%
	128,200,000	**20,123,051**	**148,323,051**			

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Borrowing (continued)

(i) Borrowing from Bank of Tanzania (continued)

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 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.

	2023	**2022**
	TZS '000	**TZS '000**
Opening Balance	49,578,600	34,578,600
Issuance of Private bond placements	5,000,000	17,000,000
Issuance of Public Bond Placement	11,280,600	-
Repayment of corporate bond	(14,521,500)	(2,000,000)
Total Corporate Bond amount at year end	**51,337,700**	**49,578,600**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Trade and other payables	**2023 TZS '000**	**2022 TZS '000**
Other payables	347,495	319,483
Accrued expenses	454,532	51,414
Gratuity payable	817	1,650
Deferred revenue	321,452	347,552
Withholding tax payable	38,306	29,868
VAT payable	9,620	1,980
Lease Liability	-	210,306
Provision for audit fees	11,505	9,440
Provision for staff leave	681	1,375
	1,184,408	**973,068**

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:

	2023 TZS '000	**2022 TZS '000**
The maturity analysis based on ageing of the trade and other payables is as follows:		
within three months	861,458	622,492
three to twelve months	322,950	350,577
Over twelve months	-	-
	1,184,408	**973,068**

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

Movement in provision for staff leave	**2023 TZS '000**	**2022 TZS '000**
At start of year	1,375	-
Additions	183,583	167,323
Redemptions	(184,278)	(165,948)
At end of year	**681**	**1,375**
Movement in gratuity payable		
At start of year	1,650	-
Additions	253,759	232,960
Redemptions	(254,592)	(231,310)
At end of year	**817**	**1,650**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Share capital	No. of ordinary shares	Issued and fully paid-up capital TZS '000	Advance towards share capital TZS '000	Share premium TZS '000
At 1 January 2023	**23,061,292**	**22,831,291**	**-**	**2,543,430**
Issue for cash-under Right Issue	-	-	-	**-**
Issue for cash-normal (with premium)	308,262	308,262	-	191,739
Allotted shares	-	-	-	-
At 31 December 2023	**23,369,554**	**23,139,552**	**-**	**2,735,169**
At 1 January 2022	**23,061,292**	**22,831,291**	**-**	**2,543,430**
Issue for cash-under Right Issue	-	-	-	**-**
Issue for cash-normal (with premium)	-	-		**-**
Allotted shares	-	-	-	-
At 31 December 2022	**23,061,292**	**22,831,291**	**-**	**2,543,430**

The total number of authorised ordinary shares is 150,000,000 (2022: 30,000,000) with a par value of TZS 1,000 each.

Issued and fully paid:

2023
During the year one additional new shareholder joined TMRC. The last shareholder to join TMRC is Ms. Mwanga Hakika Bank.

2022
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 2023 of TZS 40.1 per share amounting to TZS 939 million is to be proposed (2022: TZS 36.90 per share amounting to TZS 850.96 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

	2023	2022
	TZS '000	TZS '000
Reconciliation of profit before tax to cash used in operations:		
Profit before tax	3,302,356	2,933,132
Adjustments for:		
Depreciation on equipment (Note 9 a)	177,277	148,443
Amortization of Right of use asset (Note 9 b)	192,607	193,364
Amortisation of intangible assets (Note 10)	35,758	35,108
Other non-cash movement	162,334	211,332
Interest expense (Note 2)	13,371,255	13,255,532
Provision for Impairments	101,112	(13,262)
Loss from assets disposal	-	2,786
Realized gain/loss on Government Security-FVOCI	1,836,377	490,064
Proceeds from Available for Sale Government Security	-	3,159,107
Changes in working capital:		
- Mortgage refinance loans	(13,454,499)	(12,202,976)
- Other assets	(103,679)	119,643
- Trade and other payables	268,386	(253,380)
Cash used in operations	**5,885,501**	**8,078,893**

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 company's related parties include shareholders, key management personnel and their close family members. Related party transactions with these parties include issuance of loans to shareholders and key management personnel, investments with member banks, and payment of remuneration to key management personnel.

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

		2023	2022
(i)	**Loans to related parties**	**TZS '000**	**TZS '000**
	Loans to shareholders (Note 8)	**124,300,000**	**114,800,000**
	Loans to key management	**261,724**	**234,388**
(ii)	**Investment securities with member banks (Note 7)**		
	Fixed deposits with Bank of Africa (Tanzania) Limited	125,302	-
	Fixed deposits with Exim Bank Tanzania Limited	2,000,000	-
		2,125,302	**-**
(iii)	**Interest income from related parties**		
	Interest income derived from member banks (Note 1)		
	- Interest income from mortgage refinance and prefinance loans	9,619,720	8,744,570
	- Interest income from fixed deposits	49,766	30,081
		9,669,486	**8,774,651**
	Interest income from loans to key management	**22,250**	**23,796**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Related party transactions and balances (continued)

(iv) Key management compensation

Salaries and other short-term benefits	1,909,092	1,821,863
Pension costs: defined contribution scheme	286,364	273,280
	2,195,457	**2,095,144**

