REPORT OF THE CONTROLLER AND AUDITOR GENERAL

THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF TANZANIA PETROLEUM DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30TH JUNE, 2020

The Controller and Auditor General
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March,2021

AR/PA/TPDC/2019/20

Mandate
The statutory mandate and responsibilities of the Controller and Auditor General are provided for under Article 143 of the Constitution of the URT of 1977 (as amended from time to time) and in Section 10 (1) of the Public Audit Act, 2008.

Vision
To be a highly regarded Institution that excels in Public Sector Auditing.

Mission
To provide high quality audit services that improves public sector performance, accountability and transparency in the management of public resources.

Core values
In providing quality services NAO is guided by the following Core Values:

Objectivity	We are an impartial organization, offering services to our clients in an objectives and unbiased manner.
Excellence	We are professionals providing high quality audit services based on standards and best practices.
Integrity	We observe and maintain high standards of ethical behaviour, rule of law and strong sense of purpose.
People focus	We value, respect and recognize interest of our stakeholders.
Innovation	We are a learning and creative public institution that promotes value added ideas within and outside the institution.
Results Oriented	We are an organization that focuses on achievement based on performance targets.
Team work spirit	We work together as a team, interact professionally, and share knowledge, ideas and experiences.

We do this by:
- ✓ Contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- ✓ Helping to improve the quality of public services by supporting innovation on the use of public resources;
- ✓ Providing technical advice to our clients on operational gaps in their operating systems;
- ✓ Systematically involve our clients in the audit process and audit cycles; and
- ✓ Providing audit staff with adequate working tools and facilities that promote independence.

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ABBREVIATIONS

AG	Attorney General
AGG	Airborne Gravity Gradiometry
BCF	Billion Cubic Feet
BPS	Bulk Procurement System
CAG	Controller and Auditor General
CGU	Cash Generating Unit
CNG	Condensed Natural Gas
CNGV	Compressed Natural Gas Vehicle
CWIP	Capital Work In Progress
DAWASA	Dar es Salaam Water and Sewerage Authority
DART	Dar es Salaam Rapid Transit
EIA	Environmental Impact Assessment
EPC	Engineering Procurement and Construction
FTG	Full Tensor Gradiometry
GASCO	Gas Company (Tanzania) Limited
GoT	Government of Tanzania
GSA	Gas Sale Agreement
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
IOCs	International Oil Companies
Km	Kilometres
LPG	Liquefied Petroleum Gas
LNG	Liquefied Natural Gas
M&P	Manuel et Prom
MEM	Ministry of Energy and Minerals
MMSCFD	Million Square Cubic Feet per Day
MOU	Memorandum of Understanding
MV	Motor Vehicle
MW	Megawatts
NHIF	National Health Insurance Fund
NAO	National Audit Office
NBAA	National Board of Accountants and Auditors
NCI	Non-Controlling Interest
NEMC	National Environmental Management Council
NNGIP	National Natural Gas Infrastructure Project
OCI	Other Comprehensive Income
PA	Petroleum Act
PAC	Public Accounts Committee
PAET	Pan African Energy Tanzania
PMU	Procurement Management Unit
PNG	Piped Natural Gas
PPA	Public Procurement Act
PPR	Public Procurement Regulations
PRS	Pressure Reduction Station
PSA	Production Sharing Agreement
PSSSF	Public Service Social Security Fund
PURA	Petroleum Upstream Regulation Authority
SACCOS	Savings and Credit Corporative Society
SCADA	Supervisory Control and Data Acquisition system
Sq. Km	Square Kilometres
TANOIL	TANOIL Investment Limited
TANESCO	Tanzania Electric Supply Company Limited
TCF	Trillion Cubic Feet
TPDC	Tanzania Petroleum Development Corporation
TZ	Tanzania
TZS	Tanzanian Shillings
URT	United Republic of Tanzania
USD	United States Dollar

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30TH JUNE, 2020

The Directors submit their report together with consolidated and separate financial statements for the year ended 30th June, 2020, which disclose the state of affairs of Tanzania Petroleum Development Corporation (the "Corporation" or "TPDC") and its subsidiaries - Gas Company (Tanzania) Limited and TANOIL Investments Limited (formerly known as Commercial Petroleum Company of Tanzania Limited), (together, the "Group") as at that date.

The Petroleum Act, 2015 recognizes Tanzania Petroleum Development Corporation as the National Oil Company of Tanzania (NOC) responsible for undertaking Tanzania's commercial aspects of petroleum in the upstream, mid-stream and downstream operations.

1. INCORPORATION

The Corporation was established under the Public Corporations Act No.17 of 1992 through the Government Notice No.140 of 30 May 1969. In addition, the Petroleum Act, 2015, among other things, has mandated TPDC to carry out specialized operations in the petroleum value chain using subsidiary companies. TPDC has two subsidiary companies namely, the Gas Company (Tanzania) Limited (GASCO) and TANOIL Investments Limited (TANOIL) formerly known as the Commercial Petroleum Company of Tanzania Limited (COPEC). GASCO and TANOIL have been established as limited liability companies and their shares are wholly owned by TPDC.

2. VISION STATEMENT

To become a leading integrated National Oil Company competing nationally, regionally and globally in an environmentally responsible manner for the benefit of all stakeholders.

3. MISSION STATEMENT

To participate and engage in the exploration, development, production and distribution of oil and gas related services, safeguard the national supply of petroleum products and natural gas, and at the same time develop quality and safety standards to protect people, property and the environment.

4. PRINCIPAL ACTIVITIES

The Petroleum Act, 2015 among other things, mandates TPDC to perform the following functions:

- Participating in petroleum reconnaissance, exploration and development projects;
- Carrying out specialized operations in the petroleum value chain using subsidiary companies;
- Handling the government's commercial participating interests in the petroleum sub-sector;
- Managing the marketing of the country's share of petroleum received in kind;
- Developing in depth expertise in the petroleum industry;

4. PRINCIPAL ACTIVITIES (CONTINUED)

- Investigating and proposing new upstream, midstream and downstream ventures local and international;
- Contracting, holding equity or participating in oil service and supply chain franchises and other licences;
- Performing any petroleum activities and related functions; and
- Advising the Government on policy matters pertaining to petroleum industry.

5. GENERAL OUTLOOK

Significant progress has been made in the areas of exploration, development and production for oil and gas. Sedimentary basins in Tanzania occupy a total area of 534,000 sq. km, which is approximately 56% of the total area of the United Republic of Tanzania. Active exploration blocks that have been licensed for exploration and development occupy a total area of 54,764.5 sq. km, approximately 5.74% of the total area of the United Republic of Tanzania.

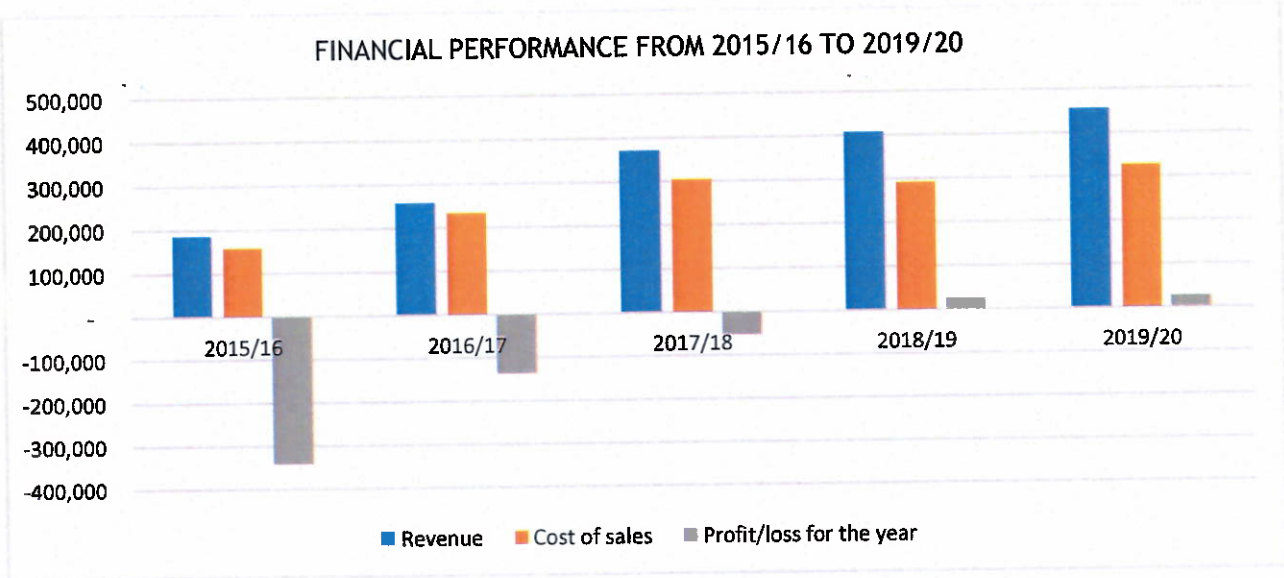
In the current year, the Corporation witnessed significant achievements in intensifying its exploration and development activities and implementation of gas distributions projects. These achievements enabled TPDC to contribute a sum of TZS 88.45 billion in 2019/20 to the Oil and Gas Fund compared to TZS 66.45 billion contributed in the preceding year. In the same year 2019/20 the Corporation paid TZS 2.5 billion as dividend to the Government.

TPDC activities in the near future will put an emphasis on the increase of availability of natural gas through carrying out drilling of new wells and implementation of natural gas distribution infrastructure projects to support domestic gas utilization in various market segments. The Corporation will implement upstream activities, which include drilling of wells in Mnazi Bay North Block and acquiring of 2D seismic data in Eyasi Wembere. The domestic gas utilization will focus on maintaining and increasing customer base through undertaking natural gas distribution infrastructure projects to connect 4 industries, 4 institutions and 1,300 households in Dar es Salaam, Mtwara and Coast region, Construction of CNG mother station with vehicles refuel pump and CNG daughter stations in Dar es Salaam. Apart from the natural gas projects, TPDC will also participate in the Oil Business (bulk oil importation and trading) and East African Crude Oil Pipeline Project (EACOP). It is our hope that these projects will generate revenue for the Corporation and the Country, create significant savings in foreign exchange, protect the environment by reducing carbon footprints and deforestation, and at the same time create employment.

5. GENERAL OUTLOOK (CONTINUED)

Most importantly, it is worth noting that the key to success of the Corporation rests on human resources. Significant emphasis has been directed towards recruiting the best human resources available, development and retention strategies, along with the establishment of an institutional set up suitable for the ongoing Corporation's activities and the new strategic directions.

