



TANZANIA MORTGAGE REFINANCE COMPANY
LIMITED

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER
2018

TAC ASSOCIATES



(Centre for Quality Professional Services)

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

TAC Associates
Certified Public Accountants
10 Malik Road, Upanga
P.O. Box 580,
Dar es Salaam, Tanzania

Tel: +255 22 2137721/4
Fax: +255 22 2113142
E-mail: tac@tac-associates.co.tz
Website: www.tac-associates.co.tz

FEBRUARY, 2019

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

Table of Contents	Page
Abbreviations	3
Company Information	4-5
Directors' Report	6-16
Declaration of Chief Finance Officer	17
Auditors' Report	18-20
Statement of Profit or Loss and Comprehensive Income	21
Statement of Financial Position	22
Statement of Changes in Equity	23
Statement of Cash Flows	24
Significant Accounting Policies	25-36
Notes to the Financial Statements	37-59

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

Abbreviations

ACCPAC ERP	Accounting Package Enterprise Resource Planning
BOT	Bank of Tanzania
CDS	Central Depository of Securities
CEO	Chief Executive Officer
CMSA	Capital Markets and Securities Authority
COO	Chief Operation Officer
DSE	Dar es Salaam Stock Exchange Plc
FVOCI	Fair Value through Other Comprehensive Income
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
MD	Managing Director
MRIS	Mortgage Refinance Information System
MTN	Medium Term Note
NHC	National Housing Corporation
NSSF	National Social Security Fund
PML	Primary Mortgage Lender
PSPF	Public Service Pension Fund
PSSSF	Public Service Social Security Fund
SDL	Skills and Development Levy
SSRA	Social Security Regulation Authority
TRA	Tanzania Revenue Authority
TZS	Tanzania Shilling
WCF	Workers Compensation Fund

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

BOARD OF DIRECTORS

S/N	Name	Representing	Position	Qualification	Age	Nationality
1.	Mr. Theobald Sabi	MD, NBC Bank	Chairman (Appointed June 2018)	Bachelors of Science in Engineering, Association of Chartered Certified Accountant (FCCA)	43	Tanzania
2.	Mr. AmmishOwusu-Amoah	CEO, Bank of Africa	Chairman (Resigned May 2018)	Masters in Business Administration (MBA)	57	Ghanaian
3.	Dr. Charles S. Kimei	CEO, CRDB Bank	Member	PhD (Money & Finance), BSc (Econ) and MA (Econ.)	65	Tanzania
4.	Mr. Edmund Mkwawa	CEO, DCB	Member (Resigned March 2018)	Masters Degree in Community Economic Development	71	Tanzania
5.	Mr. Godfrey Ndalaha	CEO, DCB	Member (Appointed February 2018)	Masters in Business Administration (MBA), Certified Public Accountant CPA (T)	42	Tanzania
6.	Mr. Charles G. Singili	MD, TIB	Member	Bachelor of Commerce in Accounting, Certified Public Accountant CPA(T)	64	Tanzania
7.	Mr. Dana Botha	MD, BancABC	Member (Resigned April 2018)	Masters in Business Leadership (MBL)	58	South African
8.	Mr. David Lusala	Head of Risk and Compliance, Exim Bank	Member	Masters in Business Administration (MBA) - Risk Management & BCP	41	Tanzania
9.	Mr. Tom Borghols	Alt to CEO, NMB	Member	Masters in International Laws	62	Dutch
10.	Mr. Charles Itembe	CEO, Azania Bank	Member	Masters of Arts- Economics	46	Tanzania
11.	Mr. Felix Maagi	Ag. MD, NHC	Member (Appointed July 2018)	Masters in Business Administration (MBA), Certified Public Accountant CPA (T)	48	Tanzania
12.	Mr. Nehemia Mchechu	MD, NHC	(Resigned March 2018)	Bachelor of Commerce (Finance) ACI- Financial Market Association	46	Tanzania
13.	Mr. Olufemi Adewole	CEO, Shelter Afrique	Member (Resigned July 2018)	Masters in Business Administration (MBA)	56	Nigerian
14.	Mr. Andrew Chimphondah	MD, Shelter Afrique	Appointed 14th September, 2018. Still under vetting process	MBA in International Finance	50	Zimbabwean
15.	Mr. Imani John	Ag. MD, BancABC	Member (Appointed July 2018)	Bachelor of Commerce (Accounting), Certified Public Accountant CPA (T)	39	Tanzania
16.	Mr. Oscar Mgaya	CEO, TMRC	CEO	Masters of Arts in Management, Bachelor of Arts in Management and Finance	51	Tanzania

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

COMPANY SECRETARY Ms. Eugenia Shayo (Legal Counsel)

CHIEF OFFICERS Mr. Oscar Mgaya (Chief Executive Officer)
Mr. Oswald Urassa (Chief Finance Officer)
Mr. Shabani Mande (Chief Operations Officer)

REGISTERED OFFICE 15th Floor
Golden Jubilee Towers (PSPF)
Ohio Street
P.O. Box 7539
Dar es Salaam
Tanzania

INDEPENDENT AUDITORS TAC Associates (Certified Public Accountants)
10 Malik Street
P.O. Box 580
Dar es Salaam
Tanzania

PRINCIPAL BANKERS Exim Bank (Tanzania) Limited
Exim Tower Ghana Avenue
P.O. Box 1431
Dar es Salaam
Tanzania

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

REPORT OF THE DIRECTORS

The Directors present this report and the audited financial statements for the financial year ended 31st December, 2018 which disclose the state of affairs of the Company.

INCORPORATION

The Company was incorporated on 29 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.

DIRECTORS

The Directors who held office during the year and at the date of this report are shown on page 4.

In accordance with the Company's Articles of Association, no Director is due for retirement by rotation.

CORPORATE GOVERNANCE

The Board of TMRC consists of 11 Directors. Apart from the Chief Executive Officer, no other Directors hold 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.

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

REPORT OF THE DIRECTORS (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

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. 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.

Board Committees

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

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 Internal Audit Manager reports directly to the Board Audit and Risk Committee.

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

REPORT OF THE DIRECTORS (CONTINUED)

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

Board Credit Committee

Board Credit Committee Purpose and Responsibilities

The main function of the Board Credit Committee is to monitor performance and quality of the credit portfolio, appraise and approve loans within its credit approval limit and to recommend to the Board for approval 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.

The Board Credit Committee met four times during the year.

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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board assessed the internal control systems throughout the financial year ended 31st December, 2018 and is of the opinion that they met accepted criteria.

The Board carries out risk and internal control assessment throughout the year.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

REPORT OF THE DIRECTORS (CONTINUED)

SHARE CAPITAL STRUCTURE

During the year, additional capital of TZS 500,000,000 was received from Mkombozi Commercial Bank Plc in return for 308,261 shares at TZS 1,622 per share. As a result, total paid up capital increased from TZS 18,336,000 to TZS 18,836,000,000.

