



Audited Financial Statements for the year ended 31st December 2020



**TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2020**

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Abbreviations

ACCPAC ERP	Accounting Package Enterprise Resource Planning
BOA	Bank of Africa Tanzania Ltd
BOT	Bank of Tanzania
CDS	Central Depository of Securities
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CMSA	Capital Markets and Securities Authority
COO	Chief Operations Officer
CSM	Contractual Service Margin
DSE	Dar es Salaam Stock Exchange Plc
FHF	First Housing Finance Co. Ltd
FVOCI	Fair Value through Other Comprehensive Income
IAS	International Accounting Standard
IFRS	International Financial Reporting 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
TRA	Tanzania Revenue Authority
TZS	Tanzania Shilling
VAT	Value Added Tax
WCF	Workers Compensation Fund

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BOARD OF DIRECTORS

S/N	Name	Representing	Position	Qualification	Age	Nationality
1.	Mr. Theobald Sabi	MD, NBC	Chairman	Bachelors of Science in Engineering, Association of Chartered Certified Accountant (FCCA)	45	Tanzanian
2.	Mr. Charles Itembe	CEO, Azania Bank	Vice Chairman	Masters of Arts- Economics	48	Tanzanian
3.	Mr. Abdulmajid Nsekela	MD, CRDB Bank	Member	MBA (International Banking and Finance)	49	Tanzanian
4.	Mr. Godfrey Ndalawa	MD, DCB	Member	Master's in Business Administration (MBA), CPA	44	Tanzanian
5.	Ms. Lilian Mbassy	Director of Managed Funds, TIB	Member	MBA- (Finance & Banking)	44	Tanzanian
6.	Mr. Imani John	MD, BancABC	Member	B.Com (Accounting); CPA	41	Tanzanian
7.	Mr. David Lusala	Chief Operations Officer, Exim Bank	Member (Re-Appointed 07 th February, 2020)	Master's in Business Administration (MBA) – Risk Management ; BCP	43	Tanzanian
8.	Mr. Andrew Chimphondah	MD, Shelter Afrique	Member	MBA (International Finance)	52	Zimbabwean
9.	Mr. Filbert Mponzi	Chief Retail & Agri Banking, NMB	Member (Appointed 04 th March, 2020)	Master's in Business Administration (MBA), CPA	45	Tanzanian
10.	Dr. Maulid Banyani	DG, NHC	Member	MSc. LMV, MSc. LM, PhD Facilities Planning and Management	48	Tanzanian
11.	Mr. Sanjay Suchak	Director, FHF	Member (Appointed 20 th May 2020)	Business Executive, Founder of African Risk & Insurance Services Limited (ARIS)	53	Tanzanian
12.	Mr. Joseph Iha	MD, BOA	Member (Resigned 30 th April, 2020)	B. Education (Accounting & Mathematics)	49	Kenyan

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

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED

AUDITED FINANCIAL STATEMENTS FOR THE YEAR

ENDED 31ST DECEMBER, 2020

REPORT OF THE DIRECTORS

The Directors present this report and the audited financial statements for the financial year ended 31st December, 2020 which disclose the state of affairs of the Company.

INCORPORATION

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

COMPANY'S VISION

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

COMPANY'S MISSION

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

PRINCIPAL ACTIVITIES

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

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 12 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.

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.

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REPORT OF THE DIRECTORS (CONTINUED)

Board Committees

During the year, TMRC had three 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); Board Credit Committee (BCC) and Board Human Resources and Governance Committee (BHRGC). The activities of these Committees are governed by the respective Committee Charters which are approved by the Board. The three Committees report to the Board of Directors.

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.

Board Audit and Risk Committee Composition

Name	Detail	Position	Nationality
Mr. David Lusala	COO, EXIM Bank	Chairman (Re-appointed 07 th February, 2020)	Tanzanian
Mr. Abdulmajid Nsekela	CEO, CRDB Bank	Member	Tanzanian
Ms. Lilian Mbassy	Director of Managed Funds, TIB	Member	Tanzanian
Mr. Charles Itembe	MD, Azania Bank	Member (Re-appointed 07 th August, 2020)	Tanzanian
Mr. Andrew Chimphondah	CEO, Shelter Afrique	Member	Zimbabwean

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

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REPORT OF THE DIRECTORS (CONTINUED)

Board Credit Committee

Board Credit Committee Purpose and Responsibilities

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

Board Credit Committee Composition

Name	Detail	Position	Nationality
Dr. Maulid Banyani	DG, NHC	Chairman	Tanzanian
Mr. Filbert Mponzi	Chief Retail & Agri Banking, NMB	Member (Appointed 04 th March, 2020)	Tanzanian
Mr. Imani John	MD, BancABC	Member	Tanzanian
Mr. Joseph Iha	MD, BOA	Member (Resigned 30 th April, 2020)	Kenyan
Mr. Godfrey Ndalawa	MD, DCB	Member	Tanzanian

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.

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REPORT OF THE DIRECTORS (CONTINUED)

Board Governance and Human Resources Committee

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

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

Board Governance and Human Resources Committee Composition

Name	Detail	Position	Nationality
Mr. Filbert Mponzi	Chief Retail & Agri Banking, NMB	Chairman (Appointed on 29 th August, 2020)	Tanzanian
Mr. Sanjay Suchak	Director, FHF	Member (Appointed on 29 th August, 2020)	Tanzanian
Mr. Imani John	MD, BancABC	Member (Appointed on 29 th August, 2020)	Tanzanian
Mr. Godfrey Ndalawa	MD, DCB	Member (Appointed on 29 th August, 2020)	Tanzanian

The Board Human Resource and Governance Committee met once during the year.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board assessed the internal control systems throughout the financial year ended 31st December, 2020 and is of the opinion that they met accepted criteria. The Board carries out risk and internal control assessment throughout the year.

SHARE CAPITAL STRUCTURE

During the year issued and paid up ordinary share capital of the company remained at TZS 25.37 billion for 23,061,292 ordinary shares (2019: TZS 25.37 billion for 23,061,292 ordinary shares).

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REPORT OF THE DIRECTORS (CONTINUED)

Share Capital Structure (Continued)

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

Name of Shareholder	2020			2019		
	Number of shares held	% holding	TZS '000	Number of shares held	% holding	TZS '000
CRDB Bank Plc	3,000,000	13.00%	3,039,000	3,000,000	13.00%	3,039,000
Azania Bank Limited	2,500,000	10.80%	2,632,500	2,500,000	10.80%	2,632,500
Shelter Afrique	2,332,500	10.10%	2,456,123	2,332,500	10.10%	2,456,123
International Finance Corporation (IFC)	2,120,530	9.20%	3,439,500	2,120,530	9.20%	3,439,500
NMB Bank Plc	1,800,000	7.80%	1,740,000	1,800,000	7.80%	1,740,000
TIB Development Bank Limited	1,500,000	6.50%	1,450,000	1,500,000	6.50%	1,450,000
National Bank of Commerce Limited	1,250,000	5.40%	1,316,250	1,250,000	5.40%	1,316,250
Exim Bank (Tanzania) Limited	1,200,000	5.20%	1,200,000	1,200,000	5.20%	1,200,000
National Housing Corporation	1,200,000	5.20%	1,200,000	1,200,000	5.20%	1,200,000
DCB Commercial Bank Plc	1,100,000	4.80%	1,100,000	1,100,000	4.80%	1,100,000
BancABC Tanzania Limited	1,000,000	4.30%	1,000,000	1,000,000	4.30%	1,000,000
Bank of Africa (Tanzania) Limited	1,000,000	4.30%	1,000,000	1,000,000	4.30%	1,000,000
First Housing Finance Co. Ltd	1,000,000	4.30%	1,485,098	1,000,000	4.30%	1,485,098
Peoples Bank of Zanzibar Limited	625,000	2.70%	658,125	625,000	2.70%	658,125
I&M Bank (T) Limited	625,000	2.70%	658,125	625,000	2.70%	658,125
NIC Bank (Tanzania) Limited	500,000	2.20%	500,000	500,000	2.20%	500,000
Mkombozi Commercial Bank Plc	308,262	1.30%	500,000	308,262	1.30%	500,000
	23,061,292	100.00%	25,374,721	23,061,292	100.00%	25,374,721

MANAGEMENT

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

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

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REPORT OF THE DIRECTORS (CONTINUED)

Management (Continued)

Management Committees

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

Asset Liability Management Committee

The Committee is composed of Chief Executive Officer, Chief Finance Officer, Chief Operations Officer, Senior Finance Manager, Head of Risk and Compliance, 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;
Reviewing the current and prospective capital levels (risk based) to determine its adequacy in relation to expected growth and asset quality
- iii. Reviewing the monthly performance against established targets/projections and budgets and analysing the reasons for any variances for timely actions;
- iv. 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.