The Group financial performance has partially been affected by the Coronavirus pandemic which had a negative impact in the global economy and specifically the oil and gas industry among others. The Group has recorded a net profit of TZS 26,166 million whereas in the past four years the recorded losses were TZS 341,630 million (2015/2016), TZS 136,750 million (2016/2017), TZS 52,804 million (2017/2018) and a net profit of TZS 25,399 million (2018/19) as shown in the chart below:



6. CORPORATE GOVERNANCE

The Board takes overall responsibility for the Corporation, including responsibility for identifying key risk areas, considering and monitoring 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 Corporation is committed to the principles of effective corporate governance. However, during the year ended 30th June, 2020 the Corporation did not have a Board of Directors. The activities of the Corporation were overseen by the Permanent Secretary of the Ministry of Energy and the Senior Management of the Corporation.

6. CORPORATE GOVERNANCE (CONTINUED)

The Directors of the Corporation who served during the year and up to 30th May 2019 are:

Name	Position	Discipline
Prof. Sufian H. Bukurura	Chairman	Legal academician/ Researcher
Hon. (Rtd) Judge Josephat M. Mackania	Vice Chairman	Lawyer
Ambassador Dr. Ben Mosses	Director	Administrator/ Diplomat
Prof. Abiud Kaswamila	Director	Land use planner/
Prof. Hussein Sosovele	Director	Environmentalist
Ms. Mwanamani Kidaya	Director	Geologist
Dr. Shufaa Albeity	Director	Accountant
Eng. Kapuulya Musomba*	Ex-officio member	Engineer

The **Senior Management** team comprises of;

Name	Position
Mr. James P. Mataragio	Managing Director
Mr. George M. Seni	Director of Finance and Administration
Mr. Kelvin Komba	Director of Exploration, Development and Production
Dr. Wellington Hudson	Director of Oil and Gas Business
Mr. Nathan E. Mnyawami	Director of Planning and Investment
Mr. Gabriel L. Mwero	Director of Internal Audit Unit
Dr. Elias Mwashiuya	Director of Legal Services Unit
Mr. Edwin Riwa	Head of Procurement Management Unit
Mr. Renatus Nyanda	Head of Risk Management Unit
Mr. David Kidenya	Head of ICT and Statistics Unit
Ms. Marie Msellem	Head of Public Relations and Communication Unit

7. CAPITAL STRUCTURE

The Corporation capital structure for the year is as shown below.

SHARE CAPITAL	2020 TZS 'm	2019 TZS 'm
Authorised: Ordinary Shares		
2,500 ordinary shares of TZS. 1,000,000 each	**2,500**	2,500
Issued and fully paid:		
2,208 ordinary shares of TZS. 1,000,000 each	**2,208**	2,208

All the issued and fully paid shares are held by the Treasury Registrar on behalf of the Government of the United Republic of Tanzania (URT)

EQUITY CONTRIBUTION FROM GOVERNMENT

	2020 TZS 'm	2019 TZS 'm
At start of year	**184,139**	184,139
Received during the year	-	-
Remittance to the government	-	-
At end of year	**184,139**	184,139

Equity contribution from Government represents net capital contributions received from the Government.

8. MANAGEMENT

Management of the Corporation is under the Managing Director and is organized in the following directorates and units:

Directorates

- Exploration, Development and Production;
- Oil and Gas Business;
- Panning and Investment; and
- Finance and Administration.

8. MANAGEMENT (CONTINUED)

Units

- Procurement Management;
- Public Relations and Communication;
- Risk Management;
- Internal Auditing;
- Legal Services; and
- Information Communication Technology and Statistics.

9. ONGOING AND FUTURE DEVELOPMENT PROJECTS

A) Upstream Operations

i) Exploration Activities

The Corporation completed drilling of two (2) shallow stratigraphic boreholes in the Eyasi Wembere Block and undertook core sample analysis for petrographic, geochemical, and biostratigraphic studies. Further, TPDC commenced undertaking Environmental and Social Impact Assessment (ESIA) studies for 2D seismic data acquisition in the Block.

TPDC completed processing and interpretation of 131.7sqkm of the 3D Seismic data. Additionally, TPDC conducted well planning and geological prognosis using time and depth-domain seismic data for Mnazi Bay North block, and the drilling preparation will start in 2020/21. The procurement process of the Drilling Management Consultancy (DMC) is underway. The DMC will review Geological, Geophysical and any other related data, plan well(s) to be drilled and supervise the drilling process together with TPDC.

TPDC continued with Geological and Geophysical studies to better understand the hydrocarbon potential of the Block 4/1B. The EIA for seismic data acquisition has been upgraded. Also, Petro-physical interpretation of Chaza-1 Well and Palynological analysis of samples from Jodari-1 Well near to block 4/1B was conducted. Such studies depicted good potential for further exploration.

The Corporation completed Petro-physical studies of SS10 Well (nearby well), Geological prognosis, and preliminary well planning in the West Songo Songo (WSS) Block. Further, the EIA Certificate for seismic data acquisition and exploration well drilling in the Block has been secured. Furthermore, TPDC applied for an oil and gas exploration license over West Songo Songo (WSS) Block to the Ministry of Energy (MoE).

9. ONGOING AND FUTURE DEVELOPMENT PROJECTS (CONTINUED)

A) Upstream Operations (continued)

ii) LNG Development

In the financial year 2019/2020, TPDC managed to make compensation payments to the LNG Project Affected People (PAPs) whereby a total of 605 out of 695 PAPs, were paid. The compensation of the remaining PAPs will be conducted during the 2020/21 financial year.

In the meantime, TPDC through PSAs' Contractors of Blocks 1, 2 and 4, initiated the procurement process of the third-party contractors to conduct Resource and Recoverable volume Verification for the three blocks. The third-party Reserve Verification will enable LNG Government Negotiation Team (GNT) to have a clear understanding of the gas initial in place and recoverable resources during project negotiation.

In another development, during the year under review, the Corporation updated the LNG economic model database using subscribed IHS data as a cost benchmarking tool.

B) Downstream Operations

B.1 Downstream Natural Gas Projects

i. Natural Gas Distribution Projects

The Corporation completed construction of gas supply infrastructure to Lodhia, Knauf and Coca Cola industries. Furthermore, Gas Sales Agreement (GSA) negotiations with LN Future BUilding Materials Co. Ltd and Balochistan Group of Industries Ltd were concluded.

TPDC completed the connection of National Natural Gas Infrastructure (NNGI) with the existing Ubungo Mikocheni pipeline. Through this connection, the NNGI can supply gas to industries at Mikocheni Light Industrial Area in Dar es Salaam.

Connection works for COET cafeteria, Cafeteria 1 & 2 at the University of Dar-es-Salaam (UDSM) were completed. A total of 112 houses in Dar es Salaam (Mikocheni Area, Mlalakuwa and UDSM) and 125 houses in Mtwara were connected with the natural gas network for cooking uses.

A preliminary engineering design work for connecting 1,000 houses to natural gas in Dar es Salaam was completed and paved way for detailed engineering design work and project implementation through the EPC. Further, detailed engineering designs for connecting 300 houses in Mtwara were completed with a plan to implement the construction through a Force Account.

9. ONGOING AND FUTURE DEVELOPMENT PROJECTS (CONTINUED)

B) Downstream Operations

B.1 Downstream Natural Gas Projects (continued)

ii. Natural Gas Distribution Projects (continued)

Also, a detailed engineering design work for two (2) CNG mother stations and two (2) CNG daughter stations to be constructed in Dar es Salaam and another daughter station to be constructed in Kibaha was initiated

B.2 Downstream Oil Trading Projects

i. Petrol Stations

The valuation of the assets and verification of operators of TPDC petrol stations in Tanga, Arusha, Singida, Mara and Geita were conducted. Rehabilitation works for the existing petrol stations are planned to be undertaken during the financial year 2020/21.

ii. Strategic Petroleum Reserve (SPR)

In establishing the Strategic Petroleum Reserve (SPR), TPDC has identified plots for strategic depots in Dar es Salaam, Morogoro, Dodoma and Tanga. The spot valuation of those plots will be conducted in 2020/21.

iii. Dar es Salaam-Tanga-Mwanza-Kagera-Uganda Gas Pipeline project

The project is meant to construct the Gas Pipeline from Dar es Salaam through Tanga-Mwanza-Kagera to Uganda with a plan to utilize the EACOP wayleave. Joint procurement rules were already prepared and submitted to the steering committee of the project. During the financial year 2020/2021, the planned activity is to procure a consultant to undertake the feasibility study for construction of the Gas Pipeline from Dar es Salaam-Tanga-Mwanza-Kagera-Uganda.

iv. East African Crude Oil Pipeline Project (EACOP)

The progress was made to the second phase of Project implementation which involved finalizing negotiations on Project Agreements after completion of project's relevant studies. Geotechnical surveys, valuation of the way-leave, and identification of priority areas for camps and pipes coating yards were completed. The negotiated Agreements included IGA, HGA, Land Lease Agreement, and Port's Agreement. It was planned to conclude the Agreements in the financial year 2020/21.

9. ONGOING AND FUTURE DEVELOPMENT PROJECTS (CONTINUED)

B) Downstream Operations (continued)

iv. East African Crude Oil Pipeline Project (EACOP) (continued)

The Final Investment Decision (FID) is planned in the financial year 2021/22 and thereafter commencing the Project implementation during the same quarter. The Project construction phase is planned for three years from 2021 to 2024, and the first oil is expected to flow in the EACOP infrastructure from 2025 for the following 25 years.

KEY ACHIEVEMENTS

During the year under review, the key achievements of the Corporation included:

i. Drilled of two shallow stratigraphic boreholes in Eyasi Wembere basin. (Kining'inila - Igunga District and Nyalanja - Meatu District);

ii. Paid Land compensation of six hundred and five (605) out of 695 LNG Project Affected People (PAPs);

iii. Signed of three (3) Gas Sales Agreements (GSAs) for Knauf, Shreeji, and Coca Cola factories;

iv. Attained Commercial Operating Date (COD) for PanAfrican Energy Tanzania (PAET) and Maurel & Prom (M&P);

v. Acquired Compressed Natural Gas (CNG) Project sites at Ferry, Muhimbili, and Kibaha;

vi. Constructed 16.6km (8.6km trunk line 8km distribution line) gas distribution network with the capacity to connect 3,000 households in Mtwara and 9.5 km gas network with the capacity to connect 10,000 households in Dar es Salaam;

vii. Processed and transported 32.4 Billion Cubic Feet (BCF) of natural gas to supply downstream customers in 2019/20 compared to 15.48 BCF in 2018/19. The availability of the transportation pipeline was at 100% while the reliability of gas supply to customers was maintained at 98%;

viii. Conducted Fourteen (14) CSR programs in Mtwara, Lindi, Pwani, Dodoma and Dar es Salaam; and

ix. 16 staff attended long courses during the period (13 staff abroad and 3 staff local) while 37 staff attended short courses.