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

			2018		2017	
	Number of shares held	% holding	TZS '000	Number of shares held	% holding	TZS '000
CRDB Bank Plc	2,400,000	13%	2,280,000	2,400,000	13%	2,280,000
Azania Bank Limited	2,000,000	11%	2,000,000	2,000,000	11%	2,000,000
NMB Bank Plc	1,800,000	10%	1,740,000	1,800,000	10%	1,740,000
TIB Development Bank Limited	1,500,000	8%	1,450,000	1,500,000	8%	1,450,000
Exim Bank (Tanzania) Limited	1,200,000	6%	1,200,000	1,200,000	7%	1,200,000
DCB Commercial Bank Plc	1,100,000	6%	1,100,000	1,100,000	6%	1,100,000
BancABC Tanzania Limited	1,000,000	5%	1,000,000	1,000,000	5%	1,000,000
Bank of Africa (Tanzania) Limited	1,000,000	5%	1,000,000	1,000,000	5%	1,000,000
National Bank of Commerce Limited	1,000,000	5%	1,000,000	1,000,000	5%	1,000,000
NIC Bank (Tanzania) Limited	500,000	3%	500,000	500,000	3%	500,000
Peoples Bank of Zanzibar Limited	500,000	3%	500,000	500,000	3%	500,000
I&M Bank (T) Limited	500,000	3%	500,000	500,000	3%	500,000
Shelter Afrique	1,866,000	10%	1,866,000	1,866,000	10%	1,866,000
National Housing Corporation	1,200,000	6%	1,200,000	1,200,000	7%	1,200,000
First Housing Finance Co. Ltd	616,523	3%	1,000,000	616,523	3%	1,000,000
Mkombozi Commercial Bank Plc	308,261	2%	500,000	0	0%	0
Total	18,490,784	100%	18,836,000	18,182,523	100%	18,336,000

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

REPORT OF THE DIRECTORS (CONTINUED)

MANAGEMENT

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

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

Management Committees

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

Asset Liability Management Committee

The Committee is composed of Chief Executive Officer, Chief Finance Officer, Chief Operations Officer, Senior Finance Manager, Senior Risk and Compliance Manager, Senior 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 analyzing the reasons for any variances for timely actions;
- 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.

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

REPORT OF THE DIRECTORS (CONTINUED)

Credit Committee

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

- 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 Board approved credit and investment limits.
- iv. Approve exemptions within Board approved credit and investment limits subject to final approval by BOT.
- v. Approve extensions and grace periods (up to 360 days) subject to final approval by BOT where required
- 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 Operation 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
- iii. Maintaining adequate liquidity to meet day to day liquidity requirements

STOCK EXCHANGE INFORMATION

The Company is not listed on the stock exchange.

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

REPORT OF THE DIRECTORS (CONTINUED)

BUSINESS ENVIRONMENT AND PERFORMANCE

BUSINESS ENVIRONMENT

During the year, mortgage market grew by TZS 76 billion. The total mortgage portfolio balances amongst banks stood at TZS 421.10 billion as at the end of the year of 2018 representing 4,996 properties compared to TZS 344.84 billion outstanding balance for financing 4,174 properties that was reported for the previous year. This signifies an annual increase of 22.04% in Mortgage Finance market while a number of mortgages increased by 18.76%. The above data indicates that mortgage market as percentage of Gross Domestic Product (GDP) increased marginally to 0.34% from 0.33% recorded in 2017. This ratio is one of the lowest in the East African region.

BUSINESS PERFORMANCE

In 2018, there was a decline in profitability arising from various reasons related to the business environment. The Company recorded a profit before tax of TZS 1.09 billion (2017: TZS 1.27 billion), a decrease of 13.7% from previous year. The decrease was mainly attributed to slowdown in lending due to decline in borrowing appetite by Primary Mortgage Lenders (PML).

During the year, interest income increased from TZS 11.0 billion in the prior year to TZS 14.69 billion, an increase of 32.9%. However, the interest expenses also increased from TZS 6.9 billion in the prior year to TZS 10.1 billion, an increase of 46.4%. The huge increase in interest expenses was due to additional borrowings from World Bank and TMRC Corporate bond issued during the year as another source of funding.

Operating expenses increased by 13.7% from TZS 3.4 billion in 2017 to TZS 3.8 billion in 2018 mainly as a result of increase in the number of staff to support TMRC strategy.

During the year TMRC balance sheet size grew from TZS 102.8 billion recorded in 2017 to TZS 136.3 billion, an increase of 33% while total loans recorded an increase of 25.5% to TZS 103.0 billion from TZS 82.1 billion.

Results for the year summary;-

	2018	2017
	TZS '000	TZS '000
Profit before tax	1,098,734	1,273,209
Tax charge	<u>(336,242)</u>	<u>(394,056)</u>
Net Profit for the year	<u>762,491</u>	<u>879,153</u>

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

REPORT OF THE DIRECTORS (CONTINUED)

DIVIDEND

The Directors recommend the declaration of a dividend for the year 2018 of TZS 19.34 per share amounting TZS 357.61 million (2017: TZS 19.34 per share amounting to TZS 351.66 million)

FUTURE DEVELOPMENT PLANS

Since commencing its operations in 2011, TMRC has been supporting its Primary Mortgage Lenders (PML) by providing mortgage refinance and pre finance to the tune of TZS 103.10 billion by the end of year 2018 (2017: TZS 82.10 billion). Currently, TMRC has 14 borrowing member banks and 2 non borrowing members and envisage that number will continue to grow. TMRC is also in discussions with several other borrowing and non-borrowing potential investors to invest in the Company. The presence of TMRC has brought confidence to the market where now mortgage loan tenors range from 15 - 20 years instead of 5 - 10 years just five years ago. TMRC support has made mortgage loans a viable product and has attracted 31 banks to this product compared to only 3 banks in 2010. The increase in number of mortgage lenders is creating competition which will continue to have a positive impact on mortgage interest rates.

Tanzania mortgage market loan book size continued to grow during the year to TZS 421.1 billion from TZS 76.0 billion reported 2012. Also, mortgage lenders continued to increase during the year to 31 banks from 12 mortgage lenders reported in 2012. TMRC plans to continue supporting commercial banks by providing them with long term liquidity for mortgage lending. TMRC will continue to utilize funds borrowed from the World Bank to on-lend to its member banks. TMRC also plans to continue to attract new members to broaden the availability and accessibility of mortgage lenders. TMRC Medium Term Note (MTN) Programme amounting to TZS 120 billion was approved by Capital Markets and Securities Authority (CMSA) in 2018 and it covers five years. The first Tranche amounting to TZS 12 billion was issued in June 2018. Subsequent Tranches will be issued in future once the prevailing market interest rates support such endeavour. TMRC is expected to continue to play a role in enhancing mortgage business among banks in Tanzania through the World Bank initiative of mortgage literacy programme as well as capacity building for the banks. To play its role as mortgage liquidity facility, TMRC expects to continue mobilising funds through the issuance of corporate bond in tranches when market conditions for the issue allows.

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

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

REPORT OF THE DIRECTORS (CONTINUED)

Company Limited has adequate resources to continue in operational existence for the foreseeable future.

EMPLOYEES' WELFARE

Management and Employees' Relationship

There were continued good relation between employees and management during the year ended 31st December, 2018. 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.

EMPLOYEES' WELFARE

Training Facilities

The training costs for the year 2018 amounted to TZS 84.7 million (2017: TZS 75.3 million) to cover staff training in order to improve employee's 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 (dependents) each were provided medical insurance approved by the Company. Currently these services are provided by The 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

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

REPORT OF THE DIRECTORS (CONTINUED)

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.

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 (2017: 16).

GENDER PARITY

The Company had 19 employees, out of which 10 were female and 9 were male (2017: 9 female and 7 male).

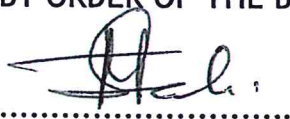
RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in Note 18 of these financial statements.

INDEPENDENT AUDITORS

The Company's auditors, TAC Associates, has expressed willingness to continue in office in accordance with the Tanzania Companies Act, 2002.

BY ORDER OF THE BOARD



.....
Mr. Theobald Sabi
Chairman

Date: 27th Feb. 2019

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

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 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 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 behavior 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, 2018 and, in the 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 23 to 61, which have been prepared on going concern basis, were authorized and approved by the Board on 27th February, 2019 and signed on its behalf by:


.....
Mr. Theobald Sabi
Chairman


.....
Mr. Charles Itembe
Director

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

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 it is required 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 16.

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, 2018 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:

.....

