



Audited Financial Statements

for the year ended 31st December 2021



**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2021**

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Abbreviations

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

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BOARD OF DIRECTORS

S/N	Name	Representing	Position	Qualification	Age	Nationality
1.	Mr. Theobald Sabi	MD, NBC	Chairman	Bachelor of Science in Engineering, Association of Chartered Certified Accountant (FCCA)	46	Tanzanian
2.	Mr. Charles Itembe	CEO, Azania Bank	Vice Chairman	Master of Arts- Economics	49	Tanzanian
3.	Mr. Abdulmajid Nsekela	MD, CRDB Bank	Member	MBA (International Banking and Finance)	50	Tanzanian
4.	Mr. Godfrey Ndalawa	MD, DCB	Member	Master's in Business Administration (MBA), CPA	45	Tanzanian
5.	Ms. Lilian Mbassy	Director of Managed Funds, TIB	Member	MBA - (Finance & Banking)	45	Tanzanian
6.	Mr. Imani John	MD, BancABC	Member	B. Com (Accounting); CPA	42	Tanzanian
7.	Mr. David Lusala	Chief Operations Officer, Exim Bank	Member (Resigned 14 th May, 2021)	Master's in Business Administration (MBA) – Risk Management; BCP	44	Tanzanian
8.	Mr. Andrew Lyimo	Head Retail Banking, Exim Bank	Member (Appointed 01 st September, 2021)	MSc. Accounting & Finance; CPA	47	Tanzanian
9.	Mr. Andrew Chimphondah	MD, Shelter Afrique	Member	MBA (International Finance)	53	Zimbabwean
10.	Mr. Filbert Mponzi	Chief Retail & Agri Banking, NMB	Member (Appointed 04 th March, 2020)	Master's in Business Administration (MBA), CPA	46	Tanzanian
11.	Dr. Maulid Banyani	DG, NHC	Member	MSc. LMV, MSc. LM, PhD Facilities Planning and Management	49	Tanzanian
12.	Mr. Sanjay Suchak	Director, FHF	Member (Appointed 20 th May 2020)	Business Executive, Founder of African Risk & Insurance Services Limited (ARIS)	53	Tanzanian
13.	Ms. Pamela Lamoreaux	Director	Member (Appointed 03 rd March, 2021)	Consultant, World Bank Group	69	American

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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	15 th Floor Golden Jubilee Towers (PSPF) Ohio Street P.O. Box 7539 Dar es Salaam Tanzania
INDEPENDENT AUDITORS	Auditax International PPF Tower 7 th Floor Garden Avenue/Ohio Street P.O. Box 77949 Dar es Salaam Tanzania
PRINCIPAL BANKERS	Exim Bank (Tanzania) Limited Exim Tower Ghana Avenue P.O. Box 1431 Dar es Salaam Tanzania

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REPORT BY THOSE CHARGED WITH GOVERNANCE

The Directors present this report and the audited financial statements for the financial year ended 31st December, 2021 which disclose the state of affairs of the Company.

INCORPORATION

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

COMPANY'S VISION

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

COMPANY'S MISSION

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

PRINCIPAL ACTIVITIES

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

TMRC OBJECTIVES AND STRATEGIES

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

DIRECTORS

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

CORPORATE GOVERNANCE

TMRC Board consists of 13 Directors. 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.

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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.

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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.

Board Audit and Risk Committee Composition

Name	Detail	Position	Nationality
Mr. Andrew Chimphondah	CEO, Shelter Afrique	Chairman	Zimbabwean
Mr. David Lusala	COO, EXIM Bank	Chairman (Resigned 14 th May, 2021)	Tanzanian
Mr. Abdulmajid Nsekela	CEO, CRDB Bank	Member	Tanzanian
Ms. Lilian Mbassy	Director of Managed Funds, TIB	Member	Tanzanian
Mr. Charles Itembe	MD, Azania Bank	Member	Tanzanian
Mr. Andrew Lyimo	Head Retail Banking, Exim Bank Tanzania Limited	Member (Appointed 01 st September, 2021)	Tanzanian

The Board Audit and Risk Committee **met four** times during the year.

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CORPORATE GOVERNANCE (CONTINUED)

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.

Board Credit Committee Composition

Name	Detail	Position	Nationality
Dr. Maulid Banyani	DG, NHC	Chairman	Tanzanian
Mr. Filbert Mponzi	Chief Retail & Agri Banking, NMB	Member	Tanzanian
Mr. Imani John	MD, BancABC	Member	Tanzanian
Mr. Godfrey Ndalawa	MD, DCB	Member	Tanzanian

The Board Credit Committee met **four times** during the year.

Board Governance and Human Resources Committee

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.

Board Governance and Human Resources Committee Composition

Name	Detail	Position	Nationality
Mr. Filbert Mponzi	Chief Retail & Agri Banking, NMB	Chairman	Tanzanian
Mr. Sanjay Suchak	Director, FHF	Member	Tanzanian
Mr. Imani John	MD, BancABC	Member	Tanzanian
Mr. Godfrey Ndalawa	MD, DCB	Member	Tanzanian
Ms. Pamela Lamoreaux	Director	Member	American

The Board Human Resource and Governance Committee met **three times** during the year.

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CORPORATE 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 is disclosed below:

S/N	Name	TZS 000'
1	Theobald Maingu Sabi	6,706
2	Charles Jackson Itembe	8,294
3	Sanjay Ramniklal Suchak	4,118
4	Isidori John Msaki	6,706
5	Bruno John Ngooh	6,824
6	Salehe Ramadhani	6,471
7	Godfrey Ndalaha	4,118
8	Maulid Abdallah Banyani	3,647
9	Mr. David Lusala	588
10	Lilian Mbassy	6,588
11	Fredrick Nshekanabo	5,529
12	Gladness Deogratius	7,353
13	Filbert Mponzi	3,118
14	Imani John	3,059
15	Adolph Kasegenya	4,353
16	Abdulmajid Nsekela	2,353
17	Vinod Rustagi	2,941
18	Andrew John Lyimo	6,471
19	Kasamalola W. Swalala	3,294
20	Esther Mang'anya	2,353
21	Salehe Mohamedi	3,294
22	Andrew Pandeka Chimphondah	6,706
23	Kingsley Muwowo	3,059
24	Pamela Lameroux	6,824
25	Zainab Nungu	824
TOTAL		115,588

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RISK MANAGEMENT AND INTERNAL CONTROL

The Board assessed the internal control systems throughout the financial year ended 31st December, 2021 and is of the opinion that they met accepted criteria. The Board carries out risk and internal control assessment throughout the year.

SHARE CAPITAL STRUCTURE

During the year issued and paid-up ordinary share capital of the company remained at TZS 25.37 billion for 23,061,292 ordinary shares (2020: 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 a gearing. The Company is also required by Bank of Tanzania (BOT) through TMRC Regulations 2011 to maintain at all times a minimum core capital of not less than TZS 6 billion or such higher amount as BOT may determine. As at year end, the core capital of the Company was TZS 31.99 billion (2020: TZS 29.90 billion).

The Regulations further require TMRC to maintain at all times a minimum core capital to the value of its risk-weighted assets and off-balance sheet exposures of not less than 10% and a minimum ratio of total capital to the value of its risk-weighted assets and off-balance sheet exposures of not less than 12%. The respective ratios at the statement of financial position date were 74% each (2020: 92% each) respectively.