10. RESULTS AND DIVIDEND

Results for the year are set out on page 24 of this report. During the year, the Group recorded a net profit of TZS 26,166 million (Corporation: a net profit of TZS 26,115 million) for the year ended 30th June, 2020 (2019: Group had a net profit of TZS 25,399 million and Corporation had a net profit of TZS 25,437 million). Management declared and paid dividend of TZS 2,500 million to the Government, through the Office of Treasury Registrar, for the financial year ended 30th June, 2020 (2019: TZS 2,500 million).

11. REMITTANCE TO THE OIL AND GAS FUND

Pursuant to provisions of the Oil and Gas Revenue Management Act, 2015, the Group remitted a sum of TZS 88,458 million to the oil and gas fund maintained at the Central Bank of Tanzania (2019: TZS 66,449 million). These funds comprise of government share of profit gas and royalty resulting from upstream operations in the gas producing fields at Mnazi bay and Songo Songo Island.

12. RISK MANAGEMENT AND INTERNAL CONTROL

All employees are required to observe risks inherent at the workplace. Risk assessment responsibility rests with the Management. Effective risk management process fulfils the intent of managing risks in TPDC so as to enhance business performance, protection of the Group's reputation, and improvement of Corporation's ability in compliance with the existing regulations and standards in the industry, locally, regionally and globally. The Board is in-charge of the overall risk management schemes assisted by the Board's Audit and Risk Management Committee in carrying out its functions with respect to internal control systems.

The Group faces a number of risks that need to be constantly monitored such that its effects do not impair the going concern of the Corporation. Descriptions of these risks are provided below:

(i) Credit Risk

Despite notable improvements in revenue collection during the year, cash flow performance remained below expectations partly due to having large amounts of long-overdue gas sales revenue. These overdue sales are mainly attributable to major natural gas off-takers including TANESCO, Songas (T) Limited and PanAfrican Energy (T) Limited.

12. RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

(i) Credit Risk (continued)

This situation continued to cause cash flow strains affecting Corporation investments and daily operations; reducing the Corporation's capacity to meet financial obligations; limiting the ability of TPDC to secure different forms of credits, guarantees and strategic investments necessary for Corporation's growth and; reducing the pace of the Corporation to achieve commercial independence. The Corporation has been working with the debtors - TANESCO, Songas (T) Limited and PanAfrican Energy (T) Limited and its key stakeholders including the Ministry of Energy (MoE), to improve debtor collection.

(ii) Credit Default Risk

The natural gas infrastructure operated by TPDC continued to be substantially underutilized, although there has been good progress in natural gas connection to new industrial customers. Progressive underutilization of natural gas infrastructure which was constructed using borrowed funds, may defeat revenue assumptions of the natural gas infrastructure project and affect revenue projections needed to repay large loan principal and interest over the project lifetime. The effects may be broad ranging from increased financial loss due to loan default fees and additional loan interests, reduced ability of TPDC to source external financing for project funding due to weak credit repayment history, damaged country and Corporation reputation among strategic partners and financiers both locally and internationally.

(iii) Fund Raising Risk

Lack of sufficient funds to finance operating and investing activities continued to be a challenge to the Group. The Corporation remained unable to actively participate in additional stakes in the discovery areas where it has contractual rights to participate due to financial constraints hindering investment financing called upon under respective PSAs. As a result, Government share could not be increased and an opportunity to realize significant future revenue could not be utilized.

Further, weak financial position and performance continued to impede TPDC as a National Oil Company (NOC) to leverage on its exclusive rights as a license holder and other privileges to profitably invest in viable projects like Blocks 4/1B and 4/1C, Strategic Petroleum Reserve (SPR), West Songo Songo, tank farm project and oil trading activities. Various options are being explored to manage this risk including investing in quick-revenue generating projects, seeking potential Government financial support and exploring viable partnerships with suitable investors.

12. RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

(iv) Foreign Exchange Risk

Foreign currency loans and payables especially those related to large loan obligations such as natural gas infrastructure project (NNGIP) loan, continued to expose the Corporation to foreign currency exchange risk which could have material adverse impact on our earnings, cash flows and financial condition. Although most of the cashflows generated from TPDC's operations are in USD, The Group and Corporation is working on ways to manage uncontained risks by utilizing various hedging methods and exploring suitable risk management products available in the financial markets

(v) Operational Risk

The broader economic and security significance as well as complex nature of core TPDC operations call for development and maintenance of an effective Business Continuity Management (BCM) System, to guarantee the quickest possible resumption of key/ activities in a case of a major operational disruption. The direct dependence on TPDC's natural gas supplies by major electricity generators, distributors and industries for their energy needs, demand for immediate and sufficient investment in BCM systems, which is presently lacking hence the risk. Prolonged service disruption could lead to possible legal action against TPDC by customers, higher overhead cost and damage TPDC's credibility and reputation. To properly manage this risk, the Corporation has set aside funds in the financial year 2019/20 budget, to start contingency plans development process.

(vi) Legal and Regulatory Risks

Developments in policy, legal and regulatory environment remained a considerable risk on operations. Certain shifts in policies and directives could limit the ability of the Group to obtain financing and security guarantees hence weakening its position in negotiations and increase operational hindrances. This threat has been managed by stakeholder influence and active involvement of TPDC in policy review processes.

14. SOLVENCY

Management has reviewed the Group and Corporation state of affairs and are of the opinion that the Group and the Corporation will continue operating in a manner that its financial obligations will be met.

15. RESOURCES

The Corporation owns several resources in its operations as described below:

a) Human Capital

The Corporation possesses adequate number of qualified human capital in relevant and different disciplines. TPDC has a tradition of enhancing staff capacities through short and long term training programs particularly in the fields of oil and gas.

b) Financial Resources

The main sources of corporate funding are Government's budgetary allocations, gas sales and gas tariff income from operations of the National Natural Gas Infrastructure (NNGI). In addition, TPDC earns dividends from investments made in other companies. However, with expanding operations funding is inadequate relative to the planned activities.

c) Processing and Transmission Resources

The Corporation owns Madimba and Songo Songo Gas Processing Plants, Mtwara - Dar es Salaam gas transmission pipeline and Ubungo- Mikocheni gas distribution pipeline. The existing natural gas infrastructures are operated and maintained by GASCO, which is among the TPDC subsidiary companies.

d) Properties

(i) Land

The Corporation owns land located in various strategic areas for investment purposes. Lands owned include those in Kilwa Masoko and Likong'o in Lindi Region, Kibirizi, Bangwe and Mwanga in Kigoma.

Other areas are Makambako in Njombe; Mpanda; Uyole, Mbeya; Isaka, Shinyanga; Makurunge and Msata, Coastal region and Kigamboni Bitumen site and Mlalakuwa plots in the City of Dar es Salaam.

(ii) Other properties

Some of the properties that are owned by the Corporation are located in various regions in the United Republic of Tanzania. The Corporation has properties in such areas as Upanga, Mikocheni, Mlalakuwa, Msasani, Masaki, Temeke and Kinondoni the city of Dar es Salaam. Some more properties are in Lindi and Mtwara regions and others, include Petrol stations, existing at Makuyuni, Singida, Tarime, Musoma, Geita and Segera areas.

15. RESOURCES (CONTINUED)

e) Gas reserves

Following a number of discoveries in onshore and offshore blocks, the natural gas reserves in Tanzania have reached 57.54 trillion cubic feet. The reserves are expected to rise further as a result of the ongoing exploration activities in the country. For the period under review, there were three onshore gas producing fields located at Mnazi bay, Songo Songo Island and Kiliwani North. TPDC has participating interest in Mnazi bay and Songo Songo gas fields.

16. RELATIONSHIP WITH STAKEHOLDERS

The Corporation's operations cut across several stakeholders' interests. The Corporation enjoys good and cooperative support from all stakeholders. Key to this relationship has been prompt and informed communication system.

17. EMPLOYEES' WELFARE

a. Management and employees relationship

There is a well-established workers council which facilitates good relationship between the TPDC management and its employees. TPDC's members of staff are free to air their views through the available normal channels like staff e-mailing system and during meetings. Employees and Directors get in touch with each other during departmental meetings, workers council meetings and all staff meetings are held in different times.

b. Training facilities/ training and development

TPDC has a stable training and development program. The TPDC Staff Regulations (2008) provides procedures to be followed when implementing the training and development program. Sources of funds are clearly identified to make the program comprehensive. During the year ended 30th June, 2020, a total of TZS 1.5 billion was spent to cover for short and long courses both local and abroad as compared to TZS 1.41 billion spent in the year ended 30th June, 2019.

18. EMPLOYEES' WELFARE

c. Medical Assistance

All TPDC staff are included in the health insurance scheme. The National Health Insurance Fund (NHIF) which is a mandatory Government health scheme provides medical services to TPDC Staff. Both the employer and employee contribute 3% each of the basic salary to NHIF. In the cases where the NHIF cannot cover some of the medical services as required by our staff, the Corporation may cover that gap.

d. Persons with disabilities

TPDC adheres to disability policy which responds to the National Disability Policy (2004) requiring all government institutions, families, relatives, local government and non-governmental organizations to care for disabled persons. TPDC ensures that people with disabilities (mental or physical) have access to the Corporation facilities and environment wherever reasonably possible, comparable to that of their non-disabled peers. The policy recognizes that disabled staff and members of the community are an integral part of the Corporation community.

e. Employees' Benefit Plans

During the year, the Corporation paid TZS 1.12 billion (2019: TZS 1.16 billion) as contributions to publicly administered Pension plans (i.e. Public Service Social Security Fund (PSSSF) and National Social Security Fund (NSSF)

f. Saving and Credit Cooperative Society

TPDC has its SACCOS of which any TPDC staff is free to join as a member. It provides short and long term loans to TPDC Staff. This has lessened the burden of issuing loans and salary advances to staff.

g. Gender policy

TPDC is dedicated towards conforming to a national policy on gender balance by adhering to the principles of gender issues. The TPDC Staff Regulations observes principles of gender matters like in employment opportunity, sexual harassment, etc. Gender Policy is included in the staff regulations which is currently under review. During the year ended 30th June, 2019, TPDC had 348 employees of which 280 (80%) were male and 68 (20%) were female.

19. HIV/AIDS AWARENESS PROGRAMME

The Corporation has HIV/AIDS awareness program and measures with an objective to provide an all-encompassing management of HIV/AIDS at the workplace to ensure business continuity. In the year 2018/2019, TPDC conducted an awareness program to the Management and its staff to bring awareness to the employees on HIV/AIDS related issues.

20. RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in Note 35 to the financial statements.

21. ENVIRONMENTAL CONTROL PROGRAMME

Activities such as seismic surveys, drilling programs and infrastructure construction have negative impact to the environment. To mitigate risks emanating from these developments, all projects are subjected to the National Environmental Management Council (NEMC) clearance.

22. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Corporation upholds good Corporate Social Responsibility (CSR) practices. It identifies itself with the community within which it operates and cultivates harmonious relationship so as to acquire social license to operate with all such communities. The Corporation's CSR practices during the year ended 30th June, 2020 covered areas including public health, education and good governance.