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF TANZANIA MORTGAGE REFINANCE COMPANY LIMITED

To the Chairman,
Board of Directors,
Tanzania Mortgage Refinance Company Limited,
P.O. Box, 7539,
DAR ES SALAAM

Introduction

We have audited the accompanying financial statements of Tanzania Mortgage Refinance Company Limited, which comprise the statement of financial position as at 31st December, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out from pages 25 to 59.

Unqualified Opinion

In our opinion, the financial statements of Tanzania Mortgage Refinance Company Ltd present, in all material respects, a true and fair view of the financial position of the Tanzania Mortgage Refinance Company Ltd for the year ended 31st December, 2018 and of the results of its operations, the statement of changes in equity and the cash flows for the year then ended, in accordance with 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 National Board of Accountants and Auditors (NBAA) Code of Ethics, and we have fulfilled our 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 unqualified opinion.

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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

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

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

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

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

Auditors' Responsibility 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Information Other than the Financial Statements and Auditor's Report

Management is responsible for the other information. The other information comprises the Director's Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so,

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

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 on the other information that there is a material misstatement of this information, we are required to report that fact. We have nothing to report in this regard.

Report on Other Legal Requirements

As required by the Tanzania Companies Act, 2002 we report to you based on our audit that in our opinion:

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- Proper accounting records have been kept by the Company as seen from our examination of those records;
- The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the accounting records.
- The report of the directors is consistent with the financial statements.

TAC ASSOCIATES (*Certified Public Accountants*)

**ORIGINAL SIGNED BY:-
S. F. SAYORE**

S. F. SAYORE - FCCA
MANAGING PARTNER

DAR ES SALAAM

11 APR 2019

DATE.....




P. J. SHEE - FCCA
ENGAGEMENT PARTNER

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
 AUDITED FINANCIAL STATEMENTS FOR THE YEAR
 ENDED 31ST DECEMBER, 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2018 TZS '000	2017 TZS '000
Interest income	1	14,694,747	11,049,242
Interest expense	2	<u>(10,121,770)</u>	<u>(6,912,188)</u>
Net interest income		4,572,977	4,137,054
Financial Instruments Impairment charges		<u>(26,228)</u>	<u>0</u>
Net interest income after Financial Instruments Impairment charges		4,546,749	4,137,054
Other income	3	<u>408,819</u>	<u>528,646</u>
Total income		4,955,568	4,665,700
Operating expenses	4	<u>(3,856,835)</u>	<u>(3,392,491)</u>
Profit before tax		1,098,733	1,273,209
Tax charge	5	<u>(336,242)</u>	<u>(394,056)</u>
Profit and comprehensive income for the year		<u>762,491</u>	<u>879,153</u>
Other comprehensive income			
Change in fair value of available-for-sale financial assets		<u>8,167</u>	<u>8,167</u>
Total comprehensive income for the year attributable to the owners of the Company		<u>770,658</u>	<u>887,320</u>
Dividends:			
- Final dividends		<u>357,611</u>	<u>351,660</u>

The financial statements on pages 21 to 59 were authorised and approved for issue by the Board of Directors on 27th Feb,2019 and were signed on its behalf by:



 Mr. Theobald Sabi
 Chairman



 Mr. Charles Itembe
 Director

The significant accounting policies on pages 25 to 36 and notes on pages 37 to 59 form an integral part of these financial statements.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	31.12.2018	31.12.2017
		TZS '000	TZS '000
Cash and bank balances	6	244,908	75,459
Government securities	7(a&b)	30,903,208	18,767,417
Placement with other banks	7(c)	785,133	475,717
Net Mortgage refinance and pre-finance loans	8	103,060,363	82,123,465
Equipment	9	228,336	222,482
Intangible assets	10	14,484	290,017
Other receivables	11	<u>1,098,094</u>	<u>817,685</u>
Total assets		<u>136,334,526</u>	<u>102,772,242</u>
LIABILITIES			
Deferred tax	12	(188,571)	51,324
Loans and borrowings	13	99,211,990	79,965,594
TMRC Corporate Bond	13	16,803,010	2,080,020
Trade and other payables	14	443,757	303,240
Capital grant	19	0	305,893
Current tax payable		<u>2,766</u>	<u>28,369</u>
Total liabilities		<u>116,272,952</u>	<u>82,734,440</u>
SHAREHOLDERS' EQUITY			
Share capital	15	18,260,784	17,952,523
Share premium	15	575,216	383,477
Fair value loss		(614,498)	(29,861)
Specific reserve	20	416,393	416,393
Retained earnings		<u>1,423,679</u>	<u>1,315,220</u>
Total equity		<u>20,061,574</u>	<u>20,037,802</u>
Total equity and liabilities		<u>136,334,526</u>	<u>102,772,242</u>

The financial statements on pages 21 to 59 were authorised and approved for issue by the Board of Directors on 27th Feb.....2019 and were signed on its behalf by:



.....
Mr. Theobald Sabi
Chairman



.....
Mr. Charles Itembe
Director

The significant accounting policies on pages 25 to 36 and notes on pages 37 to 59 form an integral part of these financial statements.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

STATEMENT OF CHANGES IN EQUITY

Notes	Share Capital	Advance towards share capital	Share premium	Retained Earnings	Revaluation loss	Specific Reserve	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
At start of year	17,952,523	0	383,477	1,315,270	(29,860)	416,392	20,037,802
Changes in equity 2018							
Profit and comprehensive income for the year	0	0	0	792,491	0	0	792,491
Fair value evaluation surplus	0	0	0	0	8,167	0	8,167
Prior year corporate tax adjustments	0	0	0	151,168	0	0	151,168
Impairment loss provision for the period to Dec, 2017	0	0	0	(453,589)	0	0	(453,589)
Gain or loss on available -for- sale revaluation	0	0	0	0	(592,803)	0	(592,803)
Total Comprehensive income for the year	0	0	0	460,070	(584,636)	0	(124,566)
Transaction with Owners:							
Issue of ordinary shares	308,261	0	191,739	0	0	0	500,000
Dividends paid - final 2017	0	0	0	(351,661)	0	0	(351,661)
Transfer to specific reserve	0	0	0	0	0	0	0
At end of year	<u>18,260,784</u>	<u>0</u>	<u>575,216</u>	<u>1,423,679</u>	<u>(614,498)</u>	<u>416,392</u>	<u>20,061,574</u>
Changes in equity 2017							
At start of year	17,236,000	1,000,000	0	611,947	(38,027)	240,561	19,312,637
Profit and comprehensive income for the year	0	0	0	879,154	0	0	879,154
Fair Value revaluation surplus	0	0	0	0	8,167	0	8,167
Total Comprehensive income for the year	0	0	0	879,154	8,167	0	887,321
Transaction with Owners:							
Issue of ordinary shares	716,523	(1,000,000)	383,477	0	0	0	100,000
Dividends paid-final 2016	0	0	0	0	0	0	(262,156)
Transfer to specific reserve	0	0	0	(175,831)	0	175,831	0
At end of year	<u>17,952,523</u>	<u>0</u>	<u>383,477</u>	<u>1,315,270</u>	<u>(29,860)</u>	<u>416,392</u>	<u>20,037,802</u>

The financial statements on pages 21 to 59 were authorised and approved for issue by the Board of Directors on.....2019 and were signed on its behalf by:


 Mr. Theobald Sabi
 Chairman


 Mr. Charles Itembe
 Director

The significant accounting policies on pages 25 to 36 and notes on pages 37 to 59 form an integral part of these financial statements.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