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SHARE CAPITAL STRUCTURE (CONTINUED)

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

Name of Shareholder	2021			2020		
	Number of shares held	% holding	TZS '000	Number of shares held	% holding	TZS '000
CRDB Bank Plc	3,000,000	13.00%	3,039,000	3,000,000	13.00%	3,039,000
Azania Bank Limited	2,500,000	10.80%	2,632,500	2,500,000	10.80%	2,632,500
Shelter Afrique	2,332,500	10.10%	2,456,123	2,332,500	10.10%	2,456,123
International Finance Corporation (IFC)	2,120,530	9.20%	3,439,500	2,120,530	9.20%	3,439,500
NMB Bank Plc	1,800,000	7.80%	1,740,000	1,800,000	7.80%	1,740,000
TIB Development Bank Limited	1,500,000	6.50%	1,450,000	1,500,000	6.50%	1,450,000
National Bank of Commerce Limited	1,250,000	5.40%	1,316,250	1,250,000	5.40%	1,316,250
Exim Bank (Tanzania) Limited	1,200,000	5.20%	1,200,000	1,200,000	5.20%	1,200,000
National Housing Corporation	1,200,000	5.20%	1,200,000	1,200,000	5.20%	1,200,000
DCB Commercial Bank Plc	1,100,000	4.80%	1,100,000	1,100,000	4.80%	1,100,000
BancABC Tanzania Limited	1,000,000	4.30%	1,000,000	1,000,000	4.30%	1,000,000
Bank of Africa (Tanzania) Limited	1,000,000	4.30%	1,000,000	1,000,000	4.30%	1,000,000
First Housing Finance Co. Ltd	1,000,000	4.30%	1,485,098	1,000,000	4.30%	1,485,098
Peoples Bank of Zanzibar Limited	625,000	2.70%	658,125	625,000	2.70%	658,125
I&M Bank (T) Limited	625,000	2.70%	658,125	625,000	2.70%	658,125
NIC Bank (Tanzania) Limited	500,000	2.20%	500,000	500,000	2.20%	500,000
Mkombozi Commercial Bank Plc	308,262	1.30%	500,000	308,262	1.30%	500,000
	23,061,292	100.00%	25,374,721	23,061,292	100.00%	25,374,721

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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, Credit and Information Technology Department
- Finance and Treasury Department
- Legal Department
- Human Resources and Corporate Communication

Management Committees

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

Asset Liability Management Committee

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

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

Management Credit Committee

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

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Management (Continued)

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

Investment Committee

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

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

STOCK EXCHANGE INFORMATION

The Company is not listed on the stock exchange.

BUSINESS ENVIRONMENT AND PERFORMANCE

BUSINESS ENVIRONMENT

During the year, mortgage market grew by TZS 32.47 billion. The total mortgage portfolio balances amongst banks stood at TZS 496.61 billion as at the end of the year 2021 representing 6,177 properties compared to TZS 464.14 billion outstanding balance for financing 5,908 properties that was reported in the previous year. This signifies an annual increase of 7.0% in outstanding value of Mortgage loans while a number of mortgages increased by 4.6%. The above data indicates that mortgage market as percentage of Gross Domestic Product (GDP) increased to 0.35% from 0.30% recorded in 2020. This ratio is one of the lowest in the East African region.

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BUSINESS PERFORMANCE

During 2021, TMRC managed to record another commanding profit before tax on account of maintaining a good investment portfolio and effective cost management. The Company recorded a Profit Before Tax of TZS 2.30 billion (2020: TZS 2.76 billion). The result was mainly attributed to creation of good investment portfolio as well as effective cost management by TMRC management. During the year, net interest income increased from TZS 6.96 billion in the prior year to TZS 7.05 billion, an increase of 1.3%.

TMRC balance sheet size grew during the year from TZS 187.6 billion recorded in previous year to TZS 198.6 billion, an increase of 5.9% mainly due to successful public issuance of TMRC Medium Term Note (MTN) tranche 3 which was oversubscribed by 27% amounting to TZS 8.9 billion.

Results for the year summary:

	2021	2020
	TZS '000	TZS '000
Profit before tax	2,302,119	2,763,458
Tax charge	(711,367)	(737,590)
Profit for the year	1,590,752	2,025,868

Key Performance Indicators (KPIs)

During the year 2021, TMRC exceeded performance targets in terms of profitability compared to projected Profit Before Tax (PBT). In 2021, although there were no disbursements due to unavailability of affordable funds, PBT grew by 22% compared to budgeted PBT of TZS 1.88 billion. 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. Below is the summary of TMRC key financial highlights:

KEY FINANCIAL HIGHLIGHTS		Amounts in TZS Billion		
S/No.	Description	2021	2020	% Change
1	Mortgage Refinance Loans	74.70	75.32	(1%)
2	Mortgage Pre-finance Loans	58.50	59.24	(1%)
3	Government Securities at amortized costs	25.91	30.11	(14%)
4	Government Securities at FVOCI	34.63	19.77	75%
5	Term Deposits with Commercial Banks	1.60	0.20	707%
6	Total Assets	198.64	187.63	6%
7	Shareholders' Equity	33.13	30.49	9%
8	Revenue	19.48	19.92	(2%)
9	PBT	2.30	2.76	(17%)
10	Basic Earnings Per Share	68.98	87.85	(21%)
11	Dividend per Share	27.59	35.13	(21%)
12	Core Capital	32.00	29.90	7%
13	Capital Adequacy Ratio	74%	106%	(31%)

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REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

DIVIDEND

Directors proposes to the forthcoming Annual General Meeting (AGM), a final dividend in respect of the year ended 31st December 2021 of TZS 27.59 per share (2020: TZS 35.13) amounting to TZS 636.30 million, (2020: TZS 810.14 million) be paid to shareholders on record as at 31st December 2021. 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 13 borrowing members (all of which are now offering mortgage loans) and has already extended loans worth TZS 133.20 billion to eleven (11) of its member banks and four (4) non-member banks. As at 31st December, 2021, refinancing and pre-financing mortgages advanced by TMRC to its member and non-member banking institutions was equivalent to 26.8% of the total outstanding mortgage debt.

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 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 three Tranches. Tranche one in 2018, Tranche two in 2019 and Tranche three in 2020 which were both oversubscribed.

In the ten 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 33 banks on 31st December, 2021 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.

The Medium-Term Note will serve as a secure source of long term funding at an attractive rate for TMRC given that the average mortgage growth rate in year on year from December 2017 to December 2020 was 11%. The long-term funds raised will assist in reducing any maturity mismatch risk for commercial banks and increase opportunities for the commercial banks to avail mortgage loans to their customers at affordable interest rates. This in turn will help to improve the affordability of mortgages by extending the range of qualifying borrowers.

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CURRENT AND FUTURE DEVELOPMENT PLANS (CONTINUED)

As at the end of the year TMRC had a pipeline of TZS 45.90 billion which was awaiting disbursement. Discussions with financiers for concessionary funding are 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 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 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.

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

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2021**

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

STAKEHOLDERS' RELATIONSHIPS (CONTINUED)

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 2021 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 which some of the discussions are in very advanced stage.

Also sourcing funds locally is part of TMRC Strategy of raising long term funding through corporate bond issuance. TMRC has already acquired an approval of a five-year Medium-Term Note Programme (MTN) amounting to TZS 120Bn which are being issued in tranches. The first three tranches issued have all been very successfully 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 source of funding:

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

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2021**

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

EMPLOYEES' WELFARE

Management and Employees' Relationship

There were continued good relation between employees and management during the year ended 31st December, 2021. There were no unresolved complaints received by Management from the employees during the year.

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

The Company's employment terms are reviewed annually to ensure that they meet statutory and market conditions.

Training Facilities

The training costs for the year 2021 amounted to TZS 64.51 million (2020: TZS 89.39 million). These costs covered staff training meant to improve employees' technical skills and hence effectiveness. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels and all employees have some form of annual training to upgrade skills and enhance development.

Medical Assistance

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

Health and Safety

The Company has a strong health and safety program which ensure that a strong culture of safety prevails at all times. A safe working environment is ensured for all employees and contractors by providing adequate and proper personal protective equipment, training and supervision as necessary.

Financial Assistance to Staff

Loans are available to all confirmed employees depending on the assessment of and the discretion of management as to the need and circumstances.

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2021**

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

EMPLOYEES' WELFARE (CONTINUED)

Persons with Disabilities

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

Employees Benefit Plan

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

The average number of employees during the year was 19 (2020: 19).

Gender Parity

The Company had 19 employees, out of which 10 were female and 9 were male (2020: 10 female and 9 male).

RELATED PARTY TRANSACTIONS

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

INDEPENDENT AUDITORS

The Company's auditors, Auditax International, have expressed willingness to continue in office in accordance with the Tanzania Companies Act, 2002.