Credit Committee

The Committee is composed of Chief Executive Officer, Chief Finance Officer, Chief Operation Officer, Head of Risk and Compliance, Senior Credit Manager and Head of Legal 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 Bank of Tanzania (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.

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REPORT OF THE DIRECTORS (CONTINUED)

Management (Continued)

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.

BUSINESS ENVIRONMENT AND PERFORMANCE

BUSINESS ENVIRONMENT

During the year, mortgage market grew by TZS 6.63 billion. The total mortgage portfolio balances amongst banks stood at TZS 464.14 billion as at the end of the year of 2020 representing 5,908 properties compared to TZS 438.58 billion outstanding balance for financing 5,411 properties that was reported in the previous year. This signifies an annual increase of 1.51% in outstanding value of Mortgage loans while a number of mortgages increased by 7.3%. The above data indicates that mortgage market as percentage of Gross Domestic Product (GDP) decreased to 0.30% from 0.36% recorded in 2019. This ratio is one of the lowest in the East African region.

BUSINESS PERFORMANCE

During 2020, TMRC managed to record a commanding profit before tax on account of maintain a good investment portfolio and effective cost management. The Company recorded a profit before tax of TZS 2.76 billion (2019: TZS 1.01 billion), an increase of 174.2% compared to previous year. The increase was mainly attributed by creation of good investment portfolio as well as effective cost management by TMRC management.

During the year, interest income increased from TZS 16.9 billion in the prior year to TZS 19.7 billion, an increase of 16.4%. On the other hand, the interest expenses also increased from TZS 11.6 billion in the prior year to TZS 12.7 billion, an increase of 9.48%.

TMRC balance sheet size declined during the year to TZS 187.6 billion from TZS 201.3 billion recorded in 2019, a decline of 6.8% (2019: An increase of 32%) as the same as net loans declined by 9.6% to TZS 135.9 billion from TZS 150.3 billion.

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REPORT OF THE DIRECTORS (CONTINUED)

Results for the year summary;-

	2020	2019
	TZS '000	TZS '000
Profit before tax	2,763,458	1,009,057
Tax charge	(737,590)	(414,384)
Profit for the year	2,025,868	594,674

DIVIDEND

The Directors have postponed the declaration of a dividend for the year 2020 due to the introduction of a new BOT Regulation issued in January 2021 limiting payment of dividend for banks and financial institutions with cost/income ration exceeding 55%. (2019: TZS 10.31 per share amounting to TZS 237.87 million was recommended and paid)

FUTURE DEVELOPMENT PLANS

Since commencing its operations in 2011, TMRC has been supporting Primary Mortgage Lenders (PML) by providing mortgage refinance and prefinance to the tune of TZS 134.70 billion by the end of year 2020 (2019: TZS 149.5 billion). TMRC loan portfolio declined during the year by TZS 14.8 billion due to prepayment by PMLs due to PML's failure to meet TMRC mortgage criteria. Currently, TMRC has a total of 16 PMLs which have accessed the above funds.

Directors believe that for TMRC Strategic Plan to deliver value, the following are key Strategic Plan Drivers have been developed:

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

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REPORT OF THE DIRECTORS (CONTINUED)

Future Development Plans (Continued)

- iv. **Enabling National Housing policy-** TMRC will be an important stakeholder in the development of an appropriate National Housing Policy which is necessary to promote housing as an agenda in the human development. The policy is also expected to provide a framework for affordable housing development catering for the majority of the population.

SOLVENCY

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

EMPLOYEES' WELFARE

Management and Employees' Relationship

There were continued good relation between employees and management during the year ended 31st December, 2020. There were no unresolved complaints received by Management from the employees during the year.

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

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

Training Facilities

The training costs for the year 2020 amounted to TZS 89.39 million (2019: TZS 60.07 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 Board. Currently these services are provided by The Jubilee Insurance Company of Tanzania Limited.

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REPORT OF THE DIRECTORS (CONTINUED)

Employees' Welfare (Continued)

Health and Safety

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

Financial Assistance to Staff

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

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 (2019: 18).

Gender Parity

The Company had 19 employees, out of which 10 were female and 9 were male (2019: 9 female and 9 male).

RELATED PARTY TRANSACTIONS

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

INDEPENDENT AUDITORS

The Company's auditor, Auditax International, 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: 18th February 2021

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
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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 behaviour are applied and managed within predetermined procedures and constraints.

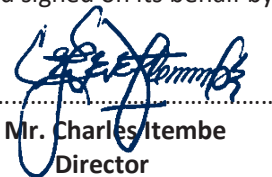
The Directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for preparation of the financial statements. However, any system of internal financial control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

The Directors have reviewed the Company's cash flow forecast for the year to 31st December, 2020 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 20 to 67, which have been prepared on going concern basis, were authorized and approved by the Board on **18th February 2021** 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
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DECLARATION OF TMRC CHIEF FINANCE OFFICER

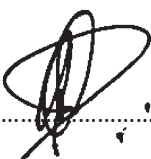
The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act No. 33 of 1972, as amended by Act No. 2 of 1995 it is required financial statements to be accompanied with a declaration issued by the Chief Finance Officer responsible 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 15.

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, 2020 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:


.....
Chief Finance Officer

Position:

NBAA Membership No:

FCPA 936

Date:

18th February 2021
.....



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

Opinion

We have audited the financial statements of Tanzania Mortgage Refinance Company Limited, set out on pages 20 to 67, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements of Tanzania Mortgage Refinance Company Ltd present fairly, in all material respects, the financial position of Tanzania Mortgage Refinance Company Limited as at 31st December, 2020 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), the Banking and Financial Institution Act, 2006 and the Companies Act, 2002 of Tanzania.

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. There were no key audit matters to report during the year ended 31 December 2020.

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

Other Information included in the Company's Annual Report

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

In connection with our audit of financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going

Concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

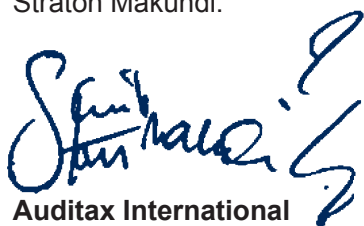
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Companies Act, 2002 to be kept by the Entity have not been properly kept in accordance with the provisions of the Companies Act.

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



Auditax International

Certified Public Accountants

Dar es Salaam, Tanzania



Signed by: Straton Makundi (FCCA)

Registration No: ACPA 1747


Date... 5th March ...2021

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2020 TZS '000	2019 TZS '000
Interest income	1	19,726,977	16,953,330
Interest expense	2	(12,769,700)	(11,562,660)
Net interest income		6,957,277	5,390,670
Financial Instruments Impairment charges	9	47,868	(198,631)
Net interest income after Financial Instruments Impairment charges		7,005,145	5,192,041
Other income	3	191,826	181,747
Total income		7,196,971	5,373,788
Operating expenses	4	(4,433,513)	(4,364,729)
Profit before tax		2,763,458	1,009,059
Tax charge	5	(737,590)	(414,384)
Profit and comprehensive income for the year		2,025,868	594,675
Other comprehensive income			
Change in FVOCI financial assets		8,189	8,167
Total comprehensive income for the year attributable to the owners of the company		2,034,057	602,842
Dividends:			
- Final dividends		-	237,868

The financial statements on pages 20 to 67 were authorised and approved for issue by the Board of Directors on **18th February 2021** and were signed on its behalf by:



Mr. Theobald Sabi
 Chairman



Mr. Charles Itembe
 Director


The significant accounting policies on pages 24 to 35 and notes on pages 36 to 67 form an integral part of these financial statements.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2020


STATEMENT OF FINANCIAL POSITION

		2020	2019
	Notes	TZS '000	TZS '000
ASSETS			
Cash and bank balances	6	257,464	38,536
Government securities	7(a)	49,878,745	48,003,170
Placement with other banks	7(c)	200,511	1,175,775
Net Mortgage refinance and pre-finance loans	8	136,015,295	150,531,961
Equipment	10(a)	163,087	132,976
Right-of-use assets	10(b)	16,138	410,299
Intangible assets	11	95,199	23,243
Other receivables	12	1,001,644	1,069,659
Total assets		187,628,083	201,385,620
LIABILITIES			
Deferred tax	13	(129,117)	(148,632)
Loans and borrowings	14	130,748,123	146,773,154
TMRC Corporate Bond	14	26,022,038	26,020,428
Trade and other payables	15	486,472	1,276,484
Capital grant	20	-	-
Current tax payable		7,823	(1,141)
Total liabilities		157,135,339	173,920,293
SHAREHOLDERS' EQUITY			
Share capital	16	22,831,291	22,831,291
Share premium	16	2,543,430	2,543,430
Fair value Reserve		778,290	63,948
General reserve	21	416,393	416,393
Retained earnings		3,923,340	1,610,265
Total equity		30,492,744	27,465,327
Total equity and liabilities		187,628,083	201,385,620

The financial statements on pages 20 to 67 were authorised and approved for issue by the Board of Directors on **18th February 2021** and were signed on its behalf by:



Mr. Theobald Sabi
 Chairman



Mr. Charles Nembé
 Director

The significant accounting policies on pages 24 to 35 and notes on pages 36 to 67 form an integral part of these financial statements.