STATEMENT OF CASH FLOWS

	Notes	31.12.2018 TZS'000	31.12.2017 TZS'000
Operating activities			
Cash used in operations	17	(10,352,421)	(13,515,035)
Interest paid		(9,593,864)	(6,627,677)
Tax paid		(419,752)	(426,917)
Net cash used in operating activities		<u>(20,366,037)</u>	<u>(20,569,630)</u>
Investing activities			
Net movement in placement with other banks		(309,416)	121,802
Net movement in government securities		(12,135,791)	(1,952,938)
Purchase of intangible asset	10	(15,045)	0
Purchase of equipment	9	(121,350)	(24,212)
Proceeds from disposal		329	0
Net cash used in investing activities		<u>(12,581,273)</u>	<u>(1,855,347)</u>
Financing activities			
Proceeds from borrowings		20,450,000	21,500,000
Repayment of borrowings		(1,450,000)	(2,000,000)
Proceeds from issue of ordinary shares	15	500,000	100,000
Proceeds from TMRC corporate bond issuance		14,521,500	2,000,000
Payment of dividends		(354,741)	(262,156)
Net cash generated from financing activities		<u>33,666,759</u>	<u>21,337,844</u>
(Decrease)/increase in cash and cash equivalents		<u>719,448</u>	<u>(1,087,134)</u>
Movement in cash and cash equivalents			
At start of year		325,459	1,412,593
(Decrease)/increase		719,448	(1,087,134)
At end of year	6	<u>1,044,908</u>	<u>325,459</u>

The financial statements on pages 21 to 59 were authorised and approved for issue by the Board of Directors on 27th Feb 2019 and were signed on its behalf by:



Mr. Theobald Sabi
Chairman



Mr. Charles Itembe
Director

The significant accounting policies on pages 25 to 36 and notes on pages 37 to 59 form an integral part of these financial statements.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

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.

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

b) New and revised standards

i) Adoption of new and revised standards

A number of amendments to standards and interpretations became effective for the first time in the financial year beginning 1 January 2018 and have been adopted by the Company. One of them has had an effect on the Company's financial statements.

- IFRS 9 Financial Instruments (issued in July 2014) - This standard replaced IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018. It require for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.
- IFRS 15 Revenue from Contracts with Customers (issued in May 2014)- This is new standard, effective for annual periods beginning on or after 1st January 2018, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.

ii) New and revised standards that have been issued but are not yet effective

- The Company has not applied the following new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1 January 2018.

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 16 Leases (Issued in January 2016)

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, and will require a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Application of IFRS 16 in 2019 will require right-of-use assets and lease liabilities to be recognized in respect of most operating leases where the Company is the lessee. The impact has not yet been quantified, but will result in an increase in non-current assets, an increase in non-current and current liabilities, and a reduction in retained earnings. There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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, 2018, the refinance loan advances had mostly been given to performed banks.

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Revenue recognition

Revenue mainly comprises of the interest on the outstanding loans advanced to the borrowers. 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.

g) 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.

h) 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.

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018 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.

d) Critical accounting judgements (continued)

Operating lease commitments

The Company has entered into lease over its 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.

e) 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.

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Equipment (continued)

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.

i) 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.

j) 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

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 an impairment are reviewed for possible reversal of the impairment at each statement of financial position date.

k) Investments and other financial instruments

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.
- **Held-to-maturity:** financial assets with fixed or determinable payments and fixed maturity where the management have the positive intent and ability to hold to maturity. Such assets are carried at amortized cost using the effective interest rate method. Changes in the carrying amount are recognised in the statement of profit or loss and comprehensive income.
- **Available-for-sale financial assets,** which comprise non-derivative financial assets that are designated as available-for-sale financial assets, and not classified under any of the other categories of financial assets.

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.

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Financial instruments (continued)

Financial assets (continued)

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.

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

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management classifies financial assets as follows:

From 1 January 2018, 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;-

- Held to maturity debt as the Company has the intention and ability to hold these to maturity. These are carried at amortized cost.
- Available for sale debt 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.

Financial liabilities

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

- **Financial liabilities measured at amortized cost:** These include trade and other payables, and loans and borrowings. These are initially measured at fair value and subsequently measured at amortized cost, using the effective interest rate method.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognized as interest expense in the statement of profit or loss and comprehensive income under finance costs using the effective interest rate method.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

From 1 January 2018, 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.

Accounting policies applied until 31 December 2017

The Company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

l) 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.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current tax

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

Deferred tax

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

m) Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and comprehensive income on a straight-line basis over the period of the lease.

n) Retirement benefit obligations

The Company and its employees contribute to the Public Service Social Security Fund (PSSSF) and National Social Security Fund (NSSF), statutory defined contribution schemes registered under the Social Security Regulatory Authority Act (SSRA) of 2008. The Company's contributions to this defined contribution scheme are charged to the statement of profit or loss and comprehensive income in the year to which they relate.

o) Share capital

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

p) Employee entitlements

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

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

**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Donor and Government funds

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

Operating grant

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

(ii) Capital grants

Government grants related to assets, including non-monetary grants (such as land or other resources) are recorded at fair value. The grant is recognized in the statement of profit or loss and comprehensive income over the useful life of a depreciable asset.

r) Specific reserve

This relates to a specific reserve set aside by the Company from retained earnings to cover the Company from various risks and unforeseen losses.

s) Dividends

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

t) Comparatives

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

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

NOTES TO THE FINANCIAL STATEMENTS

	2018 TZS '000	2017 TZS '000
1. Interest Income		
Interest income on mortgage refinance and pre-finance loans (Note 18(iii))	10,727,724	8,028,743
Interest income on government securities (Note 7)	3,895,755	2,915,368
Interest income on investment securities (Note 18 {iii})	26,971	56,157
Interest income on staff loans	44,297	48,974
Total	<u>14,694,747</u>	<u>11,049,242</u>
2. Interest Expense		
Interest expense on TMRC Corporate Bond	1,370,695	80,020
Interest expense on loan from Bank of Tanzania	8,751,094	6,832,168
Total	<u>10,121,770</u>	<u>6,912,188</u>
3. Other Income		
Loan facilitation fees	90,555	37,619
Gain from disposal asset	329	0
Insurance compensation	0	7,427
Capital grants amortization (Note 19)	305,891	483,601
Revenue grants amortization	12,044	0
Total	<u>408,819</u>	<u>528,647</u>
4. Operating Expenses		
Staff costs (Note 4(a))	2,460,588	1,964,540
Travel expenses	108,182	73,152
Legal costs	10,447	18,642
Audit fees	25,000	25,000
Bank charges and commissions	4,815	4,865
Brokerage commission	40,115	0
Foreign exchange loss	8,336	5,151
Depreciation on equipment (Note 9)	115,496	142,904
Amortization of intangible assets (Note 10)	290,577	434,242
Office rent	257,174	268,409
Telephone and fax	35,619	31,918
Insurance	28,704	26,480
Marketing and communication	29,122	24,117
Consultancy fees	49,017	8,429
IT license fees	191,395	176,844
Membership fees	32,953	24,364
Other operating expenses	169,295	163,434
Total	<u>3,856,835</u>	<u>3,392,491</u>

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
 AUDITED FINANCIAL STATEMENTS FOR THE YEAR
 ENDED 31ST DECEMBER, 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4(a). Staff Costs

	2018 TZS '000	2017 TZS '000
Salaries and wages	1,719,594	1,394,263
Social security costs (defined contributions)	185,786	118,690
Provision for gratuity	173,239	143,514
Skills and Development Levy (SDL)	91,739	73,091
Workers Compensation Fund (WCF)	20,386	16,100
Leave expense	120,149	97,451
Staff Welfare	645	132
Training expenses	84,738	75,320
Medical expenses	64,310	45,979
Total	<u>2,460,588</u>	<u>1,964,540</u>

5. Tax

Current tax		
-Current year	424,967	429,513
-Prior period	0	0
Deferred tax charge (Note 12)	<u>(88,725)</u>	<u>(35,457)</u>
Tax charge	<u>336,242</u>	<u>394,056</u>

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

Profit before tax	1,098,734	1,273,209
Tax calculated at a tax rate of 30% (2018: 30%)	329,620	381,963
Tax effect of:		
-Permanent disallowed expenditure	6,622	12,093
Under provision of current tax in prior years	0	0
Tax charge	<u>336,242</u>	<u>394,056</u>

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 year.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Cash and Bank Balances	31.12.2018	31.12.2017
	TZS '000	TZS '000
Cash in hand	977	269
Cash at bank	<u>243,931</u>	<u>75,190</u>
Total	<u>244,908</u>	<u>75,459</u>

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

Cash and bank balances	244,908	75,459
Financial assets with maturity of less than 91 days (Note 7)	<u>800,000</u>	<u>250,000</u>
Total	<u>1,044,908</u>	<u>325,459</u>

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.