During the year under review, the Corporation made various donations to its stakeholders as part of its CSR practices. Below is the matrix showing the list of CSR activities conducted by the Corporation during the year:

S/No.	Intervention Areas	Program/Project supported.	Beneficiaries	Program/project Cost
1.	Water	Rehabilitation of water well project.	Msimbati	4,909,000
2.	Health	Donation of Medical supplies/equipment to Mangwi health Centre.	Mangwi Health Centre	10,333,300
3.	Education	Construction of Classroom for Njopeka Primary School	Mkuranga District	19,480,000
4.	Education	Construction of Class Room for Njia nne	Kilwa District	20,000,000
5.	Education	Construction of Toilets at Mtoni Primary School.	Kilwa District	10,000,000

S/No.	Intervention Areas	Program/Project supported.	Beneficiaries	Program/project Cost
6.	Good governance	Sponsorship for the 50th TGS Anniversary and annual meeting.	Tanzania Geological Society	2,500,000
7.	Education	Sponsorship for best student award Students	NECTA	2,000,000
8.	Good governance	18th African Nordic Foreign Ministers meeting sponsorship	Ministry of Foreign Affairs	5,000,000
9.	Health	Construction of Mama na Mtoto Ward at Mwanambaya Dispensary	Mkuranga	50,000,000
10.	Health	Flood victim support	Kilwa District	5,000,000
11.	Education	Toilets Construction in Shangani Primary School in Mtwara	Mtwara Mikindani	6,660,900
12.	Education	Toilets Construction in Raha leo Primary School in Mtwara	Mtwara Mikindani	11,452,500
13.	Education	Purchase Beds for Secondary Hostel Schools in Mkuranga District.	Mkuranga District	14,400,000
14.	Health	Doctor's house construction at Mtawanya Dispensary.	Mtwara District	18,000,000
15.	Education	Classroom Construction at Msakala Primary School.	Mtwara District	19,989,000
16.	Water	Drilling of Water wells at Nyamwimbe Village.	Kibiti District	21,710,000
17.	Education	Purchase of Mattresses for Hostels of Secondary Schools in Mtwara District.	Mtwara District	28,032,000
18.	Sports	CHATO Stadium construction.	Chato District	20,000,000
19.	Education	Contribution on the Mtwara &Lindi STEMMUCO Scholarship Fund.	STEMMUCO	5,000,000
20.	Health	Support of COVID-19 Medical equipment.	Ministry of Health	20,000,000
21.	Good governance	Fund to facilitate congress held in Dodoma on leadership and democracy.	IKUPA trust fund	15,750,000
22.	Health	Doctor's house construction at Kiwanga Village Dispensary.	Lindi District	22,655,500
			Total	**332,872,200**

22. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Total donations made during the year amounted to TZS 333 million (June 2019: TZS 130 million).

Corporate Image and Reputation

In carrying out its responsibilities, TPDC relies on a good corporate image and reputation. During the year under review, a number of activities were carried out with an intention of building and maintaining the positive image and reputation of the Corporation. These activities include, awareness campaigns and strategic use of media and media relations. During the year under review, a total of 66 villages along the natural gas pipeline from Mtwara to Lindi were visited as part of creating awareness relating to natural gas infrastructure and security and five (5) villages Within Ruvu Block in the Coast Region. Along the same line of strategic use of media, articles were published in various newspapers, 18 Television stations and 20 radio programs aired that aimed at enhancing understanding of the sector and publicizing TPDC activities.

23. GAS RESERVES

a. Recoverable Gas

Two fields are currently under production i.e. Songo Songo and Mnazi Bay; The Government of Tanzania and TPDC entered in the Production Sharing Agreements (PSAs) with Pan African Energy Tanzania Limited and Maurel & Prom (M&P) for exploration and production of oil and gas over Songo Songo and Mnazi Bay blocks respectively. TPDC opted to participate in the Joint Operating Agreement (JOA) for Mnazi bay PSA, but it does not participate in the assets of Songo Songo PSA operated by Pan African Energy. The natural gas reserves at Songo Songo field as per assessment done in December 2017 at P90 confidence level is 723.0 billion cubic feet (BCF). On the other hand, the gas reserves for Mnazi Bay as assessed by independent consultants in December 2017 at P90 confidence level is 304.7 BCF. The summaries of recoverable gas reserves for the two fields are as follows:

Confidence Level	Songo Songo Billion Cubic Feet	Mnazi Bay Billion Cubic Feet
P 10	975.1	829.6
P 50	848.1	552.3
P 90	723.0	304.7

Up to the end of the period under review, gas discoveries i.e. Gas Initial in Place (GIIP) for both offshore and onshore fields is 57.54 TCF of which 47.54 TCF is offshore and 10 TCF is onshore.

23. GAS RESERVES

b. Gas Sharing

Gas produced from reserves are shared between the exploration and Production companies and TPDC in accordance with sharing tranches as per respective PSAs. Some revenues from these reserves are remitted by TPDC to the oil and gas fund maintained at the Central Bank of Tanzania as per provisions of the Oil and Gas Revenue Management Act, 2015.

24. AUDITORS

The Controller and Auditor General (CAG) is the statutory auditor of the Corporation by virtue of Article 143 of the Constitution of the United Republic of Tanzania of 1977 as amplified under section 10(1) of the Public Audit Act, 2008. However, in accordance with section 33 (1) of the same Act, PricewaterhouseCoopers and National Audit Office have jointly carried out the Audit of Tanzania Petroleum Development Corporation for the year ended 30th June, 2020.

ON BEHALF OF ORDER OF THE BOARD

Masanja

Acting Permanent Secretary / Ministry of Energy: Eng. Leonard R. Masanja

30/03/2021
Date

Mataragio

Managing Director: Dr. James P. Mataragio

30/3/2021
Date

TANZANIA PETROLEUM DEVELOPMENT CORPORATION

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30TH JUNE, 2020

The Directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view of Tanzania Petroleum Development Corporation comprising the consolidated and separate statements of financial position as at 30th June, 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards (IFRS) and the manner required by Public Corporations Act, 1992.

The Directors are also responsible for such internal control as Directors determine is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management. They are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The Directors have assessed the Corporation and Group's ability to continue as going concern and have disclosed the facts under Note 2 of these financial statements. They have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of financial statements

The consolidated and separate financial statements of Tanzania Petroleum Development Corporation and its subsidiaries, as identified in the first paragraph, were approved by the Permanent Secretary of the Ministry of Energy on .30/03/.... 2021 and signed on its behalf by:

Acting Permanent Secretary Ministry of Energy: Eng. Leonard R. Masanja	**Managing Director: Dr. James P. Mataragio**

TANZANIA PETROLEUM DEVELOPMENT CORPORATION

DECLARATION OF HEAD OF FINANCE
FOR THE YEAR ENDED 30TH JUNE, 2020

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a Statement of Declaration issued by the Head of Finance responsible for the preparation of financial statements of the entity concerned.

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view position of the entity in accordance with international accounting standards and statutory reporting requirements. Full legal responsibility for financial statements rests with the Senior Management as under Management's Responsibilities statement on an earlier page.

I, George Mahigu Seni, being the Director of Finance and Administration of Tanzania Petroleum Development Corporation hereby acknowledge my responsibility of ensuring that consolidated and separate financial statements for the year ended 30th June, 2020 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements comply with applicable accounting standards and statutory requirements as on that date and that they have been prepared based on properly maintained financial records.

Signed by: GEORGE MAHIGU SENI

Position: Director of Finance and Administration

NBAA Membership No.: ACPA (T) 2739

Date: 30.03.2021

4.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Managing Director,
Tanzania Petroleum Development Corporation,
Tower A, Benjamin W. Mkapa,
Azikiwe / Jamuhuri Street,
P.O. Box 2774,
Dar es Salaam, Tanzania.

4.1 REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

Opinion

I have audited the consolidated financial statements of Tanzania Petroleum Development Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30th June, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly in all material respect, the consolidated financial position of Tanzania Petroleum Development Corporation (TPDC) as at 30th June, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI. My responsibilities under those standards are further described in the section below entitled "Responsibilities of the Controller and Auditor General for the Audit of the Consolidated Financial Statements". I am independent of the Group and the Corporation in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated financial statements of the current period. I have determined that there are no key audit matters to communicate in my report.

Other Information

Management is responsible for the other information. The other information comprises the Director's Report and Declaration of Head of Finance but does not include the consolidated financial statements and my audit report thereon.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the consolidated financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information that I obtained prior to the date of this audit report, I conclude that there is a material misstatement of this other information I am required to report that fact. I have nothing to report in this regard.

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

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

In preparing the consolidated 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.

Responsibilities of the Controller and Auditor General for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISSAI, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

In addition, section 10 (2) of the Public Audit Act, 2008 requires me to satisfy myself that the financial statements have been kept in accordance with the appropriate accounting standards.

Further, section 48 (3) of the Public Procurement Act, 2011 (as amended in 2016) requires me to state in my audit report whether or not the audited entity has complied with the provisions of the law and its regulations.

4.2 REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Compliance with the Public Procurement Act, No.7 of 2011 (as amended in 2016)

In view of my responsibility on the procurement legislation and taking into consideration the procurement transactions and processes I have reviewed as part of this audit, I state that, Tanzania Petroleum Development Corporation procurement transactions and processes have generally complied with the requirements of the Public Procurement Act No.7 of 2011 (as amended in 2016) and its underlying Regulations of 2013 (as amended in 2016).