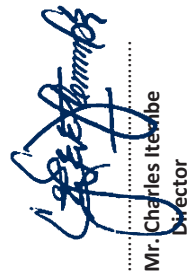
TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2020

STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital TZS '000	Share premium TZS '000	Retained earnings TZS '000	Revaluation Gain/Loss TZS '000	Specific reserve TZS '000	Total TZS '000
Year ended 31st December, 2020							
At start of year		22,831,291	2,543,430	1,610,265	63,948	416,393	27,465,327
Changes in equity 2020							
Profit and comprehensive income for the year		-	-	2,025,868	-	-	2,025,868
Fair value revaluation surplus		-	-	-	8,189	-	8,189
Prior year adjustments (Reversal for over provisioning of Impairments previous years Note 25a)		-	-	525,076	-	-	525,076
Share premium on new issuance	16	-	-	-	-	-	-
Gain or Loss on FVOCI Financia Assets		-	-	-	706,153	-	706,153
Changes during the year		-	-	2,550,944	714,342	-	3,265,285
Transactions with owners:							
Issue of ordinary shares	16	-	-	-	-	-	-
Dividends paid - final 2019	17	-	-	(237,869)	-	-	(237,869)
At end of year		22,831,291	2,543,430	3,923,340	778,290	416,393	30,492,744
Year ended 31st December, 2019							
At start of year		18,260,784	575,216	1,423,679	(614,498)	416,393	20,061,574
Changes in equity 2019							
Profit and comprehensive income for the year		-	-	594,675	-	-	594,675
Fair value revaluation surplus		-	-	-	8,167	-	8,167
Prior year adjustments (After Tax Assessment)		-	-	(50,477)	-	-	(50,477)
Gain or (Loss) on FVOCI Financia Assets		-	-	-	670,279	-	670,279
Total comprehensive income for the year		-	-	544,198	678,446	-	1,222,644
Transactions with owners:							
Issue of ordinary shares	16	4,570,507	1,968,214	-	-	-	6,538,721
Dividends paid - final 2018		-	-	(357,612)	-	-	(357,612)
At end of year		22,831,291	2,543,430	1,610,265	63,948	416,393	27,465,327

The financial statements on pages 20 to 67 were authorised and approved for issue by the Board of Directors on 18th February 2021 and were signed on its behalf by:


.....
Mr. Theobald Sabi
Chairman


.....
Mr. Charles Ikemba
Director

The significant accounting policies on pages 24 to 35 and notes on pages 36 to 67 form an integral part of these financial statements.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2020


STATEMENT OF CASH FLOWS

	Notes	2020 TZS '000	2019 TZS '000
Operating activities			
Cash used in operations	18	30,309,699	(33,268,625)
Interest paid		(12,993,121)	(11,362,176)
Tax paid		(737,590)	(414,384)
Net cash used in operating activities		16,578,987	(45,045,185)
Investing activities			
Net movement in placement with other banks		975,264	(390,642)
Net movement in government securities		(1,875,575)	(17,099,961)
Purchase of intangible asset	11	(93,886)	(18,054)
Purchase of equipment	10(a)	(72,393)	(57,874)
Proceeds from disposal		-	-
Net cash used in investing activities		(1,066,590)	(17,566,531)
Financing activities			
Proceeds from borrowings		-	47,561,165
Repayment of borrowings		(16,025,032)	-
Proceeds from Right Issue	16	-	3,099,221
Proceeds from issue of ordinary shares	16	-	3,439,500
Proceeds from TMRC corporate bond issuance		-	9,217,419
Payment of Lease Liabilities		(235,421)	(149,344)
Payment of dividends	17	(237,886)	(357,612)
Net cash generated from financing activities		(16,498,339)	62,810,215
(Decrease)/increase in cash and cash equivalents		(985,942)	198,499
Movement in cash and cash equivalents			
At start of year		1,243,406	1,044,907
(Decrease)/increase		(985,942)	198,499
At end of year	6	257,464	1,243,406

The financial statements on pages 20 to 67 were authorised and approved for issue by the Board of Directors on **18th February 2021** and were signed on its behalf by:



Mr. Theobald Sabi
Chairman



Mr. Charles Itembe
Director

The significant accounting policies on pages 24 to 35 and notes on pages 36 to 67 form an integral part of these financial statements.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2020

SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

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

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

Measurement basis

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

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2020

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

Measurement basis (continued)

- 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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the company has not early adopted the new and amended standards in preparing these financial statements

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

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
- COVID-19-Related Rent Concessions (Amendment to IFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

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:

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2020

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Critical accounting judgements (continued)

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, 2020, the refinance loan advances had mostly been given to performed banks.

Management believes that the loans will be recoverable in full as borrowing banks are well performed as well as loans extended against strong security of mortgage portfolio or/and treasury bonds. All loan repayment instalments that had become due as at 31st December, 2020 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.

(iv) Revaluation gain or loss

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

e) Operating lease commitments

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

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2020

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

g) Revenue recognition

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

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

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

h) Cash and cash equivalents

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

i) Property, Plant and Equipment

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

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

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2020

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Property, Plant and 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.

j) Intangible assets

Computer software

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

k) Impairment of non-financial assets

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2020

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Investments and other financial instruments

i. Financial assets

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

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

- **Loans and receivables:** Financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the statement of financial position date. All assets with maturities greater than 12 months after the statement of financial position date are classified as non-current assets. Such assets are carried at amortized cost using the effective interest rate method. Changes in the carrying amount are recognized in the statement of profit or loss and comprehensive income.
- **Financial assets at Amortized Costs:** Amortized cost is an investment classification category and accounting method which requires financial assets classified under this method to be reported on balance sheet at their amortized cost which equals their initial acquisition amount less principal repayment plus/minus amortization of discount/premium (if any) plus/minus foreign exchange differences (if any) less impairment losses (if any).
- **Financial assets at FVOCI:** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest and are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Net Investment Income'.

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

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

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2020

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Investments and other financial instruments (continued)

i. Financial assets (Continued)

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

Management classifies financial assets as follows:

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

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

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

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2020

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I) Investments and other financial instruments (continued)

i. Financial assets (Continued)

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

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Government securities are categorized in two groups;-

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

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

ii. Financial liabilities

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

- Financial liabilities measured at amortized cost:

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

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

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

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

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2020

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Investments and other financial instruments (continued)

ii. Financial liabilities (Continued)

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

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

Offsetting financial instruments

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

Impairment of financial instruments

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

m) Current and deferred income tax

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

Current tax

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

Deferred tax

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

n) Leases

IFRS 16 Leases was issued in January 2016 and applies to annual periods beginning on or after 1 January 2019. The standard replaces IAS 17 Leases especially the classification of leases into Operating leases and Finance leases. Under this standard, there is no distinction between operating and finance leases and a completely new lease accounting model is introduced that requires lessees to recognize all leases on balance sheet, except for short term leases and leases of low value assets.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Leases (Continued)

Finance leases

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

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

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

o) Retirement benefit obligations

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

p) Share capital

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

q) Employee entitlements

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

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

r) Donor and Government funds

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

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Donor and Government funds (Continued)

(i) Operating grant

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

s) General reserve

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

t) Dividends

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

u) Contingencies

- i. A court disputes for compensation of TZS 198 million has been filed by a former employee of the Company for an alleged breach of contract and wrongful termination of employment. Although the outcome of these matter cannot be predicted with certainty, and might be resulted unfavourably to the Company, management has no reason to believe that the disposition will have a materially adverse effect on the 2020 financial position of the Company.
- ii. An application for tax amnesty in relation to VAT penalty and interest for previous years (financial year 2010 to 2016) was submitted to TRA during amnesty period on 27th November, 2018. To date TRA is yet to grant TMRC with a waiver requested. Management is still following up closely with TRA to close this tax dispute. Management is confident that the amnesty will be granted as it was submitted in time. The liability is due to non-filing of VAT returns by TMRC where application for deregistration had been submitted by the company as it was erroneously registered for VAT while financial institutions were not VAT registered agent by then. The amount of tax amnesty on VAT penalty and interest applied is TZS 868 million.

v) Comparatives

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

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

Year 2020 witnessed Covid-19 outbreak which led to reduced business activities in the financial sector as banks and financial institutions took a caution move in their lending activities including mortgage lending. There is inadequate data on the impact of Covid-19 on financial institutions but company initial assessment indicates the pandemic does not have a direct impact on the financial position of the company as at 31 December 2020. As a result, no adjustments have been made in the financial statements.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
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NOTES TO THE FINANCIAL STATEMENTS