7. Investments	31.12.2018	31.12.2017
	TZS '000	TZS '000
a) Government Securities		
Held to Maturity investment securities	17,453,205	18,266,445
Available for Sale investment securities	12,835,886	0
Accrued interest	630,627	500,971
Less Impairment loss allowance	<u>(16,510)</u>	<u>0</u>
Total	<u>30,903,208</u>	<u>18,767,416</u>
b) Government Securities Maturities		
Maturing within a year	630,627	2,929,736
Maturing within 1-2 years	4,742,816	0
Maturing within 2-3 years	3,796,768	7,633,384
Maturing within 3-5 years	13,670,116	1,120,720
Maturing within 5-10 years	3,740,374	4,022,475
Maturing after 10 years	<u>9,065,324</u>	<u>3,061,102</u>
Total	<u>30,903,208</u>	<u>18,767,417</u>

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Investment in Government securities is made up of Held to Maturity and Available for Sale Treasury bonds existing as at year end and accrued interest as at 31st December, 2018 computed using effective interest rate for held maturity bonds and marked to market value of available for sales bonds. These investments are denominated in Tanzania Shillings and attracted a weighted average on yield interest rate of 15.59% per annum (2017: 16.18%) during the year.

Movement in government securities during the year

Government securities	31.12.2018	31.12.2017
	TZS '000	TZS '000
At start of year	18,767,417	16,814,479
Additions	13,950,181	1,240,980
Redemptions	(2,450,000)	0
Interest earned (Note 1)	3,895,755	2,915,368
Interest received	<u>(3,260,144)</u>	<u>(2,203,410)</u>
At end of year	<u>30,903,208</u>	<u>18,767,417</u>

c) Placement with other banks

Deposits with financial institutions (at cost)	800,000	450,000
Accrued interest	1,999	25,717
Less Impairment loss allowance	<u>(16,866)</u>	<u>0</u>
Total	<u>785,133</u>	<u>475,717</u>

Placement with other banks are made up of investments in fixed deposits made with banks during the year. Accrued interest comprises of interest earned but not received as at the year end. The fixed deposit investments denominated in Tanzania Shillings attracted a weighted average interest rate of 5.25% per annum (2017: 15.50%) during the year.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Movement in placement with other banks (Continued)

Movement in placement with other banks during the year

	31.12.2018 TZS '000	31.12.2017 TZS '000
At start of year	475,717	1,577,519
Additions	5,051,000	2,518,734
Redemptions	<u>(4,741,585)</u>	<u>(3,620,536)</u>
At end of year (Note 18(ii))	<u>785,133</u>	<u>475,717</u>

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

Tanzania Shilling	785,133	475,717
US Dollar	<u>0</u>	<u>0</u>
Total	<u>785,133</u>	<u>475,717</u>

There were no gains or losses arising from the disposal of financial assets during the year ended 31stDecember, 2018 as all these were disposed off at their redemption dates.

In the opinion of the Directors, the directors, the carrying amounts of held-to-maturity investments approximate to their fair value.

Held to maturity investments can be analysed as follows:

Maturity within 91 days	800,000	250,000
Maturity after 91 days	17,453,205	18,993,134
Total	<u>18,253,205</u>	<u>19,243,134</u>

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

Movement in held-to-maturity investments with maturities after 91 days

	31.12.2018 TZS '000	31.12.2017 TZS '000
At the start of the year	18,993,134	17,161,998
Net of additions and redemptions during the year	<u>(1,539,929)</u>	<u>1,831,136</u>
At the end of the year	<u>17,453,205</u>	<u>18,993,134</u>

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 23.22% (2017: 18.61%).

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%.

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

Mortgage refinance and pre-finance loans at amortized cost

	31.12.2018	31.12.2017
	TZS '000	TZS '000
Mortgage refinance	49,850,000	49,850,000
Pre finance loans	52,250,000	31,250,000
Accrued Interest	1,382,913	1,023,465
Less Impairment loss allowance	<u>(422,550)</u>	<u>0</u>
Net Mortgage refinance and pre-finance loans	<u>103,060,363</u>	<u>82,123,465</u>

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

The Company had in issue mortgage refinance and pre-finance loans to the following banks as at the year end.

	31.12.2018	31.12.2017
	TZS '000	TZS '000
Azania Bank Limited - refinance	9,200,000	9,200,000
Azania Bank Limited - pre-finance	2,800,000	2,800,000
Bank of Africa (Tanzania) Limited - refinance	5,750,000	5,750,000
Bank of Africa (Tanzania) Limited - pre-finance	5,000,000	5,000,000
Exim Bank (Tanzania) Limited - re-finance	1,000,000	1,000,000
DCB Commercial Bank Plc - pre-finance	2,000,000	2,000,000
DCB Commercial Bank Plc - refinance	1,500,000	1,500,000
BancABC Limited - refinance	1,400,000	1,400,000
BancABC Limited - pre-finance	5,000,000	0
CRDB Bank Plc - re-finance	17,000,000	10,000,000
CRDB Bank Plc - pre-finance	10,000,000	17,000,000
I&M Bank (T) Limited -re-finance	1,800,000	3,250,000
I&M Bank (T) Limited - pre-finance	1,450,000	0
NBC Bank (T) Limited -pre-finance	2,000,000	2,000,000
NMB Bank Plc - refinance	1,700,000	1,700,000
NMB Bank Plc - pre-finance	5,000,000	0
Barclays Bank (T) Limited refinance	5,000,000	5,000,000
Commercial Bank of Africa Limited -refinance	3,000,000	3,000,000
KCB Bank Tanzania Limited - pre-finance	10,000,000	5,000,000
First National Bank Tanzania Limited - refinance	2,500,000	2,500,000
People's Bank of Zanzibar Limited pre-finance	3,000,000	3,000,000
Mkombozi Commercial Bank Plc	6,000,000	0
Accrued interest	1,382,913	1,023,465
Total	<u>103,482,913</u>	<u>82,123,465</u>

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Mortgage Refinance Loans in 2018:

Name of Bank	Year disbursed	Principal Amount TZS '000	Maturity period from date of disbursement	Interest rate % p.a
Azania Bank Limited	2016	2,500,000	5 years	11.5
Azania Bank Limited	2015	1,700,000	3 years	11.5
Azania Bank Limited	2016	2,500,000	3 years	11.73
Azania Bank Limited	2017	2,500,000	3 years	11.5
Banc ABC Limited	2017	1,400,000	2 years	11.5
DCB Commercial Bank Plc	2015	1,500,000	1.5 years	11.5
Bank of Africa (Tanzania) Limited	2016	5,750,000	3 years	11.73
NMB Bank Plc	2016	1,700,000	4 years	11.5
Barclays Bank (T) Limited	2016	5,000,000	5 years	12.5
FNB Bank Loan 2	2017	2,500,000	3 years	12.5
Exim Bank (Tanzania) Limited	2018	1,000,000	1 years	9
CRDB Bank Plc	2017	5,000,000	3 years	11.5
CRDB Bank Plc	2017	5,000,000	5 years	11.5
CRDB Bank Plc	2018	7,000,000	5 years	9.0
CBA Limited	2017	3,000,000	3 years	11.5
I&M Bank	2018	1,800,000	5 years	9.0
Total accrued interest		621,539		
Sub total		<u>50,451,539</u>		