BY ORDER OF THE BOARD



.....
Mr. Theobald Sabi
Chairman



.....
Date:

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2021

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.

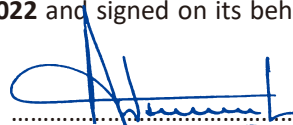
The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for preparation of the financial statements. However, any system of internal financial control 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, 2021 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 **24** to **72**, which have been prepared on going concern basis, were authorized and approved by the Board on **24th February 2022** and signed on its behalf by:



Mr. Theobald Sabi
Chairman



Mr. Abdulmajid Nsekela
Director

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2021**

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 20.

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, 2021 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:

24th Feb. 2022



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www.auditaxinternational.co.tz

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

Opinion

We have audited the financial statements of Tanzania Mortgage Refinance Company Limited, set out on pages **24** to **72**, which comprise the statement of financial position as at 31st December 2021, 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, 2021 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 2021.

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2021**

**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.

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2021**

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

Report on Other Legal and Regulatory Requirements

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

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



Auditax International

Certified Public Accountants

Dar es Salaam, Tanzania



Signed by: Straton Makundi (FCCA)

Date: 4th March 2022

Registration No: ACPA 1747

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2021

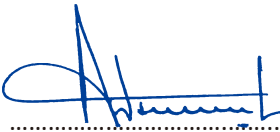
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2021 TZS '000	2020 TZS '000
Interest income	1	19,287,501	19,726,977
Interest expense	2	(12,238,150)	(12,769,700)
Net interest income		7,049,351	6,957,277
Financial Instruments Impairment charges	9	(31,477)	47,868
Net interest income after Financial Instruments Impairment charges		7,017,874	7,005,145
Other income	3	190,519	191,826
Total income		7,208,393	7,196,971
Operating expenses	4	(4,906,274)	(4,433,513)
Profit before tax		2,302,119	2,763,458
Tax charge	5	(711,367)	(737,590)
Profit and comprehensive income for the year		1,590,752	2,025,868
Other comprehensive income			
Change in FVOCI financial assets	25(b)	2,681,029	778,290
Total comprehensive income for the year attributable to the owners of the company		4,271,781	2,804,158
Dividends:			
Proposed/Final dividends		636,301	810,143

The financial statements on pages **24 to 72** were authorised and approved for issue by the Board of Directors on **24th February 2022** and were signed on its behalf by:



Mr. Theobald Sabi
 Chairman



Mr. Abdulmajid Nsekela
 Director

The significant accounting policies on pages 28 to 40 and notes on pages 41 to 72 form an integral part of these financial statements.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2021

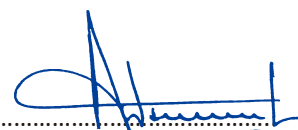
STATEMENT OF FINANCIAL POSITION

		2021	2020
	Notes	TZS '000	TZS '000
ASSETS			
Cash and bank balances	6	93,462	257,464
Government securities	7(a)	60,544,633	49,878,745
Placement with other banks	7(c)	1,600,001	200,511
Net Mortgage refinance and pre-finance loans	8	134,496,337	136,015,295
Equipment	10 (a)	246,079	163,087
Right-of-use assets	10 (b)	400,096	16,138
Intangible assets	11	125,297	95,199
Other receivables	12	1,129,638	1,001,644
Total assets		198,635,543	187,628,083
LIABILITIES			
Deferred tax	13	(43,233)	(129,117)
Loans and borrowings	14 (i)	129,207,225	130,748,123
TMRC Corporate Bond	14 (ii)	35,015,740	26,022,038
Trade and other payables	15	1,238,294	486,472
Capital grant	20	-	-
Current tax payable		89,630	7,823
Total liabilities		165,507,656	157,135,339
SHAREHOLDERS' EQUITY			
Share capital	16	22,831,291	22,831,291
Share premium	16	2,543,430	2,543,430
Advance towards share capital	16	-	-
Fair value gain/(loss)		2,681,029	778,290
Proposed dividends		-	-
Specific reserve	21	416,393	416,393
Retained earnings		4,655,745	3,923,341
Total equity		33,127,888	30,492,744
Total equity and liabilities		198,635,543	187,628,083

The financial statements on pages **24 to 72** were authorised and approved for issue by the Board of Directors on **24th February 2022** and were signed on its behalf by:



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Chairman



Mr. Abdulmajid Nsekela
Director

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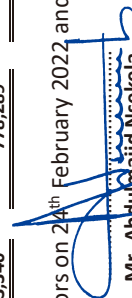
TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2021

STATEMENT OF CHANGES IN EQUITY

	Share capital	Advance towards share capital	Share premium	Retained earnings	Fair value Revaluation Gain/(loss)	Asset Revaluation Reserve	Specific reserve	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Year ended 31st December, 2021								
At start of year	22,831,291	-	2,543,430	3,923,340	778,289	-	416,393	30,492,744
Changes in equity 2021								
Profit and comprehensive income for the year	-	-	-	1,590,752	-	-	-	1,590,752
Fair value revaluation Gain/Loss for the year	-	-	-	-	1,755,298	147,442	-	1,902,740
Deferred Tax Movement for the year	-	-	-	(48,204)	-	-	-	(48,204)
Changes during the year	-	-	-	1,542,548	1,755,298	147,442	-	3,445,288
Transactions with owners:								
Issue of ordinary shares	-	-	-	-	-	-	-	-
Dividends paid - final 2020	-	-	-	(810,143)	-	-	-	(810,143)
Transfer to specific reserve	-	-	-	-	-	-	-	-
At end of year	22,831,291	-	2,543,430	4,655,744	2,533,587	147,442	416,393	33,127,888
Year ended 31st December, 2020								
At start of year	22,831,291	-	2,543,430	1,610,265	63,948	-	416,393	27,465,327
Changes in equity 2020								
Profit and comprehensive income for the year	-	-	-	2,025,868	-	-	-	2,025,868
Fair value revaluation surplus	-	-	-	-	8,189	-	-	8,189
Prior year adjustments (IFRS 9 & Lease)	-	-	-	525,076	-	-	-	525,076
Gain or Loss on Available-for-sale revaluation	-	-	-	-	706,153	-	-	706,153
Changes during the year	-	-	-	2,550,944	714,341	-	-	3,265,285
Transactions with owners:								
Issue of ordinary shares	-	-	-	-	-	-	-	-
Dividends paid - final 2019	-	-	-	(237,869)	-	-	-	(237,869)
Transfer to specific reserve	-	-	-	-	-	-	-	-
At end of year	22,831,291	-	2,543,430	3,923,340	778,289	-	416,393	30,492,744

The financial statements on pages 24 to 72 were authorised and approved for issue by the Board of Directors on 24th February 2022 and were signed on its behalf by:


Mr. Theobald Sabi
Chairman


Mr. Abdulmajid Nsekela
Director


The significant accounting policies on pages 28 to 40 and notes on pages 41 to 72 form an integral part of these financial statements.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2021

STATEMENT OF CASH FLOWS

	Notes	2021 TZS '000	2020 TZS '000
Operating activities			
Cash used in operations	18	19,916,441	30,309,698
Interest paid		(12,164,347)	(12,993,121)
Tax paid		(581,416)	(737,590)
Net cash used in operating activities		7,170,679	16,578,987
Investing activities			
Net movement in placement with other banks		(1,399,490)	975,264
Net movement in government securities		(10,665,888)	(1,875,575)
Purchase of intangible asset	11	(51,803)	(93,886)
Purchase of equipment	10 (a)	(42,274)	(72,393)
Proceeds from disposal		-	-
Net cash used in investing activities		(12,159,455)	(1,066,590)
Financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		(1,540,898)	(16,025,032)
Proceeds from TMRC corporate bond issuance		8,993,702	-
Payment of Lease Liability		(220,879)	(235,421)
Payment of dividends		(810,143)	(237,886)
Advance towards share capital converted into ordinary shares		-	-
Net cash generated from financing activities		6,421,782	(16,498,339)
(Decrease)/increase in cash and cash equivalents		1,433,005	(985,942)
Movement in cash and cash equivalents			
At start of year		257,464	1,243,406
(Decrease)/increase		1,433,005	(985,942)
At end of year	6	1,690,470	257,464

The financial statements on pages 24 to 72 were authorised and approved for issue by the Board of Directors on **24th February 2022** and were signed on its behalf by:



Mr. Theobald Sabi
 Chairman



Mr. Abdulmajid Nsekela
 Director

The significant accounting policies on pages 28 to 40 and notes on pages 41 to 72 form an integral part of these financial statements.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2021

SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

The financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS). They are presented in Tanzania Shillings, which is also the functional currency (see (c) below), rounded to the nearest thousand (TZS '000).