	2020 TZS '000	2019 TZS '000
1. Interest income		
Interest income on mortgage refinance and pre-finance loans	12,315,033	11,355,734
Interest income on government securities (Note 7)	7,322,553	5,497,146
Interest income on investment securities	51,357	54,856
Interest income on staff loans	38,034	45,594
	19,726,977	16,953,330
2. Interest expense		
Interest expense on TMRC Corporate Bond	3,299,756	2,718,715
Interest expense on loan from Bank of Tanzania	9,469,944	8,843,944
	12,769,700	11,562,659
3. Other income		
Loan facilitation fees	174,242	163,075
Gain/(Loss) from assets disposal	(1,139)	-
Capital grants amortization (Note 19)	-	-
Revenue grants amortization	18,723	18,672
	191,826	181,747
4 (a) Operating expenses		
Staff costs (Note 4(b))	3,236,150	2,997,189
Travel expenses	57,718	50,943
Legal costs	21,809	110,831
Audit fees	21,004	28,800
Bank charges and commissions	5,573	5,766
Brokerage commission	100,742	94,123
Foreign exchange loss	10,218	8,167
Depreciation on equipment (Note 10 (a))	76,016	249,284
Depreciation charge of right-of-use assets (Note 10 (b))	205,596	168,783
Amortisation of intangible assets (Note 11)	21,925	9,296
Office rent	7,544	36,598
Telephone and fax	41,678	36,808
Insurance	61,216	44,885
Marketing and communication	53,419	37,859
Consultancy fees	68,039	172,947
IT license fees	201,240	199,221
Membership fees	29,784	39,089
Finance Cost on Lease	19,433	53,981
Other operating expenses (Schedule 2)	194,409	188,942
	4,433,513	4,364,729

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

4(b) Staff costs

	2020	2019
	TZS '000	TZS '000
Salaries and wages	2,202,640	2,056,254
Social security costs (defined contributions)	381,193	343,048
Provision for gratuity	199,212	198,479
Skills and Development Levy (SDL)	106,822	105,129
Workers Compensation Fund (WCF)	25,419	23,362
Leave expense	141,185	140,700
Staff Welfare	11,085	284
Training expenses	89,396	60,070
Medical expenses	79,198	69,863
	3,236,150	2,997,189

5. Tax

	2020	2019
	TZS '000	TZS '000
Current tax		
- Current year	718,075	374,447
- Prior period	-	-
- IFRS 16	-	-
Deferred tax charge (Note 13)	19,515	39,937
Tax charge	737,590	414,384

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

	2020	2019
	TZS '000	TZS '000
Profit before tax	2,763,458	1,009,058
Tax calculated at a tax rate of 30% (2017: 30%)	829,038	302,718
Tax effect of:		
- Adjustment (IFRS 16)	(299)	60,997
- Permanently disallowed expenditure	33,615	20,759
-Deferred tax release	(120,678)	-
Non Qualifying capital expenditure	(4,086)	151,904
Tax charge	737,590	414,384

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

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AUDITED FINANCIAL STATEMENTS FOR THE YEAR
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Cash and bank balances

Cash in hand
Cash at bank

2020
TZS '000

1,856
255,608
257,464

2019
TZS '000

1,562
36,974
38,536

For the purpose of the statement of cash flows, the yearend cash and cash equivalents comprise the following;

Placement with other banks

Financial assets with maturity of less than 91 days (Note 7)
Less: Impairment loss allowance-ECL (note 9)

200,000
(2,193)
197,807

1,205,000
(29,494)
1,175,506

The company is minimally exposed to credit risk on cash and bank balances as these are held with sound financial institutions.

The carrying amounts of the company's cash and cash equivalents are denominated in Tanzania Shillings and US dollar.

7. Investments

a) Government securities

Government Securities at amortized costs
Government Securities at FVOCI
Accrued interest
Less: Impairment loss allowance-ECL (note 9)

2020
TZS '000

29,242,891
19,773,458
886,655
(24,259)
49,878,745

2019
TZS '000

33,921,976
13,262,734
835,628
(17,168)
48,003,170

b) Government securities (continued)

Maturing within a year
Maturing within 1-2 years
Maturing within 2-3 years
Maturing within 3-5 years
Maturing within 5-10 years
Maturing after 10 years

5,558,152
-
1,011,166
23,824,986
440,883
19,043,558
49,878,745

5,946,782
4,491,459
965,861
16,759,375
905,148
18,935,545
48,003,170

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Investments (continued)

Investment in Government securities is made up of Government Securities at amortized costs and Government Securities at FVOCI existing as at year end and accrued interest as at 31 December 2020 computed using effective interest rate for Securities at amortized costs and market value for securities at FVOCI. These investments are denominated in Tanzanian Shillings and attracted a weighted average on yield interest rate of 15.69% per annum (2019: 15.71%) during the year.

	2020	2019
	TZS '000	TZS '000
Movement in government securities during the year		
Government securities		
At start of year	48,003,170	30,903,208
Additions	5,821,920	16,468,770
Redemptions	(5,250,000)	-
Interest earned (Note 1)	7,322,553	5,497,147
Interest received	(6,018,898)	(4,865,955)
At end of year	49,878,745	48,003,170
 c) Placement with other banks		
Deposits with financial institutions (at cost)	200,000	1,204,870
Accrued interest	2,704	399
Less: Impairment loss allowance-ECL (note 9)	(2,193)	(29,494)
	200,511	1,175,775

Placements with other banks are made up of investments in fixed deposits made with banks during the year. Accrued interest comprises of interest earned but not received as at the year end. The fixed deposit investments denominated in Tanzania Shillings attracted a weighted average interest rate of 4.96% per annum (2019: 5.15%) during the year.

	TZS '000	TZS '000
Movement in placement with other banks during the year		
At start of year	1,175,775	785,133
Additions	9,061,637	9,268,000
Redemptions	(10,036,901)	(8,877,358)
At end of year (Note 18 {ii})	200,511	1,175,775
 As at year end placement with other banks are denominated in the following currencies:		
Tanzania Shilling	200,511	1,175,775
	200,511	1,175,775

There were no gains or losses arising from the disposal of financial assets during the year ended 31 December 2019 as all these were disposed off at their redemption dates.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Investments (continued)

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

	2020	2019
	TZS '000	TZS '000
Government securities at armortised cost can be analysed as follows:		
Maturity within 91 days	1,226,345	1,205,000
Maturity after 91 days	28,016,546	33,921,976
Total	<u>29,242,891</u>	<u>35,126,976</u>

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

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

At the start of the year	33,921,976	17,453,206
Net of additions and redemptions during the year	(4,679,085)	16,468,770
At the end of the year	<u>29,242,891</u>	<u>33,921,976</u>

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

Management monitors the credit quality of financial assets by:

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

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

TMRC Regulation 16(1) requires TMRC to not invest more than 40% of its financial resources in Treasury bonds and fixed deposits. As at year end, the total investment in treasury bonds and fixed deposits was 28.34% (2019: 25.14%).

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

8. Mortgage refinance and pre-finance loans

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

- i. Refinancing loans are secured against first ranked fixed charge debentures and a first ranked floating charge specific debenture in favour of TMRC over specified member bank's mortgage loan portfolios to cover for no less than 125% of value of the refinance loans.
- ii. Pre-financing loans are secured on a portfolio of Treasury Bonds with coverage ratio of 105.3% and minimum remaining tenor longer than the maturity of the respective Treasury Bonds years from disbursement date. PML are required to effect legal transfer of the Treasury Bonds pledged to TMRC as collateral to TMRC CDS account. The transfer must be effected prior to disbursement of funds. PML must maintain an on-going coverage ratio of 105.3%.