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Mortgage Refinance Loans in 2017:

Name of Bank	Year disbursed	Principal Amount	Maturity period from date of disbursement	Interest rate % p.a
Azania Bank Limited	2016	2,500,000	5 years	11.5
Azania Bank Limited	2015	1,700,000	3 years	11.5
Azania Bank Limited	2016	2,500,000	3 years	11.73
Azania Bank Limited	2017	2,500,000	3 years	11.5
BancABC Limited	2017	1,400,000	2 years	11.5
DCB Commercial Bank Plc	2015	1,500,000	1.5 years	11.5
Bank of Africa (Tanzania) Limited	2016	5,750,000	3 years	11.73
NMB Bank Plc	2016	1,700,000	4 years	11.5
Barclays Bank (T) Limited	2016	5,000,000	5 years	12.5
FNB Bank Loan 2	2017	2,500,000	3 years	12.5
Exim Bank (Tanzania) Limited	2017	1,000,000	2 years	11.5
CRDB Bank Plc	2017	5,000,000	3 years	11.5
CRDB Bank Plc	2017	5,000,000	5 years	11.5
CBA Limited	2017	3,000,000	3 years	11.5
Total accrued interest	2016	<u>571,324</u>		
Sub Total		<u>41,621,324</u>		

The Mortgage Pre-finance Loans in 2018

Name of Bank	Year disbursed	Principal Amount	Maturity period from date of disbursement	Interest rate % p.a
Azania Bank Limited	2015	2,800,000	3 years	11.50
Bank of Africa (Tanzania) Limited	2016	5,000,000	3 years	11.67
CRDB Bank Plc	2017	10,000,000	3 years	11.50
I&M Bank (T) Limited	2018	1,450,000	3 years	9.00
DCB Commercial Bank Plc	2016	2,000,000	3 years	11.73
NBC Bank (T) Ltd	2016	2,000,000	3 years	11.50
KCB Limited	2017	5,000,000	3 years	12.50
PBZ Limited	2017	3,000,000	3 years	11.50
BancABC Limited	2018	5,000,000	3 years	11.50
NMB Bank Plc	2018	5,000,000	3 years	11.50
KCB Bank Limited	2018	5,000,000	3 years	10.00
Mkombozi Commercial Bank Plc	2018	6,000,000	3 years	9.00
Total accrued interest		<u>781,374</u>		
Sub Total		<u>53,031,374</u>		

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Mortgage Pre Finance Loans in 2017

Azania Bank Limited	2015	2,800,000	3 years	11.50
Bank of Africa (Tanzania) Limited	2016	5,000,000	3 years	11.67
CRDB Bank Plc	2015	7,000,000	3 years	11.5
CRDB Bank Plc	2017	10,000,000	3 years	11.5
I&M Bank (T) Limited	2014	3,250,000	3 years	11.5
DCB Commercial Bank Plc	2016	2,000,000	3 years	11.5
NBC Bank (T) Ltd	2016	2,000,000	3 years	14.57
KCB Limited	2017	5,000,000	3 years	12.5
PBZ	2017	3,000,000	3 years	12.5
Total accrued interest		<u>452,142</u>		
Sub Total		<u>40,502,142</u>		

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

The movement in Impairment provisions for financial instruments charges 2018

	Re & Pre Financing Loans	Government securities	Placement with other banks	Other receivables	Total Provision
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
At start of the year	409,718	11,998	5,756	26,117	453,589
Movement During the year:					
Impairment provision charges	<u>12,832</u>	<u>4,512</u>	<u>11,110</u>	<u>(2,226)</u>	<u>26,228</u>
At the end of the year	<u>422,550</u>	<u>16,510</u>	<u>16,866</u>	<u>23,891</u>	<u>479,817</u>

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Equipment

	Lease hold improvement TZS '000	Computer& Equipment TZS '000	Office equipment TZS '000	Office furniture TZS '000	Motor vehicle TZS '000	Total TZS '000
At 31stDecember, 2018						
Opening carrying amount	90,981	16,920	18,667	9,077	86,837	222,482
Additions	0	38,047	51,053	32,250	0	121,350
Depreciation charge	(18,247)	(15,737)	(17,233)	(6,388)	(57,891)	(115,496)
Closing carrying amount	<u>72,734</u>	<u>39,230</u>	<u>52,487</u>	<u>34,940</u>	<u>28,945</u>	<u>228,336</u>
At 31stDecember, 2018						
Cost or valuation	182,485	255,872	270,128	102,947	231,567	1,042,999
Less Disposed asset	0	0	0	(5,146)	0	(5,146)
Accumulated depreciation	(109,751)	(216,642)	(217,641)	(68,007)	(202,621)	(814,663)
Less Disposed assets	0	0	0	5,146	0	5,146
Net carrying amount	<u>72,734</u>	<u>39,230</u>	<u>52,487</u>	<u>34,940</u>	<u>28,945</u>	<u>228,336</u>
Year ended 31st December, 2017						
Opening carrying amount	106,187	22,970	57,164	12,378	144,729	343,428
Additions	2,968	8,622	5,941	6,681	0	24,212
Assets written-off	0	0	(2,254)	0	0	(2,254)
Depreciation charge	(18,174)	(14,672)	(42,184)	(9,982)	(57,892)	(142,904)
Closing carrying amount	<u>90,981</u>	<u>16,920</u>	<u>18,667</u>	<u>9,077</u>	<u>86,837</u>	<u>222,482</u>
At 31stDecember, 2017						
Cost or valuation	182,485	217,825	219,075	70,696	231,567	921,648
Accumulated Depreciation	(91,504)	(200,905)	(200,408)	(61,619)	(144,730)	(699,166)
Net carrying amount	<u>90,981</u>	<u>16,920</u>	<u>18,667</u>	<u>9,077</u>	<u>86,837</u>	<u>222,482</u>

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Intangible assets

Cost	31.12.2018 TZS '000	31.12.2017 TZS '000
At start of year	1,445,536	1,445,536
Additions	<u>15,045</u>	<u>0</u>
At end of year	<u>1,460,581</u>	<u>1,445,536</u>
Amortization		
At start of year	1,155,517	721,277
Charge for the year	<u>290,578</u>	<u>434,242</u>
At end of year	<u>1,446,097</u>	<u>1,155,519</u>
Net book value	<u><u>14,484</u></u>	<u><u>290,017</u></u>

The capital grant relates to an accounting software (ACCPAC), Mortgage Refinance Information System (MRIS) and other intangible assets.