20. Revenue Grants

	2023	2022
	TZS '000	**TZS '000**
At start of year	8,800	27,472
Additions during the year	-	-
Amortisation of revenuefrom grants	(8,800)	(18,723)
At end of year	**-**	**8,800**

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

21. Specific reserve

	2023	2022
The movement in the specific reserve during the year is as follows:	**TZS '000**	**TZS '000**
Opening balance	416,392	416,392
Transfer to specific reserve	-	-
Closing balance	**416,392**	**416,392**

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Capital management (Continued)

Internally imposed capital requirements (Continued)

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 2023 and 2022 were as follows:

	2023 TZS '000	2022 TZS '000
Total borrowings (Note 14)	181,216,334	180,387,971
Less: cash and cash equivalents (Note 6)	2,220,393	2,131,583
Net debt	178,995,941	178,256,388
Total equity	35,168,939	40,331,014
Gearing ratio	**509%**	**442%**

Internally imposed capital requirements (continued)

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 33.10 billion (2022: TZS 30.97 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 51.99% each (2022: 62% each) respectively.

The table below summarizes the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2023 and year ended 31 December 2022. During those two periods, the Bank complied with all the externally imposed capital requirements to which it is subject.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Capital management (continued)

TIER 1 and 2 Capital

Descriptions		2,023	2,022
Share capital		23,139,553	22,831,291
Advance towards Share capital		-	-
Share Premium		2,735,169	2,543,430
General Reserves		416,392	-
Capital grants		-	-
Reserves		-	-
Less:			
	Prepayment	(529,353)	(405,812)
	Intangible	(36,411)	(72,169)
	Deferred tax asset	-	-
	Right-of-use assets	(16,115)	(209,478)
Retained Earnings		5,042,569	4,156,261
Qualified Year to date Profit		2,349,276	2,130,873
		33,101,081	**30,974,397**
Ratio:			
Total qualifying Tier 1		**33,101,081**	**30,974,397**
RWA		**63,674,219**	**49,844,664**
Capital Adequacy		**51.99%**	**62.14%**

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Prior Years Adjustments

Effects of prior period adjustments

a. During the preparation of the financial statements for the year ended 31 December 2023, the Company noted some material accounting misstatement related to the financial statements for the year ended 31 December 2022. This misstatement related to the non-recognition of additional taxes that were subsequently assessed during audit by Tanzania Revenue Authority (TRA) and noted that investment in exempted Treasury Bonds and deferred income balance were eligible for recognition. The misstatements have been corrected by restating each of the affected financial statement line item for the prior periods in accordance with IAS 8 – Accounting policies, changes in accounting estimates and errors as set out below.

Statement of Income Statement	As previously Reported	Adjustments	As restated
Underpaid Tax for Year 2021 and 2022	-	(393,605)	(393,605)
Profit After Tax	**-**	**(393,605)**	**(393,605)**
Statement of Financial Position			
Retained Earnings	6,287,134	(393,605)	5,893,529
	6,287,134	(393,605)	5,893,529

b. During the year the correction of error on computation of depreciation charge for computers amounting to TZS 0.76 million (Note 10a).

Depreciation Charge Computers	As previously Reported	Adjustments	As restated
Over depreciation Computers 2022	28,656	-756	27,900
Computers depreciation 2022	**28,656**	**-756**	**27,900**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Schedule of operating expenses

		2023 TZS '000	2022 TZS '000
1	**Administrative expenses**		
	Staff costs (Note 4(b))	4,307,528	3,687,066
	Travel expenses	124,312	99,814
	Legal costs	25,875	7,501
	Audit fees	25,665	23,600
	Depreciation on equipment (Note 9)	177,277	148,443
	Depreciation charge for the year (Note 10b)	192,607	193,364
	Amortisation of intangible assets (Note 10)	35,758	35,108
	Total administrative expenses	**4,889,023**	**4,194,895**
	Courier and postages	1,447	1,407
	Email and website development	758	758
	Repair and maintenance of motor vehicles	2,639	3,365
	Repair and maintenance of office equipment	12,444	15,763
	Condolences and burial expenses	1,450	1,000
	Stationeries and consumables	27,625	20,558
	Vehicle running expenses	-	276
	Electricity expenses	11,001	10,001
	Fuel expenses	16,397	13,348
	Office cleaning expenses	2,980	1,146
	Newspaper and publications	3,461	3,262
	Office security services	2,919	2,521
	ICT Equipment's Maintenance	20,898	13,855
	Repair and maintenance of office furniture	147	400
	Parking Fees	1,242	236
	Office sundry and snacks	21,755	16,228
	Business license fees and returns	600	600
	Board Fees and emoluments	123,098	104,588
	Other Board meeting expenses	98,952	85,913
	Recruitment costs	7,536	12,001
	Transport expenses	448	1,094
	Internet expenses	26,747	28,725
	Gifts and donations	53,899	55,267
	Subscriptions Fees	909	985
	Statutory levy and fees	19,245	15,881
	Accounting Software License Fees	18,002	11,553
	Other expenses	**476,598**	**420,732**

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