Mortgage refinance and pre-finance loans at amortized cost

	2020	2019
	TZS '000	TZS '000
Mortgage refinance	68,250,000	57,250,000
Pre-finance loans	66,450,000	92,250,000
Accrued Interest	1,372,595	1,643,064
Less: Impairment loss allowance-ECL (note 9)	(57,300)	(611,103)
Net Mortgage refinance and pre-finance loans	136,015,295	150,531,961

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

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

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

	2020	2019
	TZS '000	TZS '000
Azania Bank Limited – refinance	6,700,000	6,700,000
Azania Bank Limited - pre-finance	9,000,000	11,800,000
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
Exim Bank (Tanzania) Limited - pre-finance	5,000,000	5,000,000
DCB Commercial Bank Plc - refinance	3,500,000	3,500,000
BancABC Limited – refinance	1,400,000	1,400,000
BancABC Limited - pre-finance	5,000,000	5,000,000
CRDB Bank Plc - re-finance	27,000,000	17,000,000
CRDB Bank Plc - pre-finance	-	10,000,000
I&M Bank (T) Limited -re-finance	1,800,000	1,800,000
I&M Bank (T) Limited - pre-finance	1,450,000	1,450,000
NBC Bank (T) Limited –refinance	2,000,000	2,000,000
NBC Bank (T) Limited -prefinance	11,000,000	11,000,000
NMB Bank Plc – refinance	1,700,000	1,700,000
NMB Bank Plc - pre-finance	10,000,000	10,000,000
Barclays Bank (T) Limited refinance	5,000,000	5,000,000
Barclays Bank (T) Limited pre-finance	7,000,000	7,000,000
Commercial Bank of Africa Limited -refinance	3,000,000	3,000,000
Commercial Bank of Africa Limited -pre-finance	-	7,000,000
KCB Bank Tanzania Limited - pre-finance	10,000,000	10,000,000
First National Bank Tanzania Limited - refinance	2,500,000	2,500,000
The People's Bank of Zanzibar Limited pre-finance	-	3,000,000
Mkombozi Commercial Bank Plc pre-finance	3,000,000	6,000,000
Stanbic Bank Tanzania Limited refinance	5,900,000	5,900,000
First Housing Finance Company	1,000,000	-
Accrued interest	1,372,595	1,643,064
	<u>136,072,595</u>	<u>151,143,064</u>
Less Impairments	(57,300)	(611,103)
Total	<u>136,015,295</u>	<u>150,531,961</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The mortgages refinance loans in 2020:

Name of Bank	Year disbursed	Principal Amount TZS '000	Maturity period from date of disbursement	Interest rate % p.a
Azania Bank Limited	2019	2,500,000	3 years	7.5%
Azania Bank Limited	2020	1,700,000	5 years	7.5%
Azania Bank Limited	2020	2,500,000	3 years	7.5%
BancABC Limited	2019	1,400,000	5 years	7.5%
DCB Commercial Bank Plc	2019	1,500,000	5 years	7.5%
DCB Commercial Bank Plc	2019	2,000,000	5 years	7.5%
Bank of Africa (Tanzania) Limited	2019	2,750,000	5 years	7.5%
Bank of Africa (Tanzania) Limited	2020	3,000,000	5 years	7.5%
NMB Bank Plc	2020	1,700,000	5 years	7.5%
Barclays Bank (T) Limited	2016	5,000,000	5 years	10.0%
FNB Bank (Tanzania) Limited	2017	2,500,000	5 years	10.0%
Exim Bank (Tanzania) Limited	2019	1,000,000	5 years	7.5%
CRDB Bank Plc	2020	5,000,000	5 years	7.5%
CRDB Bank Plc	2017	5,000,000	5 years	9.0%
CRDB Bank Plc	2018	7,000,000	5 years	9.0%
CRDB Bank Plc	2020	10,000,000	5 years	7.5%
Commercial Bank of Africa (Tanzania) Limited	2020	3,000,000	5 years	8.5%
I&M Bank	2018	1,800,000	5 years	9.0%
National Bank of Commerce Limited	2019	2,000,000	5 years	7.5%
Stanbic Bank (Tanzania) Limited	2019	5,900,000	5 years	8.5%
First Housing Finance Company	2020	1,000,000	5 years	7.5%
Total accrued interest		508,383		
Sub total		68,758,383		

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The mortgage refinance loans in 2019:

Name of Bank	Year disbursed	Principal Amount TZS '000	Maturity period from date of disbursement	Interest rate % p.a
Azania Bank Limited	2019	2,500,000	3 years	7.5
Azania Bank Limited	2015	1,700,000	5 years	9
Azania Bank Limited	2017	2,500,000	3 years	9
BancABC Limited	2019	1,400,000	5 years	7.5
DCB Commercial Bank Plc	2015	1,500,000	1.5 years	9
DCB Commercial Bank Plc	2019	2,000,000	5 years	7.5
Bank of Africa (Tanzania) Limited	2019	2,750,000	3 years	7.5
Bank of Africa (Tanzania) Limited	2017	3,000,000	3 years	9
NMB Bank Plc	2016	1,700,000	4 years	9
Barclays Bank (T) Limited	2016	5,000,000	5 years	10
FNB Bank (Tanzania) Limited	2017	2,500,000	5 years	10
Exim Bank (Tanzania) Limited	2019	1,000,000	5 years	7.5
CRDB Bank Plc	2017	5,000,000	3 years	9
CRDB Bank Plc	2017	5,000,000	5 years	9
CRDB Bank Plc	2018	7,000,000	5 years	9
Commercial Bank of Africa (Tanzania) Limited	2017	3,000,000	3 years	10
I&M Bank	2018	1,800,000	5 years	9
National Bank of Commerce Limited	2019	2,000,000	5 years	9
Stanbic Bank (Tanzania) Limited	2019	5,900,000	5 years	8.5
Total accrued interest		495,826		
Sub total		57,745,826		

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The mortgage pre-finance loans in 2020:

Name of Bank	Year disbursed	Principal Amount TZS '000	Maturity period from date of disbursement	Interest rate % p.a
Bank of Africa (Tanzania) Limited	2020	5,000,000	5 years	7.5
I&M Bank (T) Limited	2018	1,450,000	3 years	9
KCB Limited	2020	5,000,000	1 years	10
BancABC	2018	5,000,000	3 years	9
NMB Bank Plc	2018	5,000,000	3 years	9
KCB Limited	2018	5,000,000	3 years	10
Mkombozi Commercial Bank Plc	2018	3,000,000	3 years	9
Azania Bank Limited	2018	2,500,000	3 years	9
NMB Bank Plc	2019	5,000,000	3 years	9
Barclay Bank (Tanzania) Limited	2019	7,000,000	3 years	8.5
National Bank of Commerce Limited	2019	1,000,000	3 years	7.5
National Bank of Commerce Limited	2019	10,000,000	3 years	7.5
Exim Bank (Tanzaia) Limited	2019	5,000,000	3 years	7.5
Azania Bank Limited	2019	6,500,000	3 years	7.5
Total accrued interest		864,212		
Sub total		67,314,212		

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Mortgage Pre-finance Loans in 2019

Name of Bank	Year disbursed	Principal Amount TZS '000	Maturity period from date of disbursement	Interest rate % p.a
Azania Bank Limited	2015	2,800,000	3 years	9
Bank of Africa (Tanzania) Limited	2016	5,000,000	3 years	9
CRDB Bank Plc	2017	10,000,000	3 years	9
I&M Bank (T) Limited	2018	1,450,000	3 years	9
KCB Limited	2017	5,000,000	3 years	10
The People's Bank of Zanzibar Limited	2017	3,000,000	3 years	9
BancABC	2018	5,000,000	3 years	9
NMB Bank Plc	2018	5,000,000	3 years	9
KCB Limited	2018	5,000,000	3 years	10
Mkombozi Commercial Bank Plc	2018	6,000,000	3 years	9
Azania Bank Limited	2018	2,500,000	3 years	9
NMB Bank Plc	2019	5,000,000	3 years	9
Commercial Bank of Africa (Tanzania) Limited	2019	7,000,000	3 years	8.5
Barclay Bank (Tanzania) Limited	2019	7,000,000	3 years	8.5
National Bank of Commerce Limited	2019	1,000,000	3 years	7.5
National Bank of Commerce Limited	2019	10,000,000	3 years	7.5
Exim Bank (Tanzaia) Limited	2019	5,000,000	3 years	7.5
Azania Bank Limited	2019	6,500,000	3 years	7.5
Total accrued interest		1,147,238		
Sub total		93,397,238		

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

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Analysis of impairment provision on financial instruments.