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

11. Other receivables

Prepaid expenses	564,110	274,561
Staff receivables	557,874	543,124
Less impairment loss allowance	<u>(23,891)</u>	<u>0</u>
Total	<u>1,098,094</u>	<u>817,685</u>

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

12. Deferred tax

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2017: 30%). The movement on the deferred tax account is as follows:

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Deferred tax (continued)

	31.12.2018	31.12.2017
	TZS '000	TZS '000
At start of year	51,324	86,781
Charge to statement of comprehensive income(Note 5)	<u>(239,894)</u>	<u>(35,457)</u>
At end of year	<u>(188,570)</u>	<u>51,324</u>

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 2018			
Deferred income tax liability			
Excess capital allowance over depreciation	71,449	(98,482)	(27,034)
Deferred income tax asset			
Provision for staff leave and gratuity	(20,125)	0	(20,125)
Provision for Doubtful Financial Instruments	0	0	0
General provision	0	9,756	9,756
Prior year Adjustments	<u>0</u>	<u>(151,168)</u>	<u>(151,168)</u>
	<u>(20,125)</u>	<u>(141,412)</u>	<u>(161,537)</u>
Net deferred tax liability	<u>51,323</u>	<u>(239,894)</u>	<u>(188,571)</u>
Year end 31 December 2017			
Deferred income tax liability			
Excess capital allowance over depreciation	101,872	(30,423)	71,449
Deferred income tax asset			
Provision for staff leave and gratuity	(15,091)	(5,034)	(20,125)
	<u>(15,091)</u>	<u>(5,034)</u>	<u>(20,125)</u>
Net deferred tax liability	<u>86,781</u>	<u>(35,457)</u>	<u>51,324</u>

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Loans and borrowings

The loans and borrowings are made up as follows

	2018	2017
	TZS '000	TZS '000
Current		
Loan from Bank of Tanzania	3,500,000	14,050,000
Accrued interest	<u>23,151</u>	<u>216,151</u>
	<u>3,523,151</u>	<u>14,266,151</u>
Non- current		
Loan from Bank of Tanzania (i)	94,600,000	65,050,000
TMRC Corporate Bonds (ii)	16,521,500	2,000,000
Accrued interest		
- Loan from Bank of Tanzania (i)	1,088,839	649,443
- TMRC Corporate Bonds (ii)	<u>281,510</u>	<u>80,020</u>
	<u>112,491,849</u>	<u>67,779,463</u>
TOTAL	<u>116,015,000</u>	<u>82,045,614</u>

The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the statement of financial position date are as mentioned below.

(i) Loans from Bank of Tanzania

The Bank of Tanzania loans comprise the following:

<u>2018:</u>	Principal amount	Interest to maturity	Total	Maturity period	Remaining years to mature	Interest rate % p.a
Date received	TZS '000	TZS '000	TZS '000			
1-May-15	1,700,000	226,356	1,926,356	5 Years	16 Months	10.00%
8-Oct-15	2,800,000	214,795	3,014,795	4 Years	9 Months	10.00%
16-Mar-16	2,000,000	40,548	2,040,548	3 Years	2 Months	10.00%
27-Jun-16	2,500,000	124,021	2,624,021	3 Years	6 Months	10.23%
27-Jun-16	2,750,000	136,423	2,886,423	3 Years	6 Months	10.23%
5-Jul-16	5,000,000	257,733	5,257,733	3 Years	6 Months	10.17%
15-Jul-16	2,000,000	109,307	2,109,307	3 Years	6 Months	10.23%
2-Nov-16	1,700,000	312,521	2,012,521	4 Years	22 Months	10.00%
2-Nov-16	5,000,000	1,419,178	6,419,178	5 Years	34 Months	10.00%
14-Nov-16	2,500,000	717,808	3,217,808	5 Years	34 Months	10.00%
30-Jan-17	2,500,000	269,863	2,769,863	3 Years	13 Months	10.00%
27-Feb-17	1,500,000	23,425	1,523,425	2 Years	2 Months	10.00%
7-Mar-17	3,000,000	354,247	3,354,247	3 Years	14 Months	10.00%

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

30-Mar-17	5,000,000	623,288	5,623,288	3 Years	15 Months	10.00%
13-Apr-17	3,000,000	385,479	3,385,479	3 Years	15 Months	10.00%
24-May-17	5,000,000	613,699	5,613,699	3 Years	15 Months	10.00%
15-Jun-17	2,500,000	863,699	3,363,699	5 Years	41 Months	10.00%
14-Jul-17	1,400,000	75,178	1,475,178	2 Years	6 Months	10.00%
22-Sep-17	8,000,000	1,380,822	9,380,822	3 Years	21 Months	10.00%
25-Sep-17	5,000,000	1,869,863	6,869,863	5 Years	45 Months	10.00%
19-Oct-17	3,000,000	540,822	3,540,822	3 Years	22 Months	10.00%
2-Jan-18	4,000,000	805,479	4,805,479	3 Years	24 Months	10.00%
2-Jan-18	4,000,000	805,479	4,805,479	3 Years	24 Months	10.00%
28-May-18	1,000,000	30,205	1,030,205	1 Year	5 Months	7.50%
4-Jun-18	7,000,000	2,325,822	9,325,822	5 Years	53 Months	7.50%
7-Aug-18	5,000,000	975,000	5,975,000	3 Years	31 Months	7.50%
13-Aug-18	1,800,000	623,959	2,423,959	5 Years	55 Months	7.50%
30-Aug-18	1,450,000	289,901	1,739,901	3 Years	32 Months	7.50%
7-Dec-18	6,000,000	1,320,411	7,320,411	3 Years	35 Months	7.50%
TOTAL	<u>98,100,000</u>	<u>8,148,388</u>	<u>115,835,330</u>			

2017	Principal amount	Interest to maturity	Total	Maturity period	Remaining years to mature	Interest rate % p.a
	TZS '000	TZS '000	TZS '000			
01 May 2015	1,700,000	396,356	2,096,356	5 years	28 months	10.00%
4 June 2015	7,000,000	297,260	7,297,260	3 years	5 months	10.00%
8 October 2015	2,800,000	215,562	3,015,562	3 years	9 months	10.00%
16 March 2016	2,000,000	240,548	2,240,548	3 years	14 months	10.00%
27 June 2016	2,500,000	379,771	2,879,771	3 years	18 months	10.23%
27 June 2016	2,750,000	699,844	3,449,844	4 years	30 months	10.23%
5 July 2016	5,000,000	766,233	5,766,233	3 years	18 months	10.17%
15 July 2016	2,000,000	313,907	2,313,907	3 years	18 months	10.23%
2 November 2016	5,000,000	1,919,178	6,919,178	5 years	46 months	10.00%
2 November 2016	1,700,000	482,521	2,182,521	4 years	34 months	10.00%
14 November 2016	2,500,000	217,123	2,717,123	2 years	10 months	10.00%
30 January 2017	2,500,000	269,863	2,769,863	2 years	13 months	10.00%
28 February 2017	1,500,000	173,425	1,673,425	2 years	14 months	10.00%
30 March 2017	5,000,000	1,123,288	6,123,288	3 years	27 months	10.00%
7 March 2017	3,000,000	654,247	3,654,247	3 years	26 month	10.00%
13 April 2017	3,000,000	685,479	3,685,479	3 years	27 months	10.00%
24 May 2017	5,000,000	1,197,260	6,197,260	3 years	29 months	10.00%
28 May 2017	1,000,000	40,548	1,040,548	1 years	5 months	10.00%
15 June 2017	2,500,000	1,092,466	3,592,466	5 years	52 months	10.00%
14 July 2017	1,400,000	215,178	1,615,178	2 years	18 months	10.00%
13 August 2017	3,250,000	200,342	3,450,342	1 years	7 months	10.00%
22 September 2017	10,000,000	2,726,027	12,726,027	3 years	33 months	10.00%
25 September 2017	5,000,000	2,368,493	7,368,493	5 years	57 months	10.00%
19 October 2017	3,000,000	840,822	3,840,822	3 years	34 months	10.00%
TOTAL	<u>81,100,000</u>	<u>11,164,878</u>	<u>98,615,741</u>			

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

NOTES TO THE FINANCIAL STATEMENTS (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 loans and borrowings due to inability to forecast interest rate changes.

Loans and borrowings are denominated in Tanzania Shillings.

Undrawn facilities as at the statement of financial position date were as follows:

	2018 TZS '000	2017 TZS '000
Opening credit limit with Bank of Tanzania	56,865,431	76,365,431
Loan repayment during the year	1,450,000	2,000,000
Drawn amount during the year	<u>(19,000,000)</u>	<u>(21,500,000)</u>
Total undrawn amount at year end	<u>39,315,431</u>	<u>56,865,431</u>

(ii) TMRC Corporate Bond

On May, 2018, 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. As of 31st December, 2018 first tranche of approved programme was issued amounting to TZS 12.52 billion.