Charles E. Kichere
Controller and Auditor General
Dodoma, United Republic of Tanzania
March 2021

CONTROLLER AND AUDITOR GENERAL

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2020

	Note	Group 2020 TZS 'm	Group 2019 TZS 'm	Corporation 2020 TZS 'm	Corporation 2019 TZS 'm
Assets					
Non-current assets					
Property, plant and equipment	14	2,107,335	2,176,255	2,105,258	2,175,687
Natural gas properties	15	51,630	56,398	51,630	56,398
Investment properties	16	1,682	1,682	1,682	1,682
Intangible assets	17	13,278	13,292	13,278	13,292
Investment in subsidiaries	18	-	-	6,500	6,500
Investment in associate	19	62,299	57,548	62,299	57,548
Escrow funds	21	138,527	138,105	138,528	138,105
		2,374,751	2,443,280	2,379,175	2,449,212
Current assets					
Inventories	23	5,843	4,959	655	899
Trade and other receivables	24	573,692	576,475	588,536	581,275
Cash and cash equivalents	25	230,670	144,419	223,626	138,502
Carried interest asset	27	-	266	-	266
		810,205	726,119	812,817	720,942
Total assets		3,184,956	3,169,399	3,191,992	3,170,154
Equity and Liabilities					
Equity					
Share capital	26(a)	2,208	2,208	2,208	2,208
Equity contribution from GoT	26(b)	184,139	184,139	184,139	184,139
Revaluation reserve	26(c)	139,714	139,714	139,714	139,714
Retained earnings		(657,229)	(680,894)	(657,232)	(680,843)
Total equity		(331,168)	(354,833)	(331,171)	(354,782)
Liabilities					
Non-current liabilities					
Deferred tax liability	22	59	27,039	-	27,017
Borrowings	30	2,521,470	2,756,235	2,521,470	2,756,235
Government grant	28	35,450	29,962	35,450	29,962
Asset retirement obligation	29	4,127	3,764	4,127	3,764
		2,561,106	2,817,000	2,561,047	2,816,978
Current liabilities					
Borrowings	30	730,477	425,507	730,477	425,507
Carried interest liability	27	873	-	873	-
Trade and other payables	31	221,086	278,413	228,323	279,237
Income tax payable		2,582	3,312	2,443	3,214
		955,018	707,232	962,116	707,958
Total liabilities		3,516,124	3,524,232	3,523,163	3,524,936
Total equity and liabilities		3,184,956	3,169,399	3,191,992	3,170,154

The financial statements on page 26 to 97 were approved by the Board of Directors and signed on its behalf by;-

Masanja | 30/03/2021

Acting Permanent Secretary - Ministry of Energy | Date

Eng. Leonard R. Masanja

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE, 2020

		Group		Corporation	
	Note	2020 TZS 'm	2019 TZS 'm	2020 TZS 'm	2019 TZS 'm
Revenue	7	454,560	405,902	454,560	405,510
Cost of sales	8	(326,932)	(292,354)	(348,554)	(318,845)
Gross profit		127,628	113,548	106,006	86,665
Other income	9	34,075	78,166	34,013	71,907
Provision for bad debt	5(b)	(16,660)	(4,068)	(16,660)	(4,068)
Operating expenses	10	(55,679)	(69,525)	(34,232)	(36,483)
Operating profit		89,364	118,121	89,127	118,021
Finance cost	12	(89,554)	(116,774)	(89,555)	(116,774)
Share of profit from associate	19	13,616	17,147	13,616	17,147
Profit before tax		13,426	18,494	13,188	18,394
Taxation	12	12,740	6,905	12,927	7,043
Profit for the year		26,165	25,399	26,115	25,437
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		26,165	25,399	26,115	25,437

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE, 2020

GROUP	Share capital TZS 'm	Equity contribution government TZS 'm	Revaluation reserve TZS 'm	Retained earnings TZS 'm	Total TZS 'm
Year ended 30th June, 2020					
As at 1st July, 2019	**2,208**	**184,139**	**139,714**	**(680,894)**	**(354,833)**
Transactions with owners;					
Dividend paid	-	-	-	**(2,500)**	**(2,500)**
Other comprehensive income;					
Profit for the year	-	-	-	**26,165**	**26,165**
As at year end 30th June, 2020	**2,208**	**184,139**	**139,714**	**(657,229)**	**(331,168)**
Year ended 30th June, 2019					
As at 1st July, 2018	2,208	184,139	139,714	(703,793)	(377,732)
Transactions with owners;					
Dividend paid	-	-	-	(2,500)	(2,500)
Other comprehensive income;					
Profit for the year	-	-	-	25,399	25,399
At year end 30th June, 2019	2,208	184,139	139,714	(680,894)	(354,833)

TANZANIA PETROLEUM DEVELOPMENT CORPORATION
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2020

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE, 2020

CORPORATION	Share capital TZS 'm	Equity contribution government TZS 'm	Revaluation reserve TZS 'm	Retained earnings TZS 'm	Total TZS 'm
Year ended 30th June, 2020					
As at 1st July, 2019	**2,208**	**184,139**	**139,714**	**(680,842)**	**(354,781)**
Transactions with owners;					
Dividend paid	-	-	-	**(2,500)**	**(2,500)**
Other comprehensive income;					
Loss for the year	-	-	-	**26,115**	**26,115**
As at year end 30th June, 2020	**2,208**	**184,139**	**139,714**	**(657,232)**	**(331,171)**
Year ended 30th June, 2019					
As at 1st July, 2018	2,208	184,139	139,714	(703,781)	(377,720)
Transactions with owners;					
Dividend paid	-	-	-	(2,500)	(2,500)
Other comprehensive income;					
Profit for the year	-	-	-	25,438	25,438
At year end 30th June, 2019	2,208	184,139	139,714	(680,842)	(354,782)

NOTES TO FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE, 2020

		Group		Corporation	
	Note	2020	2019	2020	2019
		TZS 'm	TZS 'm	TZS 'm	TZS 'm
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operating activities	32	**124,884**	151,064	**121,844**	144,480
Interest paid		**(2,430)**	(2,561)	**(2,432)**	(2,561)
Income tax		**(14,972)**	(14,230)	**(14,859)**	(14,213)
Net cash generated from operating activities		**107,481**	134,273	**104,553**	127,706
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	14	**(16,609)**	(11,357)	**(14,804)**	(10,745)
Acquisition of intangible assets	17	**(196)**	(17)	**(196)**	(17)
Additions to natural gas properties	15	**(41)**	(844)	**(41)**	(844)
Proceeds from disposal of assets		**-**	-	**-**	40
Dividends received	19	**8,865**	8,845	**8,865**	8,845
Net cash used in investing activities		**(7,981)**	(3,373)	**(6,175)**	(2,721)
CASH FLOWS FROM FINANCING ACTIVITIES					
Escrow funds		**-**	-	**-**	-
Repayment of borrowings (principal)	30	**(16,555)**	(33,293)	**(16,555)**	(33,292)
Government grant received	28	**5,806**	-	**5,806**	-
Dividends paid		**(2,500)**	(2,500)	**(2,500)**	(2,500)
Net cash used in from financing activities		**(13,249)**	(35,793)	**(13,249)**	(35,792)
Net increase in cash and cash equivalents		**86,251**	95,107	**85,124**	89,192
Movement in cash and cash equivalents					
At beginning of the year	25	**144,419**	49,312	**138,502**	49,310
Increase during the year		**88,251**	95,107	**85,124**	89,192
Cash and cash equivalents at end of year	25	**230,670**	144,419	**223,626**	138,502

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Tanzania Petroleum Development Corporation (TPDC) is domiciled in Dar es Salaam, Tanzania. The consolidated and separate financial statements of the Corporation as at and for the year ended 30th June, 2020 comprise the Corporation and its subsidiaries GASCO and TANOIL (together referred to as the "Group"). The Corporation owns 100% of the ordinary share capital of GASCO and TANOIL.

The Group is primarily involved in administration and development of oil and gas sector on behalf of the Government of United Republic of Tanzania, as well as running the downstream gas business as the main supplier and distributor. The registered address of the office is:

Benjamin William Mkapa Pension Towers,
Tower A, Plot 51/52 Azikiwe/Jamhuri Street,
Dar es Salaam, Tanzania.

For the purpose of these financial statements "consolidated" refers to the Group's financial statements (including its Corporation and subsidiaries) and "separate" refers to the Corporation's financial statements.

2. GOING CONCERN

The Group has recorded a net profit of TZS 26,165 million (Corporation: TZS 26,115 million) for the year ended 30th June, 2020 (2019: Group incurred a net profit of TZS 25,399 million and Corporation: TZS 25,437 million). As at the reporting date the Group's liabilities exceeded its assets by TZS 331,153 million (Corporation: TZS 331,171 million) (2019: Group's total liabilities exceeded assets by TZS 357,864 million and Corporation's total liabilities exceeded its assets by TZS 357,475 million). In addition, TPDC holds 100% shares in its subsidiary companies, GASCO and TANOIL. The operational budgets of the subsidiaries are financed by the Corporation.

The consolidated and separate financial statements have been prepared on the going concern basis based on the assumption that the Government will continue to provide financial support as and when necessary. The Government has consistently shown its commitment to provide financial support to the Group and Corporation through revenue grants to finance part of the operating costs, capital contributions to finance capital projects, granting of government loans and/or securing of loans on behalf of the Group and Corporation. The Management is of the opinion that the Government acknowledges the Group's and Corporation's financial difficulties and it will not recall its on-lent loan that the Group and Corporation have defaulted in paying interest.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. GOING CONCERN (CONTINUED)

In view of the above, Management of the Corporation believe that the Group and Corporation will continue to operate as a going concern basis. Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated and separate 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 consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Public Corporation Act, 1992.

The measurement basis applied is the historical cost basis except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzanian Shillings (TZS 'm), rounded to the nearest million, except where otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Changes in accounting policy and disclosures

(i) New standards and interpretations adopted by the Group and the Corporation

The following standards and amendments have been applied by the Group and the Corporation for the first time for the financial year beginning on or after 1st July, 2019 and have had no material impact on the Group and the Corporation;-

IFRS 16 'Leases'

This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular.

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases - Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

As at 1st July, 2019, the Group and Corporation did not have material nor long-term lease agreements with regards to rental of properties, motor vehicles or any other assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Changes in accounting policy and disclosures (continued)

(ii) New standards, amendments and interpretations that are not yet effective and have not been adopted by the Group and Corporation

- Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:

- use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

The effective date is for annual periods beginning on or after 1 January 2020 (early adoption is permitted).

- IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosure - Interest rate benchmark reform.

These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

The effective date is for annual periods beginning on or after 1 January 2020 (early adoption is permitted).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Principles of consolidation and equity accounting

i. Subsidiaries

Subsidiaries are entities controlled by the Corporation. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Investment in subsidiaries are accounted for at cost in the separate financial statements.

ii. Non - controlling interest (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Corporation's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iii. Loss of control

When the Corporation loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

iv. Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealised income and expenses arising from intercompany transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Corporation's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Interest in equity- accounted investees

The Group and Corporation's interests in equity-accounted investees comprise interests in associates. An associate is an entity in which the Group and Corporation have significant influence, but not control or joint control, over the financial and operating policies.

In the consolidated and separate financial statements, interest in associate is accounted for using the equity method. They are initially recognised at cost, which includes the initial transaction costs directly attributable to the acquisition of the investments. Subsequent to initial recognition, the consolidated and separate financial statements include the Group's and Corporation's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases

e) Joint operations and similar arrangements and joint ventures

A joint arrangement is present where Group and Corporation hold a long-term interest which is jointly controlled by Group and Corporation and one or more other parties under a contractual arrangement in which decisions about the relevant activities require the unanimous consent of the parties sharing control. Such joint arrangements are classified as either joint operations or joint ventures.