The movement in Impairment provisions for financial instruments charges during the year ended 31st December, 2020:

The movement in provisions for financial instruments charges					
2020					
					TZS '000
	Re& Pre Financing Loans	Government securities	Placement with other banks	Other receivables	Total Provision
At start of the year	(611,103)	(17,168)	(29,494)	(20,683)	(678,448)
Movement During the year:					
Previous years					
Adjustments (Note 25 a)	538,425	-	-	-	538,425
Impairment provision charges	15,378	(7,091)	27,301	12,280	47,868
At the end of the year	(57,300)	(24,259)	(2,193)	(8,403)	(92,156)

2019					
					TZS '000
	Re& Pre Financing Loans	Government securities	Placement with other banks	Other receivables	Total Provision
At start of the year	(422,550)	(16,510)	(16,866)	(23,891)	(479,817)
Movement During the year:					
Impairment provision charges	(188,553)	(658)	(12,628)	3,208	(198,631)
At the end of the year	(611,103)	(17,168)	(29,494)	(20,683)	(678,448)

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Analysis of movement in the ECL allowance for financial instruments during the year ended 31st December, 2020:

Description	Stage 1 TZS '000	Stage 2 TZS '000	stage 3 TZS '000	Total 2020 TZS '000	Total 2019 TZS '000
Government Securities:					
At start of the year	17,168	-	-	(17,168)	16,510
Charge for the period	(7,091)	-	-	(7,091)	658
Write-offs	-	-	-	-	-
At the end of the year	(24,259)	-	-	(24,259)	17,168
Impairment charge to Income Statement:					
Impairment provision ECL	(7,091)	-	-	(7,091)	658
Charge/Release to Income Statement	(7,091)	-	-	(7,091)	658
	Stage 1 TZS '000	Stage 2 TZS '000	stage 3 TZS '000	Total 2020 TZS '000	Total 2019 TZS '000
Placement with other Banks					
At start of the year	(29,494)	-	-	(29,494)	16,866
Charge for the period	27,301	-	-	27,301	12,628
Write-offs	-	-	-	-	-
At the end of the year	(2,193)	-	-	(2,193)	29,494
Impairment charge to Income Statement:					
Impairment provision ECL	27,301	-	-	27,301	12,628
Charge/Release to Income Statement	27,301	-	-	27,301	12,628

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Stage 1 TZS '000	Stage 2 TZS '000	stage 3 TZS '000	Total 2020 TZS '000	Total 2019 TZS '000
Mortgage Re&Prefinance Loans					
At start of the year	(611,103)	-	-	(611,103)	422,550
Charge for the period	15,378	-	-	15,378	188,553
Previous years Adjustments	538,425	-	-	538,425	-
Write-offs	-	-	-	-	-
At the end of the year	(57,300)	-	-	(57,300)	611,103
Impairment charge to Income Statement:					
Impairment provision ECL	15,378	-	-	15,378	188,553
Charge/Release to Income Statement	15,378	-	-	15,378	188,553
	Stage 1 TZS '000	Stage 2 TZS '000	stage 3 TZS '000	Total 2020 TZS '000	Total 2019 TZS '000
Other Receivables					
At start of the year	(20,683)	-	-	(20,683)	23,891
Charge/Release for the period	12,280	-	-	12,280	(3,208)
Write-offs	-	-	-	-	-
At the end of the year	(8,403)	-	-	(8,403)	20,683
Impairment charge to Income Statement:					
Impairment provision ECL	12,280	-	-	12,280	(3,208)
Charge/Release to Income Statement	12,280	-	-	12,280	(3,208)

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Property, Plant and Equipment

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

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Property, Plant and Equipment (continued)

Equipment	Leasehold improvements	Computers & equipment	Office equipment	Office furniture	Motor vehicle	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Year ended 31st December, 2019						
Opening carrying amount	72,734	39,230	52,487	34,940	28,946	228,337
Recognition of right-of-use asset on initial application of IFRS 16	506,348	-	-	-	-	506,348
Previous year adjustment	-	(685)	685	-	-	-
Adjusted balance at 1 January 2019	579,082	38,545	53,172	34,940	28,946	734,685
Additions	-	5,821	30,913	21,140	-	57,876
Less Disposed Assets	-	-	-	-	-	-
Opening carrying amount	-	-	-	-	-	-
Depreciation charge	(168,783)	(17,042)	(22,683)	(11,830)	(28,946)	(249,284)
Closing carrying amount	410,299	27,324	61,402	44,250	-	543,275
At 31st December, 2019						
Cost or valuation	182,485	261,693	301,041	124,089	231,567	1,100,875
Recognition of right-of-use asset on initial application of IFRS 16	506,348	-	-	-	-	506,348
Previous year adjustment	-	(685)	-	-	-	(685)
Reversal of initial Recognition	(109,751)	-	-	-	-	(109,751)
Adjusted balance at 1 January 2019	579,082	261,008	301,041	124,089	231,567	1,496,786
Accumulated depreciation	(168,783)	(233,684)	(240,324)	(79,837)	(231,567)	(954,195)
Previous year adjustment (Note 25 d)	-	-	685	-	-	685
Less Disposed Assets	-	-	-	-	-	-
Net carrying amount	410,299	27,324	61,402	44,250	-	543,275

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

10 (b). Lease

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

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2020	2019
	TZS '000	TZS '000
Right-of-use assets		
Balance at 1 January	410,299	72,734
Depreciation charge for the year	(205,596)	(168,783)
Additions	-	506,348
Prior year Adjustments (Note 25 c)	(188,566)	-
Balance at 31 December	<u>16,138</u>	<u>410,299</u>
Lease liabilities		
Current	19,026	-
Non-current	-	354,954
	<u>19,026</u>	<u>354,954</u>

There is no any additions on right of use during the year 2020

ii) Amounts recognised in the income statement

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

	2020	2019
	TZS '000	TZS '000
Depreciation charge of right-of-use assets		
Office Building	205,596	168,783
	<u>205,596</u>	<u>168,783</u>
Interest on lease liabilities	19,433	56,040
Expenses relating to short-term leases	-	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	6,868	-
	<u>26,301</u>	<u>56,040</u>

The total cash outflow for leases in 2020 was TZS 235 million (2019: TZS 235 million).

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

	2020	2019
	TZS '000	TZS '000
11. Intangible assets		
Cost		
At start of year	1,478,645	1,460,581
Additions	93,886	18,054
At end of year	1,572,531	1,478,635
Amortisation		
At start of year	1,455,408	1,446,096
Charge for the year	21,925	9,296
At end of year	1,477,333	1,455,392
Net book value	95,199	23,243

The capital grant relates to 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.

	2020	2019
	TZS '000	TZS '000
12. Other receivables		
Prepaid expenses	522,376	596,286
Staff receivables	487,671	494,056
Less: Impairment loss allowance-ECL	(8,403)	(20,683)
	1,001,644	1,069,659

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

13. Deferred tax

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2019: 30%). The movement on the deferred tax account is as follows:

	2020	2019
	TZS '000	TZS '000
At start of year	(148,634)	(188,570)
Charge to statement of comprehensive income (Note 5)	19,517	39,936
At end of year	(129,117)	(148,634)

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

13. Deferred tax (continued)

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

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

Year end 31 December 2019

Deferred income tax liability

Excess capital allowance over depreciation

51,323	(239,894)	(188,571)
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Deferred income tax asset

Provision for staff leave and gratuity

-	-	-
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Provision for Doubtful Financial Instruments

-	(59,589)	(59,589)
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General provision

-	(99,526)	(99,526)
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Prior year Adjustments

-	-	-
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-	39,937	39,937
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Net deferred tax liability

51,323	(199,957)	(148,634)
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Borrowings are made up as follows:

Loan from Bank of Tanzania
Accrued interest

- Loan from Bank of Tanzania

Loan from Bank of Tanzania
Accrued interest

- Loan from Bank of Tanzania

ii **TMRC Corporate Bond**

TMRC Corporate Bonds
Accrued interest

- TMRC Corporate Bonds

2020
TZS '000

2019
TZS '000

29,950,000

36,000,000

333,257

283,336

30,283,257

36,283,336

99,750,000

109,500,000

714,866

989,819

100,464,866

110,489,819

130,748,123

146,773,155

25,699,600

25,699,600

322,438

320,828

26,022,038

26,020,428

54

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Borrowing (continued)

(i) Borrowing from Bank of Tanzania

The Bank of Tanzania borrowing comprise the following:

2020:	Principal	Interest to	Total	Maturity	Remaining	Interest
Value Date	amount	maturity	TZS '000	period	years to	rate %
	TZS '000	TZS '000		Years	mature	p.a
23-Mar-20	5,000,000	83,219	5,083,219	1 Years	3 Months	7.50%
07-Aug-18	5,000,000	223,973	5,223,973	3 Years	7 Months	7.50%
24-Aug-18	1,450,000	71,805	1,521,805	3 Years	8 Month	7.50%
13-Nov-18	2,500,000	162,329	2,662,329	3 Years	11 Months	7.50%
07-Dec-18	3,000,000	209,589	3,209,589	3 Years	11 Months	7.50%
01-Jan-19	4,000,000	300,822	4,300,822	3 Years	1 Years	7.50%
01-Jan-19	4,000,000	300,822	4,300,822	3 Years	1 Years	7.50%
11-Feb-19	5,000,000	417,123	5,417,123	3 Years	1 Years	7.50%
30-May-19	1,000,000	84,493	1,084,493	3 Years	1 Years	6.00%
30-May-19	7,000,000	591,452	7,591,452	3 Years	1 Years	6.00%
10-Jul-19	10,000,000	912,329	10,912,329	3 Years	2 Years	6.00%
20-Aug-19	5,000,000	489,863	5,489,863	3 Years	2 Years	6.00%
22-Aug-19	6,500,000	638,959	7,138,959	3 Years	2 Years	6.00%
04-Jun-18	7,000,000	1,272,945	8,272,945	5 Years	2 Years	7.50%
13-Aug-18	1,800,000	352,849	2,152,849	5 Years	3 Years	7.50%
01-Jan-19	5,000,000	1,063,356	6,063,356	5 Years	3 Years	7.50%
01-Jan-19	2,500,000	553,767	3,053,767	5 Years	3 Years	7.50%
01-Jan-19	5,000,000	1,118,836	6,118,836	5 Years	3 Years	7.50%
26-Feb-19	1,500,000	354,760	1,854,760	5 Years	3 Years	7.50%
15-Mar-19	2,000,000	480,411	2,480,411	5 Years	3 Years	7.50%
27-May-19	1,000,000	204,164	1,204,164	5 Years	3 Years	6.00%
26-Jun-19	2,500,000	522,740	3,022,740	5 Years	3 Years	6.00%
26-Jun-19	2,750,000	575,014	3,325,014	5 Years	3 Years	6.00%
14-Jul-19	2,000,000	424,110	2,424,110	5 Years	4 Years	6.00%
15-Jul-19	1,400,000	297,107	1,697,107	5 Years	4 Years	6.00%
22-Aug-19	5,900,000	1,288,948	7,188,948	5 Years	4 Years	6.00%
29-Jan-20	2,500,000	611,918	3,111,918	5 Years	4 Years	6.00%
06-Mar-20	3,000,000	752,055	3,752,055	5 Years	4 Years	6.00%
30-Mar-20	5,000,000	1,273,151	6,273,151	5 Years	4 Years	6.00%
13-Apr-20	3,000,000	770,795	3,770,795	5 Years	4 Years	6.00%
30-Apr-20	1,700,000	441,534	2,141,534	5 Years	4 Years	6.00%
06-Jul-20	5,000,000	1,353,699	6,353,699	5 Years	5 Years	6.00%
21-Sep-20	8,000,000	2,268,493	10,268,493	5 Years	5 Years	6.00%
01-Nov-20	1,700,000	492,953	2,192,953	5 Years	5 Years	6.00%
TOTAL	29,700,000	20,960,382	150,660,382			

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

14. Borrowing (continued)

(i) Borrowing from Bank of Tanzania (continued)

The Bank of Tanzania borrowing comprise the following:

2019:	Principal amount	Interest to maturity	Total	Maturity period	Remaining years to mature	Interest rate % p.a
Value Date	TZS '000	TZS '000	TZS '000	Years		
01-May-15	1,700,000	42,267	1,742,267	5 Years	4 Months	7.50%
26-Jun-19	2,500,000	372,740	2,872,740	3 Years	30 Months	6.00%
30-Jan-17	2,500,000	14,897	2,514,897	3 Years	1 Month	7.50%
15-Jul-19	1,400,000	381,567	1,781,567	5 Years	55 Months	6.00%
26-Jun-19	2,750,000	410,466	3,160,466	3 Years	30 Months	6.00%
07-Mar-17	3,000,000	40,685	3,040,685	3 Years	2 Months	7.50%
04-Jun-18	7,000,000	1,800,822	8,800,822	5 Years	41 Months	7.50%
25-Sep-17	5,000,000	276,370	5,276,370	3 Years	9 Months	7.50%
30-Mar-17	5,000,000	842,466	5,842,466	5 Years	27 Months	7.50%
14-Jul-19	2,000,000	544,438	2,544,438	5 Years	54 Months	6.00%
26-Feb-19	1,500,000	467,877	1,967,877	5 Years	50 Months	7.50%
27-May-19	1,000,000	264,493	1,264,493	5 Years	53 Months	6.00%
13-Aug-18	1,800,000	488,219	2,288,219	5 Years	43 Months	7.50%
15-Mar-19	2,000,000	630,822	2,630,822	5 Years	50 Months	7.50%
02-Nov-16	1,700,000	234,390	1,934,390	5 Years	22 Months	7.50%
02-Nov-16	5,000,000	314,384	5,314,384	4 Years	10 Months	7.50%
13-Apr-17	3,000,000	514,110	3,514,110	5 Years	27 Months	7.50%
15-Jun-17	2,500,000	460,274	2,960,274	5 Years	29 Months	7.50%
22-Aug-19	5,900,000	1,643,918	7,543,918	5 Years	56 Months	6.00%
08-Oct-18	2,800,000	161,671	2,961,671	2 Years	9 Months	7.50%
13-Nov-18	2,500,000	350,856	2,850,856	3 Years	22 Months	7.50%
21-Aug-19	6,500,000	1,028,959	7,528,959	3 Years	32 Months	6.00%
04-Jul-19	5,000,000	1,691,096	6,691,096	5 Years	54 Months	7.50%
20-Aug-19	5,000,000	790,685	5,790,685	3 Years	32 Months	6.00%
30-Aug-18	1,450,000	180,853	1,630,853	3 Years	20 Months	7.50%
30-May-19	1,000,000	144,822	1,144,822	3 Years	29 Months	6.00%
10-Jul-19	10,000,000	1,517,260	11,517,260	3 Years	30 Months	6.00%
30-May-19	7,000,000	1,013,753	8,013,753	3 Years	29 Months	6.00%
21-May-19	7,000,000	1,002,247	8,002,247	3 Years	29 Months	6.00%
24-May-17	5,000,000	152,055	5,152,055	3 Years	5 Months	7.50%
07-Aug-18	5,000,000	600,000	5,600,000	3 Years	19 Months	7.50%
19-Oct-17	3,000,000	180,616	3,180,616	3 Years	10 Months	7.50%
11-Feb-19	5,000,000	793,151	5,793,151	3 Years	25 Months	7.50%
07-Dec-18	6,000,000	870,411	6,870,411	3 Years	23 Months	7.50%
22-Sep-17	8,000,000	435,616	8,435,616	3 Years	9 Months	7.50%
02-Jan-18	4,000,000	302,466	4,302,466	3 Years	12 Months	7.50%
02-Jan-18	4,000,000	302,466	4,302,466	3 Years	12 Months	7.50%
TOTAL	145,500,000	21,264,188	166,764,188			

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

14. Borrowing (continued)

(i) Borrowing from Bank of Tanzania (continued)

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

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

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

Borrowings are denominated in Tanzania Shillings.

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

	2020	2019
	TZS '000	TZS '000
Opening credit limit with Bank of Tanzania	-	39,315,431
Drawn amount during the year	-	(47,400,000)
Funds drawn from HMFF	-	8,084,569
Total undrawn amount at year end	-	-

(ii) TMRC Corporate Bond

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

	2020	2019
	TZS '000	TZS '000
Opening Balance	25,699,100	16,521,000
Issuance of TMRC Public Bond	-	9,178,100
Total amount at year end	25,699,100	25,699,100

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AUDITED FINANCIAL STATEMENTS FOR THE YEAR
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2020	2019
	TZS '000	TZS '000
15. Trade and other payables		
Other payables	104,610	252,588
Accrued expenses	37,218	134,665
Gratuity payable	600	-
Deferred revenue	279,375	468,340
Withholding tax payable	24,139	29,124
VAT payable	-	5,962
Lease Liability	19,026	357,005
Provision for audit fees	21,004	28,800
Provision for staff leave	500	-
	486,472	1,276,484

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:

	2020	2019
	TZS '000	TZS '000
within three months	205,998	451,139
three to twelve months	280,475	636,345
Over twelve months	-	189,000
	476,472	1,276,484

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

	2020	2019
	TZS '000	TZS '000
Movement in provision for staff leave		
At start of year	-	-
Additions	141,185	138,803
Redemptions	(140,685)	(138,803)
At end of year	500	-
Movement in gratuity payable		
At start of year	-	-
Additions	199,212	196,202
Redemptions	(198,612)	(196,202)
At end of year	600	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Share capital

	No. of Ordinary shares	Issued and fully paid up capital TZS '000	Share premium TZS '000
At 1 January 2020	23,061,291	22,831,291	2,543,430
Issue for cash-under Right Issue	-	-	-
Issue for cash-Normal	-	-	-
Alloted shares	-	-	-
At 31 December 2020	23,061,291	22,831,291	2,543,430
At 1 January 2019	18,490,784	18,260,784	575,216
Issue for cash-under Right Issue	2,449,977	2,449,977	649,244
Issue for cash-Normal	2,120,530	2,120,530	1,318,970
Alloted shares	-	-	-
At 31 December 2019	23,061,291	22,831,291	2,543,430

The total number of authorised ordinary shares is 30,000,000 (2019: 30,000,000) with a par value of TZS 1,000 each.