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

Measurement basis

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

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2021

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and revised standards

There is a number of new standards and amendments to standards that are effective for annual periods beginning after 1 January 2021 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.

- Report by Those Charged with Governance (Amendment to TFRS 1)
- Disclosure of Accounting Policies (Amendment to IAS 1)
- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts

Revision of TFRS 1: The Directors' Report

On 22nd June, 2020 NBAA through its Governing Board revised TFRS 1 - 'The Directors' Report' for the purpose of accommodating issues from the current environment. Among other things, amendment to TFRS 1 changed the name of the standard from **"The Directors' Report"** into **"Report by Those Charged with Governance"**.

The Revised Standard became operative for financial statements covering accounting periods beginning on or after 1st January, 2021.

Below are other mandatory standards, amendments and interpretations to existing standards that have been published but not effective during accounting periods beginning on or after 1 January 2021 and which the company has not early adopted.

Amendments to IAS 1 Disclosure of Accounting Policies:

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

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2021

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and revised standards (continued)

Amendments to IAS 1 - Presentation of Financial Statements:

Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023).

The narrow-scope amendments to IAS 1 *Presentation of Financial Statements* clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g., the receipt of a waiver or a breach of covenant). The amendments also clarify what IFRS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

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

Amendments to IAS 16 - Property, Plant and Equipment:

Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022) The amendment to IAS 16 *Property, Plant and Equipment (PP&E)* prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

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

Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets:

Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022).

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the costs of fulfilling it and any compensation or penalties arising from failure to fulfil it. The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts.

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021, the refinance loan advances had mostly been given to performed banks.

Management believes that the loans will be recoverable in full as borrowing banks are well performed as well as loans extended against strong security of mortgage portfolio or/and treasury bonds. All loan repayment instalments that had become due as at 31st December, 2021 have been extended.

(ii) Government and investment securities

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

(iii) Non-financial assets

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Critical accounting judgements (Continued)

(iv) Revaluation gain or loss

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

e) Operating lease commitments

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

f) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

- **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).

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial assets (Continued)

- **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.

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.

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AUDITED FINANCIAL STATEMENTS FOR THE YEAR
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial assets (Continued)

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.

ii. Financial liabilities

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

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AUDITED FINANCIAL STATEMENTS FOR THE YEAR
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) Financial liabilities (Continued)

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.

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.

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AUDITED FINANCIAL STATEMENTS FOR THE YEAR
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Current and deferred income tax (Continued)

Deferred tax

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

n) Leases

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

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

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

o) Retirement benefit obligations

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

p) Share capital

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

q) Employee entitlements

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

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

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AUDITED FINANCIAL STATEMENTS FOR THE YEAR
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Donor and Government funds

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

(i) Operating grant

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

s) General reserve

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

t) Dividends

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

u) Contingencies

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

v) Comparatives

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

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

Covid-19 outbreak led to reduced business activities in the financial sector as banks and financial institutions took a cautionary move in their lending activities including mortgage lending. There is inadequate data on the impact of Covid-19 on financial institutions, but the company's initial assessment indicates the pandemic did not have a direct impact on the financial position of the company as at 31 December 2021. No adverse impact is expected on the company's strategy and operations as a result of COVID-19.

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

1. Interest income

Interest income on mortgage refinance and pre-finance loans	10,997,352	12,315,033
Interest income on government securities (Note 7)	8,202,581	7,322,553
Interest income on investment securities	46,612	51,357
Interest income on staff loans	40,956	38,034

2021
TZS '000

2020
TZS '000

10,997,352
8,202,581
46,612
40,956

12,315,033
7,322,553
51,357
38,034

19,287,501

19,726,977

2. Interest expense

Interest expense on TMRC Corporate Bond	3,848,839	3,299,756
Interest expense on loan from Bank of Tanzania	8,389,311	9,469,944

3,848,839
8,389,311

3,299,756
9,469,944

12,238,150

12,769,700

3. Other income

Loan facilitation fees	167,347	174,242
Gain from assets disposal	-	(1,139)
Contributions	4,500	-
Revenue grants amortization (Note 20)	18,672	18,723

167,347
-
4,500
18,672

174,242
(1,139)
-
18,723

190,519

191,826

4. (a) Operating expenses

Staff costs (Note 4(b))	3,420,753	3,236,151
Travel expenses	87,674	57,718
Legal costs	1,062	21,809
Audit fees	25,091	21,004
Bank charges and commissions	9,028	5,573
Brokerage commission	118,690	100,742
Foreign exchange loss	5,600	10,218
Depreciation on equipment (Note 10 (a))	85,535	76,020
Depreciation charge of right-of-use assets (Note 10 (b))	194,474	205,596
Amortisation of intangible assets (Note 11)	47,328	21,925
Office rent	8,938	7,544
Telephone and fax	50,283	41,678
Insurance	99,661	61,216
Marketing and communication	51,038	53,419
Consultancy fees	20,076	68,039
IT license fees	206,034	201,240
Membership fees	29,724	29,784
Finance Cost on Lease	46,631	19,433
Other operating expenses	398,655	194,407

3,420,753
87,674
1,062
25,091
9,028
118,690
5,600
85,535
194,474
47,328
8,938
50,283
99,661
51,038
20,076
206,034
29,724
46,631
398,655

3,236,151
57,718
21,809
21,004
5,573
100,742
10,218
76,020
205,596
21,925
7,544
41,678
61,216
53,419
68,039
201,240
29,784
19,433
194,407

4,906,274

4,433,513

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(b) Staff costs

	2021	2020
	TZS '000	TZS '000
Salaries and wages	2,354,566	2,202,640
Social security costs (defined contributions)	410,287	381,193
Provision for gratuity	221,679	199,212
Skills and Development Levy (SDL)	109,411	106,822
Workers Compensation Fund (WCF)	21,111	25,419
Leave expense	157,922	141,185
Staff Welfare	2,841	11,085
Training expenses	64,514	89,396
Medical expenses	78,421	79,198
	3,420,753	3,236,151

	2021	2020
	TZS '000	TZS '000
5. Tax		
Current tax		
- Current year	671,046	718,075
- Prior period	-	-
- IFRS 16	-	-
Deferred tax charge (Note 13)	40,321	19,515
Tax charge	711,367	737,590

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

	2021	2020
	TZS '000	TZS '000
Profit before tax	2,302,119	2,763,458
Tax calculated at a tax rate of 30% (2020: 30%)	690,636	829,038
Tax effect of:		
- Adjustment (IFRS 16)	-	(299)
- Permanently disallowed expenditure	20,731	33,615
-Deferred tax release	-	(120,678)
Non Qualifying capital expenditure	-	151,904
Tax charge	711,367	737,590

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Cash and bank balances

Cash in hand

Cash at bank

2021	2020
TZS '000	TZS '000
1,243	1,856
92,219	255,608
93,462	257,464

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)

Less: Impairment loss allowance-ECL (note 9)

1,600,000	200,000
(2,992)	(2,193)
1,597,008	197,807

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

a) Government securities (continued)

Government Securities at amortized costs

Government Securities at FVOCI

Accrued interest

Less: Impairment loss allowance-ECL

2021	2020
TZS '000	TZS '000
24,868,440	29,242,891
34,632,892	19,773,458
1,097,173	886,655
(53,872)	(24,259)
60,544,633	49,878,745

b) Government securities (continued)

Maturing within a year

Maturing within 1-2 years

Maturing within 2-3 years

Maturing within 3-5 years

Maturing within 5-10 years

Maturing after 10 years

1,097,173	5,558,152
1,155,585	-
34,632,892	1,011,166
4,633,906	23,824,985
1,011,553	440,883
18,013,525	19,043,558
60,544,633	49,878,745

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Investments (continued)

Investment in Government securities is made up of Government Securities at amortized costs and Government Securities at FVOCI existing as at year end and accrued interest as at 31 December 2021 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 15.32% per annum (2020: 15.69%) during the year.