The parties to a joint operation have rights to the assets and obligations for the liabilities, relating to their respective share of the joint arrangement. In determining whether the terms of contractual arrangements and other facts and circumstances lead to a classification as joint operations, Group and Corporation in particular consider the nature of products and markets of the arrangement and whether the substance of their agreements is that the parties involved have rights to substantially all the arrangement's assets. Group accounts for the assets, liabilities, revenues and expenses relating to its interests in joint operations in accordance with the principles applicable to those particular assets, liabilities, revenues and expenses. Normally this leads to accounting for the joint operation in a manner similar to the previous proportionate consolidation method where the Corporation recognises, in respect of its interests in jointly controlled operations, the assets that it controls, the liabilities that it incurs, the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint operation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Joint operations and similar arrangements and joint ventures (continued)

Group's and Corporation's unincorporated joint production activities are conducted through arrangements that are jointly controlled because unanimous consent is required among all parties involved. In determining whether each separate arrangement related to TPDC's unincorporated joint exploration and production licence activities is within or outside the scope of IFRS 11, Group and Corporation considers the terms of relevant licence agreements, governmental concessions and other legal arrangements impacting how and by whom each arrangement is controlled.

Joint ventures (in in which the Group and Corporation have rights to the net assets), are accounted for using the equity method.

f) Revenue

The Group has initially applied IFRS 15 from 1st July, 2018. The revenues from sales of natural gas is at a point in time when natural gas is delivered at the delivery point. This is considered to be on end of each month when the meter readings have been done and co-signed by both parties (TPDC and customer) net of discount and taxes.

Natural gas, protected gas and other merchandise
Natural gas and protected gas revenues are recognised when control over the product is transferred to the customer, which is normally at the point of delivery of the gas, based on the contractual terms of the agreements. Meter readings are done to ascertain the quantity of gas sold. The consideration for the quantity of gas sold is based on the agreed gas prices.

PSA Revenue
Revenues from the production of gas in which the Group and Corporation share an interest with IOCs are recognised based on the Group's and Corporation's share of volumes transported and sold to customers during the period. It comprises the cost gas and profit gas revenue which is determined in accordance with the PSAs. The revenue is presented net of taxes and royalties.

Cost gas is the portion of revenue accruing to the licence partners as a manner of recovery for the cost incurred by the partner to reach to the production level. Profit gas is the residual profit accruing to TPDC and the partners after deductions of cost gas.

Upstream government shares are remitted to the government and downstream portion retained by the Group and Corporation as per the Oil and Gas Revenue Management Act, 2015 and provision of respective PSAs. Net PSA revenue for Songo Songo is arrived after deducting the adjustment factor as provided by the respective PSA.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Foreign currency translations

Transactions in foreign currencies are translated to the functional currency (Tanzanian Shilling - (TZS) at the exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortised cost in the foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at the fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss in the period in which they arise. Foreign currency differences relating to trading activities are recognised under operating expenses.

h) Property, Plant and Equipment

Property, plant and equipment are measured at fair value based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of an asset retirement obligation, if any, and borrowing costs for qualifying assets. Property, plant and equipment also includes expenditure on major maintenance refits or repairs including the cost of replacement assets or parts of assets, inspection costs and overhaul costs.

Where an asset or part of an asset is replaced and it is probable that future economic benefits associated with the item will flow to the Group and Corporation, the expenditure is capitalised. Inspection and overhaul costs, associated with regularly scheduled major maintenance programs planned and carried out at recurring intervals exceeding one year, are capitalised and amortised over the period to the next scheduled inspection and overhaul. All other maintenance costs are expensed as incurred. All other repair and maintenance costs are recognized in profit or loss as and when incurred.

The estimated useful lives and residual values of property, plant and equipment are reviewed on an annual basis, and changes are accounted for prospectively. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included within other income in the period the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Valuation

Valuations of property, plant and equipment are performed with sufficient regularity (5 years) to ensure that the carrying amounts do not differ materially from that which would be determined using fair value at the end of the reporting period.

Any revaluation surplus is credited to the revaluation reserve included in the shareholders equity net of deferred tax, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the profit or loss, in which case the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold/disposed is transferred to retained earnings.

Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:-

Asset class	Rate per annum
Buildings	2%
Furniture, fittings and equipment	10%
Motor vehicles	12.5%
Natural gas processing plant	2% - 5%
Natural gas pipeline	2% -3.33%
Computer hardware	25%

Useful lives and residual values are assessed for reasonableness at the end of each reporting period and adjusted where appropriate.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Capital work in progress

Capital work in progress represents the costs incurred for capital projects that are under construction and are stated at cost. The cost comprises of the cost of materials, labour, overheads and spares. The capital projects under construction are not depreciated.

i) Natural gas properties

Natural gas properties include oil and gas development and production assets and are measured at cost less accumulated depletion and accumulated impairment losses. Natural gas properties assets include costs incurred in developing commercial reserves and bringing them into production such as drilling of development wells, tangible costs of facilities and infrastructure construction, projected cost of retiring the assets i.e. asset retirement obligation and the borrowing costs on qualifying assets. The development expenditures are capitalized to Natural gas properties when it is probable that a future economic benefit will flow to the Group and the cost can be reliably measured.

These expenditures are incurred under the terms of Production Sharing Agreements (PSAs) and Joint Operations Agreements (JOAs) and represents the Group's share of those expenditures. The costs of the day-to-day servicing of natural gas properties are recognised in profit or loss as incurred.

Depletion

The net carrying amount of natural gas properties is depleted using the unit of production method by reference to the ratio of production in the year to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. If the useful life of the asset is less than the reserve life, in which case the asset is depreciated over its estimated useful life using the straight-line method.

Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers. Changes in factors such as estimates of reserves that affect unit-of-production calculations are dealt with on a prospective basis. Capital costs for assets under construction included in development and production assets are excluded from depletion until the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Natural gas properties

Disposals

Natural gas properties are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on derecognition of the asset, including farm out transactions or asset sales or asset swaps, is calculated as the difference between the proceeds on disposal, if any, and the carrying value of the asset, is recognised in profit or loss in the period of derecognition.

j) Exploration and Evaluation

Exploration and Evaluation ("E&E") costs, including costs of licence acquisition, technical services and studies, exploratory drilling and directly attributable overhead are capitalized as E&E assets when deemed successful according to the nature of the assets acquired, otherwise they are expensed. The costs are initially accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability.
E&E assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

The technical feasibility and commercial viability of extracting a mineral resource is generally considered to be determinable when proven and/or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether it is technically feasible and commercially viable. Upon determination of technical feasibility and commercial viability, intangible E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to a separate category within tangible assets within property, plant and equipment referred to as oil and gas interests.

k) Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured initially at cost, including transaction costs.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Investment properties (continued)

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise.
Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit or loss in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group and Corporation accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

l) Intangible assets

Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets are recognized at cost when it is probable that future economic benefits pertaining to the asset will flow to the entity. Intangible assets include exploration software, accounting software and FTG data.

The useful lives of intangible assets are assessed to be finite with the exception of FTG project costs which have indefinite useful lives. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The annual rate of amortization, which has been consistently applied is 25%.

The amortization period and the amortization method for intangible assets are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Intangible assets (continued)

The amortization expense on intangible assets is recognized in the profit or loss. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit or loss when the asset is derecognized. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses. Any obsolete items are provided for in full in the year they are detected.

n) Asset retirement obligations (ARO)

Provisions for ARO costs are recognised when the Group and Corporation has an obligation (legal or constructive) to dismantle and remove a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reliable estimate of that liability can be made. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. Cost is estimated based on current regulations and technology, considering relevant risks and uncertainties. The discount rate used in the calculation of the ARO is a risk-free rate based on the applicable currency and time horizon of the underlying cash flows, adjusted for a credit premium which reflects the Group's own credit risk. Normally an obligation arises for a new facility, such as an oil and natural gas production or transportation facility, upon construction or installation.

An obligation may also crystallise during the period of operation of a facility through a change in legislation or through a decision to terminate operations.

When a provision for ARO cost is recognised, a corresponding amount is recognised to increase the related property, plant and equipment and is subsequently depreciated as part of the costs of the facility or item of property, plant and equipment. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding property, plant and equipment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Asset retirement obligations (ARO)

When a decrease in the ARO provision related to a producing asset exceeds the carrying amount of the asset, the excess is recognised as a reduction of depreciation, amortisation and net impairment losses in profit or loss. When an asset has reached the end of its useful life, all subsequent changes to the ARO provision are recognised as they occur in operating expenses in the profit or loss.

o) Borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method. Borrowing costs on non-qualifying assets are expensed in the period they accrue.

Capitalisation of borrowing costs
Borrowing costs attributable to the construction of qualifying assets are capitalized as part of the cost of these assets over the period of construction to the extent that the assets are financed by borrowings.

p) Current and deferred income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income respectively.

Current tax
Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The current rate of corporate tax is 30%.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax

Deferred tax is provided using the liability method on temporary differences at reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with the investments in associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused income tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and tax losses can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with the investments in associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of the deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are re-assessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or liability settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Current and deferred income tax (continued)

Deferred tax (continued)
Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same tax authority on the same taxable entity.

q) Value added tax

Revenues, expenses and assets are recognised at amounts net of value added tax except where the value added tax incurred on a purchase of an asset or service is not recoverable from the tax authority in which case the value added tax is recognised as part of the cost of acquisition of the asset or part of the expense item as applicable.

The net amount of value added tax recoverable from, or payable to, the tax authority is included as part of the receivables or payables in the statement of financial position.

r) Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Financial instruments

(i) Recognition and measurement

The Group initially recognises loans and receivables and debt securities issued on the date when they originated. All other financial assets and financial liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Financial assets - Business model assessment:
The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt instruments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity instruments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Financial instruments (continued)

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Impairment

i. Non-derivative financial asset

Financial instruments and contract assets:
The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- the borrower/customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii. Non-derivative financial asset

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

- Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the customer or borrower;
- a breach of contract such as a default or being more than 300 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the customer/borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group measures loss allowances at an amount equal to lifetime ECLs. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Write-off
Group has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Impairment

iii. Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments or the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

u) Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash at bank. For the purpose of cash flows bank overdrafts that are repayable on demand form an integral part of the Group's and Corporation's cash management.

v) Escrow funds

The amount represents funds deposited into the Escrow Accounts opened at a commercial bank to secure repayment of principal and payment of interest and fees for the loan from Export-Import Bank of China which was received through the Government of Tanzania. The loan was used to finance the processing plants and transportation pipeline projects. For further details, refer to Note 21. These funds do not have original maturities of three months or less. These have been classified as non-current.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w) Employee benefit obligation

Defined contribution scheme
The Group and Corporation pay contributions to a publicly administered pension plan on a mandatory basis which qualifies to be a defined contribution plan.

A defined contribution plan is a pension plan under which the Group pays fixed contribution into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group portion of contributions are recognized as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

All of the Group's employees are either members of the National Social Security Fund ("NSSF") or Public Service Social Security Fund (PSSSF) which are defined contribution plans. Each employee must be a member of at least one of the aforementioned pension funds. The Group and employees both contribute a total of 20% of the employees' gross salaries to the pension funds.

x) Related party transactions

Transactions between the Corporation and controlled entities, entities with significant influence, joint ventures, key management personnel, its shareholder and close family members of these related parties have been disclosed in the notes to these financial statements.