Opening Balance	2,000,000	0
Issuance of Private bond placements	2,000,000	2,000,000
Issuance of Public Bond Placement	<u>12,521,000</u>	<u>0</u>
Total undrawn amount at year end	<u>16,521,000</u>	<u>2,000,000</u>

14. Trade and other payables

Other payables	34,278	20,072
Accrued expenses	35,467	18,026
Gratuity payable	0	36,639
Deferred revenue	329,230	181,964
Withholding tax payable	17,812	0
VAT payable	5,049	0
Provision for audit fees	25,000	16,093
Provision for staff leave	0	30,446
Dividend Payable	<u>(3,079)</u>	<u>0</u>
TOTAL	<u>443,757</u>	<u>303,240</u>

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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:

	2018	2017
	TZS '000	TZS '000
Within three months	117,606	(54,192)
Three to twelve months	<u>329,230</u>	<u>(249,048)</u>
TOTAL	<u>446,836</u>	<u>(303,240)</u>

The Company's liabilities as above will be settled by delivering cash.

Movement in provision for staff leave

At start of year	30,446	23,412
Additions	120,149	97,451
Redemptions	<u>(150,595)</u>	<u>(90,417)</u>
At end of year	<u>0</u>	<u>30,446</u>

Movement in gratuity payable

At start of year	36,639	26,893
Additions	173,239	143,514
Redemptions	<u>(209,878)</u>	<u>(133,768)</u>
At end of year	<u>0</u>	<u>36,639</u>

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Share capital

	No. of ordinary shares	Issued and fully paid up capital TZS '000	Advance towards share capital TZS '000	Share premium TZS '000
At 1 January 2017	17,466,000	17,236,000	1,000,000	0
Issue for cash	100,000	100,000	0	0
Allotted shares	<u>616,523</u>	<u>616,523</u>	<u>(1,000,000)</u>	<u>383,477</u>
At 31 December 2017	<u>18,182,523</u>	<u>17,952,523</u>	<u>0</u>	<u>383,477</u>
At 1 January 2018	8,182,523	17,952,523	0	383,477
Issue for cash	<u>308,261</u>	<u>308,261</u>	<u>0</u>	<u>191,739</u>
At 31 December 2018	<u>18,490,784</u>	<u>18,260,784</u>	<u>0</u>	<u>575,216</u>

The total number of authorised ordinary shares is 30,000,000 (2017: 30,000,000) with par value of TZS 1,000 each.

**Issued and fully paid:
2018**

As at 31st December 2018 the issued and paid up capital was increased from TZS 17,925,523,000 to TZS 18,260,784,000 by an issue for cash of 308,261 ordinary shares at a price of TZS 1,622 per share. New borrowing member Ms. Mkombozi Commercial Bank Plc was admitted as a member of TMRC on May 2018.

2017

As at 31st December, 2017 the issued and paid up capital was increased from TZS 17,236,000,000 to TZS 17,952,523,000 by an issue for cash of 100,000 ordinary shares as at a price of TZS 1,000 per share, and allotment of 616,523 shares from advance paid towards share capital at a price of TZS 1,623 per share. First Housing Finance Co. Ltd was admitted as a member of TMRC on 1st March, 2017.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Dividends

At the forthcoming annual general meeting, a final dividend in respect of the year ended 31st December 2018 of TZS 19.34 per share amounting to TZS 357.61 million (2017: TZS 19.34 per share amounting to TZS 354.68 million) is to be proposed.

17. Cash used in operations

Reconciliation of profit before tax to cash used in operations:

	2018 TZS '000	2017 TZS '000
Profit before tax	1,098,734	1,273,209
Adjustments for:		
Depreciation on equipment (Note 9)	115,496	142,904
Amortisation of intangible assets (Note 10)	290,577	434,242
Amortisation of capital grants (Note 19)	(305,893)	(483,601)
Interest expenses (Note 2)	10,121,770	6,912,188
Asset written-off	0	2,254
Release of fair value loss	8,336	8,166
Changes in working capital:		
-Mortgage refinance loans	(20,936,897)	(21,755,905)
-Other assets	(280,409)	(134,962)
-Trade and other payables	(464,135)	86,470
Cash used in operations	<u>(10,352,421)</u>	<u>(13,515,035)</u>

18. 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 Note 15.

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

(i) Loans to related parties

	2018 TZS '000	2017 TZS '000
Loans to shareholders (Note 8)	<u>81,600,000</u>	<u>65,600,000</u>
Loans to key management	<u>138,821</u>	<u>292,821</u>

(ii) Investment securities with member banks (Note 8)

Fixed deposits with Banc ABC (Tanzania) Limited	201,999	475,716
Fixed deposits with I & M Bank (Tanzania) Limited	600,000	0
Total	<u>801,999</u>	<u>475,716</u>

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
 AUDITED FINANCIAL STATEMENTS FOR THE YEAR
 ENDED 31ST DECEMBER, 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(iii) Interest income from related parties

Interest income derived from member banks(Note 1)

	2018 TZS '000	2017 TZS '000
- Interest income from mortgage refinance and pre finance loans	10,727,724	6,852,373
- Interest income from fixed deposits	<u>26,971</u>	<u>56,157</u>
	<u>10,754,695</u>	<u>6,908,530</u>
-Interest income from loans to key management	<u>13,268</u>	<u>26,882</u>

(iv)Key management compensation

Salaries and other short term benefits	<u>826,984</u>	<u>776,936</u>
Pension costs: defined contribution scheme	<u>68,149</u>	<u>92,744</u>
Total	<u>895,134</u>	<u>869,680</u>

19. Capital grants

At start of year	305,893	789,494
Amortization of capital grants (Note 3)	<u>(305,893)</u>	<u>(483,601)</u>
At end of year	<u>0</u>	<u>305,893</u>

Capital grants comprise of IT equipment and software (intangible asset) by using grant from the World Bank.

20. Specific reserve

The movement in the specific reserve during the year is as follows:

Opening balance	416,392	240,561
Transfer to specific reserve	<u>0</u>	<u>175,831</u>
Closing balance	<u>416,392</u>	<u>416,392</u>

In November 2015, TMRC Board of Directors approved setting aside of 20% of audited annual net profit after tax Specific Reserve to cater for various risks and unforeseen losses.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Following effective application of IFRS 9 in January, 2018, TMRC Board of Directors in its 31st meeting held on 28th February, 2018 agreed to discontinue setting additional specific reserve as the Company provisions for impairments will be covered following TMRC adoption of IFRS 9.

21. 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.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(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.

Notes 13 and 14 disclose the maturity analysis of loans and borrowings and trade and other payables respectively.

22. Capital management

Internally imposed capital requirements

The Company's objectives when managing capital are:

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

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to

shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Capital comprises all components of equity (i.e. share capital and retained earnings).

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The gearing ratios as at 31st December, 2018 and 2017 were as follows:

	2018	2017
	TZS '000	TZS '000
Total borrowings (Note 13)	116,015,000	82,045,614
Less: cash and cash equivalents (Note 6)	<u>1,044,907</u>	<u>325,459</u>
Net debt	<u>114,970,092</u>	<u>81,720,155</u>
Total equity	<u>20,058,494</u>	<u>20,037,802</u>
Gearing ratio	<u>573%</u>	<u>408%</u>

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.

The increase in gearing ratio in 2018 resulted primarily due to the additional of TZS 19.0 billion (2017 TZS 23.5 billion) long term loan received from Bank of Tanzania.

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 20.05 billion (2017: TZS 20.03 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 102% each (2017: 99% each) respectively.

23. Country of Incorporation

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