Movement in government securities during the year	2021 TZS '000	2020 TZS '000
Government securities		
At start of year	49,878,745	48,003,170
Additions	12,262,770	5,821,920
Redemptions	(4,004,154)	(5,250,000)
Interest earned (Note 1)	8,202,581	7,322,553
Interest received	(5,795,308)	(6,018,898)
At end of year	60,544,633	49,878,745
c) Placement with other banks		
Deposits with financial institutions (at cost)	1,600,000	200,000
Accrued interest	2,993	2,704
Less: Impairment loss allowance-ECL	(2,992)	(2,193)
	1,600,001	200,511

Placements with other banks are made up of investments in fixed deposits made with banks during the year. Accrued interest comprises of interest earned but not received as at the year end. The fixed deposit investments denominated in Tanzania Shillings attracted a weighted average interest rate of 4.55% per annum (2020: 4.96%) during the year.

Movement in placement with other banks during the year	2021 TZS '000	2020 TZS '000
At start of year	200,511	1,175,775
Additions	12,654,000	9,061,637
Redemptions	(11,254,510)	(10,036,901)
At end of year	1,600,001	200,511

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

Tanzania Shilling	1,600,001	200,511
	1,600,001	200,511

There were no gains or losses arising from the disposal of financial assets during the year ended 31 December 2021 as all these were disposed-off at their redemption dates.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Investments (continued)

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

	2021	2020
	TZS '000	TZS '000
Government securities at armortised cost can be analysed as follows:		
Maturity within 91 days	-	1,226,345
Maturity after 91 days	24,868,440	28,016,545
Total	<u>24,868,440</u>	<u>29,242,891</u>

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	29,242,891	33,921,976
Net of additions and redemptions during the year	<u>(3,148,105)</u>	<u>(4,679,085)</u>
At the end of the year	<u>24,868,440</u>	<u>29,242,891</u>

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

Management monitors the credit quality of financial assets by:

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

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

TMRC Regulation 16(1) requires TMRC to not invest more than 40% of its financial resources in Treasury bonds and fixed deposits. As at year end, the total investment in treasury bonds and fixed deposits was 31.29% (2020: 28.34%).

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
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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 125% of value of the refinance loans.
- ii. Pre-financing loans are secured on a portfolio of Treasury Bonds with coverage ratio of 105.3% 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 105.3%.

Mortgage refinance and pre-finance loans at amortized cost

	2021	2020
	TZS '000	TZS '000
Mortgage refinance	74,700,000	67,800,000
Pre-finance loans	58,500,000	66,900,000
Accrued Interest	1,351,573	1,372,596
Less: Impairment loss allowance-ECL	(55,236)	(57,300)
Net Mortgage refinance and pre-finance loans	134,606,808	136,015,295

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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:

	2021	2020
	TZS '000	TZS '000
Azania Bank Limited - refinance	6,700,000	6,700,000
Azania Bank Limited - pre-finance	9,000,000	9,000,000
Bank of Africa (Tanzania) Limited - refinance	10,750,000	5,750,000
Bank of Africa (Tanzania) Limited - pre-finance	-	5,000,000
Exim Bank (Tanzania) Limited - re-finance	1,000,000	1,000,000
Exim Bank (Tanzania) Limited - pre-finance	5,000,000	5,000,000
DCB Commercial Bank Plc - refinance	3,500,000	3,500,000
BancABC Limited - refinance	1,400,000	1,400,000
BancABC Limited - pre-finance	5,000,000	5,000,000
CRDB Bank Plc - re-finance	27,000,000	27,000,000
I&M Bank (T) Limited - re-finance	3,250,000	1,800,000
I&M Bank (T) Limited - pre-finance	-	1,450,000
NBC Bank (T) Limited - refinance	2,000,000	2,000,000
NBC Bank (T) Limited - pre-finance	11,000,000	11,000,000
NMB Bank Plc - refinance	6,700,000	1,700,000
NMB Bank Plc - pre-finance	5,000,000	10,000,000
ABSA Bank (T) Limited refinance	5,000,000	5,000,000
ABSA Bank (T) Limited pre-finance	7,000,000	7,000,000
Commercial Bank of Africa Limited - refinance	3,000,000	3,000,000
KCB Bank Tanzania Limited - pre-finance	10,000,000	10,000,000
First National Bank Tanzania Limited - refinance	2,500,000	2,500,000
Mkombozi Commercial Bank Plc pre-finance	1,500,000	3,000,000
Stanbic Bank Tanzania Limited refinance	5,900,000	5,900,000
First Housing Finance Company refinance	1,000,000	1,000,000
Accrued interest	1,351,573	1,372,596
	<u>134,551,573</u>	<u>136,072,596</u>
Less Impairments	(55,236)	(57,300)
Total	<u>134,496,337</u>	<u>136,015,295</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The mortgages refinance loans in 2021:

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The mortgage refinance loans in 2020:

Name of Bank	Year disbursed	Principal Amount TZS '000	Maturity period from date of disbursement	Interest rate % p.a.
Azania Bank Limited	2019	2,500,000	3 years	7.5%
Azania Bank Limited	2020	1,700,000	5 years	7.5%
Azania Bank Limited	2020	2,500,000	3 years	7.5%
ABSA Limited	2019	1,400,000	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%
NMB Bank Plc	2020	1,700,000	5 years	7.5%
Barclays Bank (T) Limited	2016	5,000,000	5 years	10.0%
FNB Bank (Tanzania) Limited	2017	2,500,000	5 years	10.0%
Exim Bank (Tanzania) Limited	2019	1,000,000	5 years	7.5%
CRDB Bank Plc	2020	5,000,000	5 years	7.5%
CRDB Bank Plc	2017	5,000,000	5 years	9.0%
CRDB Bank Plc	2018	7,000,000	5 years	9.0%
CRDB Bank Plc	2020	10,000,000	5 years	7.5%
Commercial Bank of Africa (Tanzania) Limited	2020	3,000,000	5 years	8.5%
I&M Bank	2018	1,800,000	5 years	9.0%
National Bank of Commerce Limited	2019	2,000,000	5 years	7.5%
Stanbic Bank (Tanzania) Limited	2019	5,900,000	5 years	8.5%
First Housing Finance Company	2020	1,000,000	5 years	7.5%
Total accrued interest		508,383		
Sub total		68,758,383		

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The mortgage pre-finance loans in 2021:

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Mortgage Pre-finance Loans in 2020

Name of Bank	Year disbursed	Principal Amount TZS '000	Maturity period from date of disbursement	Interest rate % p.a.
Azania Bank Limited	2019	2,500,000	3 years	7.5
Azania Bank Limited	2020	1,700,000	5 years	7.5
Azania Bank Limited	2020	2,500,000	3 years	7.5
BancABC Limited	2019	1,400,000	5 years	7.5
DCB Commercial Bank Plc	2019	1,500,000	5 years	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
NMB Bank Plc	2020	1,700,000	5 years	7.5
Barclays Bank (T) Limited	2016	5,000,000	5 years	10.0
FNB Bank (Tanzania) Limited	2017	2,500,000	5 years	10.0
Exim Bank (Tanzania) Limited	2019	1,000,000	5 years	7.5
CRDB Bank Plc	2020	5,000,000	5 years	7.5
CRDB Bank Plc	2017	5,000,000	5 years	9.0
CRDB Bank Plc	2018	7,000,000	5 years	9.0
CRDB Bank Plc	2020	10,000,000	5 years	7.5
Commercial Bank of Africa (Tanzania) Limited	2020	3,000,000	5 years	8.5
I&M Bank	2018	1,800,000	5 years	9.0
National Bank of Commerce Limited	2019	2,000,000	5 years	7.5
Stanbic Bank (Tanzania) Limited	2019	5,900,000	5 years	8.5
First Housing Finance Company	2020	1,000,000	5 years	7.5
Total accrued interest		508,383		
Sub total		68,758,383		