Key management personnel constitute the members of the Board of Directors, Managing Director, Heads of Directorates and Department.

y) Government grant and assistance

Government grants received relating to the creation of non-current assets are included in non-current liabilities as deferred income and are credited to profit or loss in other income on a straight-line basis over the expected useful lives of the related assets.

Government grants in the form of non-monetary assets are accounted for at fair value and presented as deferred grant in the statement of financial position. The grant is credited to profit or loss in other income on a straight-line basis over the expected useful life of the asset.

Government grants which become receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the Group with no future related costs, are recognised in profit or loss within other operating income for the period in which they become receivable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

z) Other income

Other income comprises of gains or losses on disposals of item property, plant and equipment, government grants relating to expenses, amounts from amortisation of deferred government grants, license fees and training fees from contractors, rental income, sale of condensate, tariffs for processing and transportation through Songo Songo NNGI and other miscellaneous income.

aa) Finance cost

Finance cost comprises interest payable on borrowings, related exchange rate differences and carried interest liability. Borrowing costs which are not capitalised are recognised in profit or loss.

bb) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are recognised as a deduction from equity. Income tax relating to transactions costs of an equity transaction are accounted for in accordance with IAS 12 Income Taxes.

cc) Carried interest liability

Carried interest liability include cash calls commitments and accrued interest on the liability payable to other partners in Mnazi Bay PSA in respect of 20% participating interest in the PSA covering the Mnazi Bay Development Area. The portion that the entity expects to settle in less than 12 months is classified as current portion.

dd) Comparatives

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated and separate financial statements requires the use of accounting estimates, which by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

a. Proved oil and gas reserves

Proved oil and gas reserves may materially impact the consolidated and separate financial statements, as changes in the proved reserves, for instance as a result of changes in estimated volume, will impact the unit of production rates used for depletion and impairment assessments of the natural gas properties. Proved oil and gas reserves have been estimated on the basis of industry standards which require the use of a price based on a 12-month average for reserve estimation, and which are to be based on existing economic conditions and operating methods and with a high degree of confidence (at least 90% probability) that the quantities will be recovered.

Reserves estimates are based on subjective judgements involving geological and engineering assessments of in-place hydrocarbon volumes, the production, historical recovery and processing yield factors and installed plant operating capacity. For future development projects, proved reserves estimates are included only where there is a significant commitment to project funding and execution and when relevant governmental and regulatory approvals have been secured or are reasonably certain to be secured. The reliability of these estimates at any point in time depends on both the quality and quantity of the technical and economic data and the efficiency of extracting and processing the hydrocarbons. An independent third party has evaluated Group's and Corporation's proved reserves estimates, and the results of this evaluation do not differ materially from Group's estimates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

a. Proved oil and gas reserves (continued)

Proved gas reserves are those quantities of gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods and government regulations. Unless evidence indicates that renewal is reasonably certain, estimates of economically producible reserves only reflect the period before the contracts providing the right to operate expire.

b. Expected oil and gas reserves

Expected gas reserves may materially impact the consolidated and separate financial statements, as changes in the expected reserves, for instance as a result of changes in prices, will impact the impairment testing of upstream assets, which in turn may lead to changes in impairment charges affecting operating income. Expected gas reserves are the estimated remaining, commercially recoverable quantities, based on Group's and Corporation' judgement of future economic conditions, from projects in operation or justified for development.

Recoverable gas quantities are always uncertain, and the expected value is the weighted average, or statistical mean, of the possible outcomes. Expected reserves are therefore typically larger than proved reserves. Expected gas reserves have been estimated on the basis of industry standards and are used for impairment testing purposes and for calculation of asset retirement obligations. Reserves estimates are based on subjective judgments involving geological and engineering assessments of in-place hydrocarbon volumes, the production, historical recovery and processing yield factors, installed plant operating capacity and operating approval limits. The reliability of these estimates at any point in time depends on both the quality and quantity of the technical and economic data and the efficiency of extracting and processing the hydrocarbons.

c. Impairment of non-financial assets

The Group and Corporation have significant investments in property, plant and equipment, natural gas properties and intangible assets. Changes in the circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired, requiring the carrying amount to be written down to its recoverable amount. Impairments are reversed if conditions for impairment are no longer present. Evaluating whether an asset is impaired or if an impairment should be reversed requires a high degree of judgement and may, to a large extent depend upon the selection of key assumptions about the future.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

c. Impairment of non-financial assets (continued)

Subsequent to the initial evaluation phase for a well, it will be considered a trigger for impairment testing of a well if no development decision is planned for the near future and there is no concrete plan for future drilling in the licence. Impairment of unsuccessful wells is reversed, as applicable, to the extent that conditions for impairment are no longer present.

Estimating recoverable amounts involves complexity in estimating relevant future cash flows, based on assumptions about the future, discounted to their present value. Impairment testing requires long-term assumptions to be made concerning a number of often volatile economic factors such as future market prices, currency exchange rates and future output, discount rates and political and country risk among others, in order to establish relevant future cash flows.

Impairment testing frequently also requires judgement regarding probabilities and probability distributions as well as levels of sensitivity inherent in the establishment of recoverable amount estimates

d. Asset retirement obligations

The Group and Corporation have significant obligations to decommission and remove onshore and offshore installations at the end of the production period. It is difficult to estimate the costs of these decommissioning and removal activities, which are based on current regulations and technology, and consider relevant risks and uncertainties. Most of the removal activities are to be done in many years in the future, and the removal technology and costs are constantly changing. The estimates include assumptions of the time required and the day rates for rigs, marine operations and heavy lift vessels that can vary considerably depending on the assumed removal complexity. As a result, the initial recognition of the liability and the capitalized cost associated with decommissioning and removal obligations, and the subsequent adjustment of these balance sheet items, involve the application of significant judgment.

The estimates include assumptions of the time required and the day rates for rigs, marine operations and heavy lift vessels that can vary considerably depending on the assumed removal complexity. As a result, the initial recognition of the liability and the capitalized cost associated with decommissioning and removal obligations, and the subsequent adjustment of these balance sheet items, involve the application of significant judgment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

e. Income tax

The Group and the Corporation are subject to income taxes to the Government. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group and the Corporation recognize liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

f. Property, plant & equipment

Critical estimates are made by the management in determining depreciation rates for property, plant and equipment. The rates used are set out in Note 3(h) above.

g. Measurement of fair values

A number of the Group's and Corporation's accounting policies and disclosure require the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements.

When measuring the fair value of an asset or a liability, the Group and Corporation use observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input that is significant to the entire measurement.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible.

The Group and Corporation have an established control framework with respect to the measurement of fair value.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

g. Measurement of fair values

Accounting classification and measurement of fair values

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation techniques as follows;

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observed for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobserved inputs).

If the input used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme seeks to minimize potential adverse effect on the Group's profit or loss. Risk management is carried out by the management on behalf of the Board of Directors.

(a) Market risk

(i) Foreign currency exchange risk

The Group earns income and incurs some of its expenses in United States dollars. Furthermore, the Group has borrowings denominated in United States dollars from two banks. Foreign exchange risk arises from commercial transactions, and recognised assets and liabilities.

At 30th June, 2020, if the functional currency had strengthened/weakened by 5% against the US dollar with all other variables held constant, post-tax loss for the year would have been;-

Group:

TZS 183 million (2019: TZS 260 million) lower/higher, mainly as a result in translation of US dollar denominated current assets and borrowings.

Corporation:

TZS 183 million (2019: TZS 260 million) lower/higher, mainly as a result in translation of US dollar denominated current assets and borrowings.

(i) Price risk

The Group is not exposed to any price risk.

(iii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings at fixed rate were denominated in the US dollar.

At 30th June, 2020, if interest rates on US dollar denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax loss for the year would have been TZS 31,817 million (2019: TShs 29,334 million) lower/higher, mainly as a result of higher/lower interest expense on borrowings. The Group's borrowings equal to the Corporation's borrowings since the subsidiaries are not debt-financed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Exposure:
The amount that represents the Group's and Corporation's exposure to credit risk as at 30th June is made up as follows:

	Group		Corporation	
	2020	2019	2020	2019
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Cash at bank	**230,670**	144,419	**223,626**	138,503
Trade receivables	**114,695**	86,700	**114,535**	86,700
Other receivables (excl. prepayments and VAT)	**392,473**	427,691	**408,408**	432,576
	737,838	658,810	**746,568**	657,779

Risk Management:
The Group has policies in place to ensure that the exposure to credit risk is monitored on an ongoing basis. The Group's and Corporation's risk management policies are established to identify and analyse the risks faced by the Group and Corporation, to set appropriate risk limits and controls, and to monitor adherence to risk limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group and Corporation, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. Credit limits are set out in PSAs and GSAs with customers. Further, Management performs regular balances reconciliations and follows up on outstanding balances.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT

b) Credit risk

Impairment of financial assets:
The Group financial assets are measured at amortised cost and are subject to credit loss model. The Group has two types of financial assets that are subject to IFRS 9 impairment requirements (expected credit losses):

- Trade and other receivables (excluding prepayments, deposits and statutory receivables); and
- Cash at bank.

Trade and other receivables
The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30th June, 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables based on the country's economy and tourism trends in the foreseeable future.

On that basis, the loss allowance as at 30th June, 2020 was determined as follows for trade receivables.

Aging / Details	Outstanding balance TZS 'm	Loss allowance rate	Loss allowance TZS 'm
Current	35,735	30.1%	10,771
From 1 to 30 days	5,707	33.8%	1,928
From 31 to 90 days	-	42.3%	-
From 91 to 180 days	-	94.3%	-
From 180 days	27,870	100%	27,870
Default category	12,765	100%	12,765
Specific customers*	94,811	-	-
Total	**176,888**		**53,334**

*specific customers relate to customers with a repayment plan from the long outstanding balance of which the balance is subsequently being repaid.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT

b) Credit risk

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of the customer to meet the agreed monthly purchase targets and severe financial difficulties faced by the customer. This assessment is performed on a case by case basis.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. The movement in the allowance for impairment in respect of trade receivables during the year is as follows:

	Group	Corporation
	TZS 'm	TZS 'm
Balance at 1st July, 2018	33,134	33,134
Utilization during the year	(3,024)	(3,024)
Impact of IFRS 9 recognised in equity	2,596	2,596
Impairment loss recognized during the year	4,067	4,067
Balance at 30th June, 2019	**36,773**	**36,773**
Balance at 1st July, 2019	36,773	36,773
Utilisation during the year	(100)	(100)
Impairment loss recognized during the year	16,660	16,660
Balance at 30th June, 2020	**53,334**	**53,334**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT

b) Credit risk (continued)

Bank balances

There is no independent credit rating for banks operating in Tanzania. However, the Group banks with reputable local banks. In the view of management, risk of non-performance by the counterparties is highly unlikely and not significant. The balance held at bank by type of counterparty as at 30th June were as follows;

	Group		Corporation	
	2020	2019	2020	2019
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
CRDB Bank	421	5,636	73	61
Citibank	(787)	1,505	(787)	1,505
NMB Bank	7,493	334	796	46
Bank of Tanzania	223,544	136,944	223,544	136,890
	230,670	144,419	223,626	138,503

c) Liquidity risk

Liquidity risk is the risk that the Group and Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's and Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's and Corporation's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through active cash flow monitoring.