Issued and fully paid:

2020

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

2019

During the year the issued and paid up capital increased from TZS 18,836,000,000 to TZS 25,374,721,000 by an issue for cash of 4,570,507 ordinary shares. Out of these, 2,120,530 ordinary shares were issued at a premium price of TZS 1,622 per share while the other 2,449,977 ordinary shares were issued through Right Issue at a discounted price of 1,265. New non-borrowing member Ms. International Finance Corporation (IFC) was admitted in December, 2019.

17. Dividends

At the forthcoming annual general meeting, no final dividend in respect of the year ended 31 December 2020 is proposed. This is due to change in Tanzania Banking regulation BOT circular on ratios of cost to income and non-performing loans with reference number FA.130/170/01/5 issued on 22nd January, 2021 (2019: TZS 10.31 per share amounting to TZS 237.87 million).

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

18. Cash used in operations

Reconciliation of profit before tax to cash used in operations:

	2020	2019
	TZS '000	TZS '000
Cash used in operations		
Reconciliation of profit before tax to cash used in operations:		
Profit before tax	2,763,458	1,009,059
Adjustments for:		
Depreciation on equipment (Note 10 a)	75,980	249,283
Armortization of Right of use asset (Note 10 b)	205,596	-
Amortisation of intangible assets (Note 11)	21,925	9,296
Amortisation of capital grants (Note 20)	-	-
Amortisation of revenue grants (Note 20)	18,723	18,672
Interest expensed (Note 2)	12,769,700	11,562,659
Provisison for Impairments	(47,868)	198,631
Gain from assets disposal	(1,139)	-
Release of fair value loss	10,218	8,167
Changes in working capital:		
- Mortgage refinance loans	14,516,666	(47,471,598)
- Other assets	68,015	28,435
- Trade and other payables	(91,575)	1,118,403
Cash used in operations	30,309,699	(33,268,625)

19. Related party transactions and balances

The Company is owned by commercial banks and non-banks in Tanzania. The percentage shareholding of each member is shown in page 9 share capital structure.

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

	2020	2019
	TZS '000	TZS '000
(i) Loans to related parties		
Loans to shareholders (Note 8)	101,300,000	109,100,000
Loans to key management	220,056	94,1875
(ii) Investment securities with member banks (Note 7)		
Fixed deposits with BancABC (Tanzania) Limited	-	250,000
Fixed deposits with Azania Bank Limited	200,000	555,000
Fixed deposits with TIB Development Bank Limited	-	400,000
	200,000	1,205,000

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Related party transactions and balances (continued)

	2020	2019
(iii) Interest income from related parties		
<i>Interest income derived from member banks (Note 1)</i>		
- Interest income from mortgage refinance and prefinance loans	8,771,762	8,405,479
- Interest income from fixed deposits	51,357	54,796
	8,823,119	8,460,276
Interest income from loans to key management	19,775	9,863
(iv) Key management compensation		
Salaries and other short term benefits	1,444,688	1,040,767
Pension costs: defined contribution scheme	73,031	136,997
	1,517,719	1,177,764

20. Capital and Revenue Grants

Revenue Grants

	2020	2019
At start of year	64,867	83,539
Additions during the year	-	-
Amortisation of revenue grants	(18,723)	(18,672)
At end of year	46,144	64,867

Capital grants comprise of IT equipment and software (intangible asset) by using grant from the Bank of Tanzania HFP fund, while revenue grants comprises expenditure grants from HFP to facilitate TMRC first tranche corporate bond issuance.

21. General reserve

	2020	2019
	TZS '000	TZS '000
The movement in the specific reserve during the year is as follows:		
Opening balance	416,393	416,393
Transfer to specific reserve	-	-
Closing balance	416,393	416,393

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Risk management objectives and policies

Financial risk management

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

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

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

(i) Credit Risk

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

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

(ii) Market risk

Interest rate risk

The Company is not exposed to interest rate risk as the financial instruments are at fixed interest rate.

Foreign currency risk

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

(iii) Liquidity risk

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Capital management

Internally imposed capital requirements

The Company's objectives when managing capital are:

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

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

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

The gearing ratios as at 31st December, 2020 and 2019 were as follows:

	2020	2019
	TZS '000	TZS '000
Total borrowings (Note 14)	130,748,123	172,793,583
Less: cash and cash equivalents (Note 6)	457,464	1,243,536
Net debt	130,290,659	171,550,047
Total equity	30,492,958	27,465,327
Gearing ratio	427%	625%

Internally imposed capital requirements (continued)

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Capital management (Continued)

Externally imposed capital requirements

- (i) BOT TMRC Regulations 2011 requires the Company to maintain at all times a minimum core capital of not less than TZS 6 billion or such higher amount as BOT may determine. As at year end, the core capital of the Company was TZS 29.90 billion (2019: TZS 26.72 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 105% each (2019: 92% each) respectively.

24. Country of Incorporation

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

25. Prior Years Adjustments

During the year ended 31st December, 2020 the company revised IFRS 9 impairment tool calculator which impacted the opening balance of the impairment losses recognised in 2019 financial statement amounting to TZS 538 million (Note 9). The deferred income tax adjustments includes the provisioning of reversed impairment loss for 2019 and the correction of error on computation of Right of Use on lease amounting to TZS 189 million (Note 10b).

25 (a) Prior year adjustment on Impairment Provisions on Financial Instruments 2019

Descriptions	After Restatement	Before Restatement	Restatement
At start of the year	(479,817)	(479,817)	-
Charge for the year	-	(198,631)	538,425
Reversal of Previous Years Impairments	339,794	-	-
At the end of the year	(140,023)	(678,448)	538,425
Over expensed lease finance cost 2019	40,632	53,981	(13,349)
At the end of the year 2019			525,076

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. Prior Years Adjustments (Continued)

25 (b) Prior year adjustment on Deferred Tax 2019

Descriptions	After Restatement	Before Restatement	Restatement
Historical Costs	40,146	(72,492)	112,638
Revaluation Surplus	-	-	-
Right of Use	(66,819)	-	(66,819)
Lease Liability	70,504	-	70,504
Provisions	206,035	221,126	(15,091)
At the end of the year	249,866	148,634	101,232

25 (c) Prior year adjustment on Right of Use on lease 2019

Descriptions	After Restatement	Before Restatement	Restatement
Balance at 1 January	72,734	72,734	-
Depreciation charge for the year	(189,458)	(168,783)	(20,675)
Additions	411,192	506,349	(95,156)
Reversal of Leasehold Improvements	-	72,734	(72,734)
Balance at 31 December	294,468	483,034	(188,566)

25 (d) Prior year adjustment on Leasehold improvements 2019

	After Restatement	Before Restatement	Restatement
Costs			
Cost or valuation	182,485	182,485	-
Add, Net Carrying Amount 2018	-	72,734	(72,734)
Add, ROU	-	506,348	(506,348)
Less:- Initial Recognition LOI	-	(182,485)	182,485
Balance at 31 December (A)	182,485	579,082	(396,597)
Accumulated Depreciation			
Opening Balance	(109,751)	(110,010)	259
Less Accumulated Depreciation to 2018	-	109,753	(109,753)
Less Depreciation for 2019 on ROU	-	18,247	(18,247)
Add Depreciation 2019	(18,247)	(168,783)	150,536
Balance at 31 December (B)	(127,998)	(150,793)	22,795
Adjustment Balance at 31 December 2019 (A+B)			(375,462)

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Schedule of operating expenses

	2020	2019
	TZS '000	TZS '000
1 Administrative expenses		
Staff costs (Note 4(b))	3,236,151	2,997,189
Travel expenses	57,718	50,943
Legal costs	21,809	110,831
Audit fees	21,004	28,800
Depreciation on equipment (Note 10a)	75,980	115,496
Depreciation charge for the year (Note 10b)	205,596	168,783
Amortisation on intangible assets (Note 11)	21,925	290,577
Total administrative expenses	3,640,183	3,446,344
2 Other Expenses		
Courier and postages	1,253	632
Email and website development	-	1388
Repair and maintenance of motor vehicles	15,103	11074
Repair and maintenance of office equipment	15,723	5,225
Condolences and burial expenses	6,465	1,000
Stationeries and consumables	21,072	36,235
Vehicle running expenses	504	699
Electricity expenses	9,096	9,612
Fuel expenses	8,662	11,626
Office cleaning expenses	280	367
Newspaper and publications	2,046	2,573
Office security services	2,627	2,728
ICT Equipments Maintenance	11,955	11,237
Repair and maintenance of office furniture	80	542
Parking Fees	3,474	184
Office sundry and snacks	13,063	14,376
Business license fees and returns	600	600
Other Board meeting expenses	2,341	31,468
Recruitment costs	12,675	-
Transport expenses	3,197	3,262
Internet expenses	21,893	17,675
Gifts and donations	10,000	100
Subscriptions Fees	1,898	2,620
Statutory levy and fees	16,618	11,826
Accounting Software License Fees	13,784	11,893
Other expenses	194,409	188,942