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

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
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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, 2021:

The movement in provisions for financial instruments charges					
2021					
					TZS '000
	Re& Pre Financing Loans	Government securities	Placement with other banks	Other receivables	Total Provision
At start of the year	(57,300)	(24,259)	(2,193)	(8,403)	(92,156)
Movement During the year:					
Previous years Adjustments	-	-	-	-	-
Impairment provision charges	2,065	(29,613)	(799)	(3,130)	(31,477)
At the end of the year	(55,236)	(53,872)	(2,992)	(11,533)	(123,633)

2020					
					TZS '000
	Re& Pre Financing Loans	Government securities	Placement with other banks	Other receivables	Total Provision
At start of the year	(611,103)	(17,168)	(29,494)	(20,683)	(678,448)
Movement During the year:					
Previous years Adjustments	538,425	-	-	-	538,425
Impairment provision charges	15,378	(7,091)	27,301	12,280	47,868
At the end of the year	(57,300)	(24,259)	(2,193)	(8,403)	(92,156)

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
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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, 2021:

Description	Stage 1 TZS '000	Stage 2 TZS '000	stage 3 TZS '000	Total 2021 TZS '000	Total 2020 TZS '000
Government Securities:					
At start of the year	(24,259)	-	-	(24,259)	(17,168)
Charge for the period	(29,613)	-	-	(29,613)	(7,091)
Write-offs	-	-	-	-	-
At the end of the year	(53,872)	-	-	(53,872)	(24,259)
Impairment charge to Income Statement	-	-	-	-	-
Impairment provision ECL	(29,613)	-	-	(29,613)	(7,091)
Charge/Release to Income Statement	(29,613)	-	-	(29,613)	(7,091)
<hr/>					
	Stage 1 TZS '000	Stage 2 TZS '000	stage 3 TZS '000	Total 2021 TZS '000	Total 2020 TZS '000
Placement with other Banks					
At start of the year	(2,193)	-	-	(2,193)	(29,494)
Charge for the period	(799)	-	-	(799)	27,301
Write-offs	-	-	-	-	-
At the end of the year	(2,992)	-	-	(2,992)	(2,193)
Impairment charge to Income Statement	-	-	-	-	-
Impairment provision ECL	(799)	-	-	(799)	27,301
Charge/Release to Income Statement	(799)	-	-	(799)	27,301

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Stage 1 TZS '000	Stage 2 TZS '000	stage 3 TZS '000	Total 2021 TZS '000	Total 2020 TZS '000
Mortgage Re&Prefinance Loans					
At start of the year	(57,300)	-	-	(57,300)	(611,103)
Charge for the period	2,065	-	-	2,065	15,378
Previous years Adjustments	-	-	-	-	538,425
Write-offs	-	-	-	-	-
At the end of the year	(55,236)	-	-	(55,236)	(57,300)
Impairment charge to Income Statement					
Impairment provision ECL	2,065	-	-	2,065	15,378
Charge/Release to Income Statement	2,065	-	-	2,065	15,378
	Stage 1 TZS '000	Stage 2 TZS '000	stage 3 TZS '000	Total 2021 TZS '000	Total 2020 TZS '000
Other Receivables					
At start of the year	(8,403)	-	-	(8,403)	(20,683)
Charge/Release for the period	(3,130)	-	-	(3,130)	12,280
Write-offs	-	-	-	-	-
At the end of the year	(11,533)	-	-	(11,533)	(8,403)
Impairment charge to Income Statement					
Impairment provision ECL	(3,130)	-	-	(3,130)	12,280
Charge/Release to Income Statement	(3,130)	-	-	(3,130)	12,280

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

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Property, Plant and Equipment (continued)

Equipment	Leasehold improvements	Computers & equipment	Office equipment	Office furniture	Motor vehicle	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Year ended 31st December, 2020						
Opening carrying amount	410,299	27,324	61,402	44,250	-	543,275
Previous year adjustment (Note 25 d)	(375,462)	-	-	-	-	(375,462)
Adjusted balance at 1 January 2020	34,837	27,324	61,402	44,250	-	167,813
Additions	1,513	22,531	40,287	8,063	-	72,394
Less Disposed Assets	-	(5,596)	-	-	-	(5,596)
Previous year adjustment	-	4,457	-	-	-	4,457
Depreciation charge	(18,362)	(18,306)	(25,569)	(13,743)	-	(75,980)
Closing carrying amount	17,988	30,410	76,120	38,570	-	163,087
At 31st December, 2020						
Cost or valuation	579,080	261,008	301,041	124,089	231,567	1,496,785
Previous year adjustment (Note 25 d)	(396,599)	-	-	-	-	(396,599)
Reversal of Initial Recognition	-	-	-	-	-	-
Adjusted balance at 1 January 2020	182,481	261,008	301,041	124,089	231,567	1,100,186
Additions	1,513	22,531	40,287	8,063	-	72,393
Less Disposed Assets	-	(5,596)	-	-	-	(5,596)
Accumulated depreciation	(188,801)	(251,990)	(265,208)	(88,434)	(231,567)	(1,025,999)
Previous year adjustment (Note 25 d)	22,795	-	-	-	-	22,795
Less Disposed Assets	-	4,457	-	(5,148)	-	(691)
Net carrying amount	17,988	30,410	76,120	38,570	-	163,087

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 (b). Lease

(i) Amounts recognised in the balance sheet

	2021	2020
	TZS '000	TZS '000
Right-of-use assets		
Balance at 1 January	16,137	410,299
Depreciation charge for the year	(194,474)	(205,596)
Additions	580,093	-
Adjustments	(1,659)	(188,566)
Balance at 31 December	400,096	16,137
Movement of Lease liabilities		
Balance at 1 January	19,026	354,954
Additions	580,093	-
Principal payments	(174,248)	(191,242)
Adjustments	-	(144,686)
Balance at 31 December	424,871	19,026
Lease liabilities		
Current	201,448	19,026
Non-current	223,423	-
	424,871	19,026

During the year a total of TZS 580 million was added as new additions on Right of Use.

ii) Amounts recognised in the income statement

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

	2,021	2,020
	TZS '000	TZS '000
Depreciation charge of right-of-use assets Office Building	194,474	205,596
	194,474	205,596
Interest on lease liabilities	46,631	19,433
Expenses relating to short-term leases	-	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	8,938	6,868
	55,569	26,301

The total cash outflow for leases in 2021 was TZS 220 million (2020: TZS 235 million).

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Intangible assets

Cost

At start of year

Reclassification and reserves

Adjusted balance at 1 January 2021

Previous Year adjustment

Additions

At end of year

Amortisation

At start of year

Reclassification and reserves

Adjusted balance at 1 January 2021

Charge for the year

At end of year

Net book value

2021
TZS '000

1,572,531
(1,454,482)

118,049

2,773

51,803

172,625

1,477,333

(1,477,333)

-

47,328

47,328

125,297

2020
TZS '000

1,478,645

-

1,478,645

-

93,886

1,572,531

1,455,408

-

1,455,408

21,925

1,477,333

95,198

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

12. Other receivables

Prepaid expenses

Staff receivables

Less: Impairment loss allowance-ECL

2021
TZS '000

606,553

534,618

(11,533)

1,129,638

2020
TZS '000

522,376

487,671

(8,403)

1,001,644

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

13. Deferred tax

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2020: 30%). The movement on the deferred tax account is as follows:

	2021 TZS '000	2020 TZS '000
At start of year	(129,117)	(148,634)
Charge to statement of comprehensive income (Note 5)	40,321	19,517
Fair value Revaluation Adjustment OCI	45,563	-
At end of year	(43,233)	(129,117)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Deferred tax (continued)

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

	At start of the year TZS '000	Charge/ (credit) to profit or loss TZS '000	At end of the year TZS '000
Year end 31 December 2021			
Deferred income tax liability			
Excess capital allowance over depreciation	51,323	(180,440)	(129,117)
Deferred income tax asset			
Provision for Doubtful Financial Instruments	-	-	-
Current Year release	-	40,321	40,321
Prior year Adjustments (Note 25b)	-	45,563	45,563
	-	85,884	85,884
Net deferred tax liability	51,323	(94,556)	(43,233)
Year end 31 December 2020			
Deferred income tax liability			
Excess capital allowance over depreciation	51,323	(199,957)	(148,634)
Deferred income tax asset			
Provision for Doubtful Financial Instruments	-	-	-
Current Year release	-	120,749	120,749
Prior year Adjustments (Note 25b)	-	(101,232)	(101,232)
	-	19,517	19,517
Net deferred tax liability	51,323	(180,440)	(129,117)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Borrowings

The Borrowings are made up as follows:

i Borrowing from Bank of Tanzania

Current

Borrowing from Bank of Tanzania

Accrued interest

- Loan from Bank of Tanzania

Non- current

Loan from Bank of Tanzania

Accrued interest

- Loan from Bank of Tanzania

Total Loan from Bank of Tanzania

ii TMRC Corporate Bond

Current

TMRC Corporate Bonds

Accrued interest

- TMRC Corporate Bonds

Non- current

TMRC Corporate Bonds

- TMRC Corporate Bonds

Total TMRC Corporate Bond

Grand total

	2021	2020
	TZS '000	TZS '000
	53,500,000	29,950,000
	490,274	333,257
	<u>53,990,274</u>	<u>30,283,257</u>
	74,700,000	99,750,000
	516,951	714,866
	<u>75,216,951</u>	<u>100,464,866</u>
	<u>129,207,225</u>	<u>130,748,123</u>
	2,000,000	-
	80,818	-
	<u>2,080,818</u>	<u>-</u>
	32,578,600	25,699,600
	356,322	322,438
	<u>32,934,922</u>	<u>26,022,038</u>
	<u>35,015,740</u>	<u>26,022,038</u>
	<u>164,222,965</u>	<u>156,770,161</u>

During the year, TMRC issued Medium Term Note (MTN) tranche 3 amount to TZS 8.9 billion. MTN value to TZS 30.47 billion are listed at Dar es Salaam Stock Exchange.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Borrowing (continued)

(i) Borrowing from Bank of Tanzania

The Bank of Tanzania borrowing comprise the following:

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Borrowing (continued)

(i) Borrowing from Bank of Tanzania (continued)

The Bank of Tanzania borrowing comprise the following:

2020:	Principal	Interest to		Maturity	Remaining	Interest
Value Date	amount	maturity	Total	period	years to	rate %
	TZS '000	TZS '000	TZS '000	Years	mature	p.a.
23-Mar-20	5,000,000	83,219	5,083,219	1 Years	3 Months	7.50%
07-Aug-18	5,000,000	223,973	5,223,973	3 Years	7 Months	7.50%
24-Aug-18	1,450,000	71,805	1,521,805	3 Years	8 Month	7.50%
13-Nov-18	2,500,000	162,329	2,662,329	3 Years	11 Months	7.50%
07-Dec-18	3,000,000	209,589	3,209,589	3 Years	11 Months	7.50%
01-Jan-19	4,000,000	300,822	4,300,822	3 Years	1 Years	7.50%
01-Jan-19	4,000,000	300,822	4,300,822	3 Years	1 Years	7.50%
11-Feb-19	5,000,000	417,123	5,417,123	3 Years	1 Years	7.50%
30-May-19	1,000,000	84,493	1,084,493	3 Years	1 Years	6.00%
30-May-19	7,000,000	591,452	7,591,452	3 Years	1 Years	6.00%
10-Jul-19	10,000,000	912,329	10,912,329	3 Years	2 Years	6.00%
20-Aug-19	5,000,000	489,863	5,489,863	3 Years	2 Years	6.00%
22-Aug-19	6,500,000	638,959	7,138,959	3 Years	2 Years	6.00%
04-Jun-18	7,000,000	1,272,945	8,272,945	5 Years	2 Years	7.50%
13-Aug-18	1,800,000	352,849	2,152,849	5 Years	3 Years	7.50%
01-Jan-19	5,000,000	1,063,356	6,063,356	5 Years	3 Years	7.50%
01-Jan-19	2,500,000	553,767	3,053,767	5 Years	3 Years	7.50%
01-Jan-19	5,000,000	1,118,836	6,118,836	5 Years	3 Years	7.50%
26-Feb-19	1,500,000	354,760	1,854,760	5 Years	3 Years	7.50%
15-Mar-19	2,000,000	480,411	2,480,411	5 Years	3 Years	7.50%
27-May-19	1,000,000	204,164	1,204,164	5 Years	3 Years	6.00%
26-Jun-19	2,500,000	522,740	3,022,740	5 Years	3 Years	6.00%
26-Jun-19	2,750,000	575,014	3,325,014	5 Years	3 Years	6.00%
14-Jul-19	2,000,000	424,110	2,424,110	5 Years	4 Years	6.00%
15-Jul-19	1,400,000	297,107	1,697,107	5 Years	4 Years	6.00%
22-Aug-19	5,900,000	1,288,948	7,188,948	5 Years	4 Years	6.00%
29-Jan-20	2,500,000	611,918	3,111,918	5 Years	4 Years	6.00%
06-Mar-20	3,000,000	752,055	3,752,055	5 Years	4 Years	6.00%
30-Mar-20	5,000,000	1,273,151	6,273,151	5 Years	4 Years	6.00%
13-Apr-20	3,000,000	770,795	3,770,795	5 Years	4 Years	6.00%
30-Apr-20	1,700,000	441,534	2,141,534	5 Years	4 Years	6.00%
06-Jul-20	5,000,000	1,353,699	6,353,699	5 Years	5 Years	6.00%
21-Sep-20	8,000,000	2,268,493	10,268,493	5 Years	5 Years	6.00%
01-Nov-20	1,700,000	492,953	2,192,953	5 Years	5 Years	6.00%
TOTAL	129,700,000	20,960,383	150,660,383			

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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 DSE for 5 years corporate bond programme amounting to TZS 120.0 billion to issue public bonds in tranches.

	2021	2020
	TZS '000	TZS '000
Opening Balance	25,699,100	25,699,100
Issuance of Private bond placements	-	-
Issuance of Public Bond Placement	8,879,500	-
Total Corporate Bond amount at year end	34,578,600	25,699,100

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2021	2020
	TZS '000	TZS '000
15. Trade and other payables		
Other payables	348,312	104,610
Accrued expenses	120,414	37,218
Gratuity payable	-	600
Deferred revenue	279,922	279,375
Facility Fees receivables	-	-
Withholding tax payable	32,085	24,139
VAT payable	22,750	-
Lease Liability	424,871	19,026
Provision for audit fees	9,940	21,004
Provision for staff leave	-	500
Dividend Payable	-	-
	1,238,294	486,472

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:

	2021	2020
	TZS '000	TZS '000
The maturity analysis based on ageing of the trade and other payables is as follows:		
within three months	958,372	205,998
three to twelve months	279,922	280,475
Over twelve months	-	-
	1,238,294	486,473

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

	2021	2020
	TZS '000	TZS '000
15. Movement in provision for staff leave		
At start of year	500	-
Additions	157,922	141,185
Redemptions	(158,422)	(140,685)
At end of year	500	
Movement in gratuity payable		
At start of year	600	-
Additions	221,679	199,212
Redemptions	(222,279)	(198,612)
At end of year	600	

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Share capital	No. of Ordinary shares	Issued and fully paid up capital TZS '000	Share premium TZS '000
At 1 January 2021	23,061,291	22,831,291	2,543,430
Issue for cash-under Right Issue	-	-	-
Issue for cash-Normal	-	-	-
Alloted shares	-	-	-
At 31 December 2021	23,061,291	22,831,291	2,543,430
At 1 January 2020	23,061,291	22,831,291	2,543,430
Issue for cash-under Right Issue	-	-	-
Issue for cash-Normal	-	-	-
Alloted shares	-	-	-
At 31 December 2020	23,061,291	22,831,291	2,543,430

The total number of authorised ordinary shares is 30,000,000 (2020: 30,000,000) with a par value of TZS 1,000 each.

Issued and fully paid:

2021

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

2020

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 31 December 2021 of TZS 27.59 per share amounting to TZS 636.30 million is to be proposed (2020: TZS 35.13 per share amounting to TZS 810.14 million was recommended and paid). Cash payment of year 2021 dividend will be subject to Bank of Tanzania no objection.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Cash used in operations

Reconciliation of profit before tax to cash used in operations:

Cash used in operations

Reconciliation of profit before tax to cash used in operations:

Profit before tax

Adjustments for:

Depreciation on equipment (Note 9 a)

Armortization of Right of use asset (Note 9 b)

Amortisation of intangible assets (Note 10)

Amortisation of capital grants (Note 19)

Amortisation of revenue grants (Note 19)

Interest expensed (Note 2)

Provision for Impairments

Gain/(Loss) from assets disposal

Release of fair value loss

Change in fair value of Securities at FVOCI

Changes in working capital:

- Mortgage refinance loans

- Other assets

- Trade and other payables

Cash used in operations

2021

TZS '000

2,079,758

117,487

194,474

57,775

-

18,672

12,238,150

31,477

-

5,600

2,681,029

-

1,518,959

(127,994)

878,693

19,916,441

2020

TZS '000

2,763,458

54,975

205,596

21,925

-

18,723

12,769,700

(47,868)

-

10,218

-

14,516,666

68,015

(91,575)

30,289,832

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 in page 9 share capital structure.

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

(i) Loans to related parties

Loans to shareholders (Note 8)

Loans to key management

2021

TZS '000

102,800,000

439,645

2020

TZS '000

101,300,000

220,056

(ii) Investment securities with member banks (Note 7)

Fixed deposits with Exim Bank Tanzania Limited

Fixed deposits with Azania Bank Limited

1,600,000

-

1,600,000

-

200,000

200,000

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Related party transactions and balances (continued)

(iii)	Interest income from related parties <i>Interest income derived from member banks (Note 1)</i>	2021	2020
		TZS '000	TZS '000
	- Interest income from mortgage refinance and prefinance loans	8,221,948	8,771,762
	- Interest income from fixed deposits	46,612	51,357
		8,268,560	8,823,119
	Interest income from loans to key management	35,961	19,775
(iv) Key management compensation			
	Salaries and other short term benefits	1,444,688	1,444,688
	Pension costs: defined contribution scheme	73,031	73,031
		1,517,719	1,517,719

20. Capital and Revenue Grants	Revenue Grants	2021	2020
		TZS '000	TZS '000
	At start of year	46,144	64,867
	Additions during the year	-	-
	Amortisation of revenue grants	(18,672)	(18,723)
	At end of year	27,472	46,144

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

21. General reserve

	2021	2020
	TZS '000	TZS '000
The movement in the specific reserve during the year is as follows:		
Opening balance	416,393	416,393
Transfer to specific reserve	-	-
Closing balance	416,393	416,393

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Risk management objectives and policies

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity 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 is carried out by the management under policies approved by the Board of directors. Management identifies, evaluates and hedges financial risks in close co-operation with various departmental heads. The board provides written principles for overall risk management as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

(i) Credit Risk

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

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

Interest rate risk

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 fixed deposits only. The net impact on the movement in exchange rates would not be significant to the Company.

(iii) Liquidity risk

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.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Capital management

Internally imposed capital requirements

The Company's objectives when managing capital are:

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

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

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

The gearing ratios as at 31st December, 2021 and 2020 were as follows:

	2021	2020
	TZS '000	TZS '000
Total borrowings (Note 14)	164,222,965	130,748,123
Less: cash and cash equivalents (Note 6)	1,693,462	457,464
Net debt	<u>162,529,503</u>	<u>130,290,659</u>
Total equity	<u>32,972,235</u>	<u>30,492,958</u>
Gearing ratio	<u>493%</u>	<u>427%</u>

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Capital management (Continued)

Externally imposed capital requirements

- (i) BOT TMRC Regulations 2011 requires the Company to maintain at all times a minimum core capital of not less than TZS 6 billion or such higher amount as BOT may determine. As at year end, the core capital of the Company was TZS 31.99 billion (2020: TZS 29.90 billion).
- (ii) The Regulations further require TMRC to maintain at all times a minimum core capital to the value of its risk-weighted assets and off-balance sheet exposures of not less than 10% and a minimum ratio of total capital to the value of its risk-weighted assets and off-balance sheet exposures of not less than 12%. The respective ratios at the statement of financial position date were 74% each (2020: 92% each) respectively.

24. 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.

25. Prior Years Adjustments

During the year the correction of error on computation of Right of Use on lease amounting to TZS 1.65 million (Note 10a).

During the year ended 31st December, 2021 a correction of error on depreciation of leasehold improvement impacted the opening balance of leasehold improvement in 2020 financial statement amounting to TZS 1.66 million (Note 10a). The recognized Change in fair value Gain/ (Loss) amounting to TZS 778 million was omitted on statement of comprehensive income.

25 (a) Prior year adjustment on Leasehold improvements for the year ended 31 December, 2021

	2020 TZS '000	2020 TZS '000	2020 TZS '000
Leasehold improvements			
Costs	After	Before	
	Restatement	Restatement	Restatement
Cost or valuation	579,080	579,080	-
Add, Additions 2020	1,513	1,513	-
Add, Right of Use	-	-	-
Less: - Initial Recognition of Leasehold improvements	(394,940)	(396,599)	1,659
Cost or valuation 2020	185,653	183,994	1,659
Net Amount			
Opening Balance	410,299	410,299	-
Less: - Initial Recognition of Leasehold improvements	(373,803)	(375,462)	1,659
	36,496	34,837	1,659

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AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. Prior Years Adjustments (Continued)

25 (b) Prior year adjustment on Change in fair value for the year ended 31 December, 2021

	2020	2020	2020
Change in fair value Gain/ (Loss)	TZS '000	TZS '000	TZS '000
Descriptions	After	Before	
	Restatement	Restatement	Restatement
Balance at 1 January	-	-	-
Change in fair value Gain/ (Loss)	778,290	8,189	770,101
At the end of the year 2020	<u>778,290</u>	<u>8,189</u>	<u>770,101</u>

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Schedule of operating expenses

1 Administrative expenses

	2021	2020
	TZS '000	TZS '000
Staff costs (Note 4(b))	3,420,753	3,236,151
Travel expenses	87,674	57,718
Legal costs	1,062	21,809
Audit fees	25,091	21,004
Depreciation on equipment (Note 9)	85,535	117,487
Depreciation charge for the year (Note 10b)	194,474	205,596
Amortization of intangible assets (Note 10)	47,328	21,925
Total administrative expenses	3,861,916	3,681,689

Other expenses

Courier and postages	1,446	1,253
Email and website development	771	-
Repair and maintenance of motor vehicles	11,480	15,103
Repair and maintenance of office equipment	10,860	15,723
Condolences and burial expenses	3,500	6,465
Stationeries and consumables	24,572	21,072
Vehicle running expenses	754	504
Electricity expenses	11,037	9,096
Fuel expenses	10,706	8,662
Office cleaning expenses	496	280
Newspaper and publications	2,955	2,046
Office security services	2,996	2,627
ICT Equipments Maintenance	13,890	11,955
Repair and maintenance of office furniture	69	80
Parking Fees	2,470	3,474
Office sundry and snacks	15,246	13,063
Business license fees and returns	600	600
Board Fees and expenses	115,588	-
Other Board meeting expenses	56,789	2,341
Recruitment costs	-	12,675
Transport expenses	9,638	3,197
Internet expenses	25,279	21,893
Gifts and donations	43,159	10,000
Subscriptions Fees	996	1,898
Statutory levy and fees	16,818	16,618
Accounting Software License Fees	16,542	13,784
Other expenses	398,655	194,407



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