The table below analyses the Group's and Corporation's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT

c) Liquidity risk (continued)

The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

Group	Carrying amount TZS 'm	Contractual cash flows TZS 'm	Up to and Less than 1 year TZS 'm	Between 1 and up to 2 years TZS 'm	Between 2 and up to 5 years TZS 'm	Over 5 years TZS 'm
Non-derivative financial liabilities						
At 30th June, 2020						
Borrowings	3,251,947	3,251,947	293,534	276,626	769,370	1,912,417
Trade and other payables	201,203	201,203	201,203	-	-	-
	3,453,150	3,453,150	494,737	276,626	769,370	1,912,417
At 30th June, 2019						
Borrowings	3,181,742	3,181,742	425,507	86,635	174,595	2,495,005
Trade and other payables	278,413	278,413	278,413	-	-	-
	3,460,155	3,460,155	703,920	86,635	174,595	2,495,005

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISK MANAGEMENT

c) Liquidity risk

Corporation	Carrying amount TZS 'm	Contractual cash flows TZS 'm	Up to and Less than 1 year TZS 'm	Between 1 and up to 2 years TZS 'm	Between 2 and up to 5 years TZS 'm	Over 5 years TZS 'm
Non-derivative financial liabilities						
At 30th June, 2020						
Borrowings	**3,251,947**	**3,251,947**	**293,534**	**276,626**	**769,370**	**1,912,417**
Trade and other payables	**208,485**	**208,485**	**208,485**	-	-	-
	3,460,432	**3,460,432**	**502,019**	**276,626**	**769,370**	**1,912,417**
At 30th June, 2019						
Borrowings	3,181,742	3,181,742	425,507	86,635	174,595	2,495,005
Trade and other payables	278,413	278,413	278,413	-	-	-
	3,460,155	**3,460,155**	**703,920**	**86,635**	**174,595**	**2,495,005**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital consistent with others in the industry.

Gearing ratio is calculated as net external borrowings divided by total capital. Net external borrowings are calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net external borrowings. The gearing ratios at 30th June, 2020 and 30th June, 2019 were as follows:

	Group		Corporation	
	2020	2019	2020	2019
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Total borrowings	**3,251,947**	3,181,742	**3,251,947**	3,181,742
Less: cash and cash equivalents	**(230,670)**	(144,419)	**(223,626)**	(138,502)
Net debt	**3,021,277**	3,037,323	**3,028,321**	3,042,240
Total equity	**(331,153)**	(354,833)	**(331,171)**	(354,782)
Total capital	**2,690,123**	2,682,489	**2,697,150**	2,688,459
Gearing ratio	**112%**	113%	**112%**	113%

7. REVENUE

	Group		Corporation	
	2020	2019	2020	2019
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
PSA revenue	**59,948**	60,176	**59,948**	60,176
Sale of natural gas	**378,620**	322,324	**378,620**	322,324
Sale of protected gas	**20,747**	22,000	**20,747**	22,000
Sale of data	**245**	1,009	**245**	1,009
Construction revenue	**-**	393	**-**	-
	454,560	405,902	**454,560**	405,510

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. COST OF SALES

	Group		Corporation	
	2020	2019	2020	2019
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Purchase of natural gas	234,354	200,376	234,354	200,376
Pipeline and plants maintenance	563	174	22,185	26,665
Depreciation of pipeline and plants	81,614	81,135	81,614	81,135
Depletion of natural resources	4,809	5,824	4,809	5,824
PSA carried expenses	5,592	4,845	5,592	4,845
	326,932	292,354	348,554	318,845

9. OTHER INCOME

	Group		Corporation	
	2020	2019	2020	2019
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Training fees from contractors	3,760	4,800	3,760	4,800
Licence fees from contractors	1,228	1,541	1,228	1,541
Sale of condensate	1,165	1,963	1,119	1,963
Government revenue grant	13,372	14,377	13,372	10,564
Gas project income	-	24	-	24
Interest income	59	40	59	40
House rent	50	59	50	59
Miscellaneous income (Note 36)	6,664	6,750	6,664	4,315
Tender fees	32	56	16	45
Tariffs	7,427	22,286	7,427	22,286
Reversal of tax assessment (Note 36)	-	25,980	-	25,980
Amortization of capital grants	318	290	318	290
	34,075	78,166	34,013	71,907

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. OPERATING EXPENSES

	Group		Corporation	
	2020	2019	2020	2019
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Staff costs	20,529	12,280	11,197	8,467
Depreciation	3,916	3,357	3,576	3,346
Legal expenses	61	54	16	53
Transport and travel expenses	4,335	3,688	2,796	1,948
Audit fees	413	1,027	368	987
Insurance	451	3,457	437	510
Bank charges and commission	52	60	30	45
Foreign exchange (gain)/loss	(10,627)	4,916	(10,625)	3,991
Tax assessment	10,388	-	10,388	-
Other expenses	25,951	40,493	15,839	16,973
Amortisation of intangible	210	193	210	163
	55,679	69,525	34,232	36,483

11. DEPRECIATION

The depreciation charge for Property, plant and equipment is made up of;

	Group		Corporation	
	2020	2019	2020	2019
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Cost of sales	81,614	81,135	81,614	81,163
Operating expenses	3,916	3,357	3,618	4,198
Total depreciation charge (Note 14)	85,530	84,492	85,190	85,333

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. FINANCE COST

	Group		Corporation	
	2020	2019	2020	2019
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Interest expense on borrowings	**79,312**	84,339	**79,312**	84,339
Interest expense on carried interest	**-**	564	**-**	564
Exchange loss on loan revaluation	**9,879**	31,541	**9,879**	31,541
ARO accretion	**363**	330	**363**	330
	89,554	116,774	**89,554**	116,774

13. INCOME TAX (CREDIT)/CHARGE

	Group 2020	Group 2019	Corporation 2020	Corporation 2019
Current tax - current period	11,949	6,547	**11,801**	6,431
Current tax - prior period	(3,748)	(15,502)	**(3,748)**	(15,502)
Deferred tax - current period	3,698	22	**3,656**	-
Deferred tax - prior period	(27,082)	-	**(27,078)**	-
Alternative minimum tax	2,443	2,028	**2,443**	2,028
	(12,740)	(6,905)	**(12,926)**	(7,043)

The tax on the Corporation's result before tax differs from the amount that would arise using the basic tax rate as follows:

	Group 2020	Group 2019	Corporation 2020	Corporation 2019
Profit before tax	**13,426**	18,494	**13,188**	18,395
Tax calculated at a tax rate of 30%	**4,028**	5,548	**3,957**	5,519
Expenditure permanently disallowed	**3,812**	7,501	**3,693**	7,396
Deferred income tax not recognised	**(30,738)**	(7,756)	**(30,734)**	(7,756)
Share of profit of equity accounted investee	**(4,085)**	(5,168)	**(4,085)**	(5,168)
Interest and fines	**-**	3	**-**	-
Corporate tax from PAET	**11,801**	6,431	**11,801**	6,431
Reversal of prior years' provision	**-**	(15,502)	**-**	(15,502)
Tax effect on non-qualifying assets	**-**	9	**-**	9
Alternative Minimum Tax	**2,443**	2,029	**2,443**	2,028
	(12,740)	**6,905**	**(12,926)**	(7,043)

14. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land TZS 'm	Buildings TZS 'm	Motor vehicles TZS 'm	Furniture, fittings and equipment TZS 'm	Computer hardware TZS 'm	Gas pipeline TZS 'm	Gas processing plant TZS 'm	WIP TZS 'm	Total TZS 'm
Year ended 30th June, 2020									
Opening net book amount	107,939	19,855	2,207	8,162	2,804	1,652,521	371,333	11,434	2,176,255
Additions	4,761	-	469	1,352	1,036	7,313	-	1,679	16,610
Transfers	-	-	-	-	-	7,339	-	(7,339)	-
Reclassification	47,833	9,581	-	-	-	(57,414)	-	-	-
Depreciation charge	-	(614)	(518)	(1,216)	(1,761)	(59,579)	(21,843)	-	(85,531)
Closing net book amount	**160,533**	**28,822**	**2,158**	**8,298**	**2,079**	**1,550,180**	**349,490**	**5,775**	**2,107,335**
At 30th June, 2020									
Cost/revaluation	160,533	30,703	4,022	12,710	7,454	1,787,591	436,863	5,775	2,445,650
Accumulated depreciation	-	(1,881)	(1,864)	(4,412)	(5,374)	(237,411)	(87,373)	-	(338,315)
Net book amount	**160,533**	**28,822**	**2,158**	**8,298**	**2,080**	**1,550,180**	**349,490**	**5,775**	**2,107,335**
Year ended 30th June, 2019									
Opening net book amount	107,805	20,277	2,666	10,050	-	1,782,878	325,324	2,274	2,250,275
Additions	134	-	-	319	1,741	-	-	9,160	11,354
Reclassification	-	-	-	(1,083)	3,294	(70,066)	(67,855)	-	-
Depreciation charge	-	(422)	(459)	(1,124)	(2,231)	(59,291)	(21,846)	-	(85,373)
Closing net book amount	**107,939**	**19,855**	**2,207**	**8,162**	**2,804**	**1,652,521**	**371,333**	**11,434**	**2,176,256**
At 30th June, 2019									
Cost	107,939	21,122	3,552	11,358	6,418	1,830,353	436,866	11,434	2,429,043
Accumulated depreciation	-	(1,267)	(1,346)	(3,196)	(3,614)	(177,832)	(65,533)	-	(252,788)
Net book amount	**107,939**	**19,855**	**2,207**	**8,162**	**2,804**	**1,652,521**	**371,333**	**11,434**	**2,176,255**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CORPORATION

	Land	Buildings	Motor vehicles	Furniture, fittings and equipment	Computer hardware	Gas pipeline	Gas processing plant	WIP	Total
	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Year ended 30th June, 2020									
Opening net book amount	107,939	19,855	2,207	8,012	2,385	1,652,521	371,333	11,435	2,175,687
Additions	4,761	-	-	434	847	7,313	-	1,448	14,803
Transfers	-	-	-	-	-	7,339	-	(7,339)	-
Reclassification	47,833	9,581	-	-	-	(57,414)	-	-	-
Depreciation charge	-	(614)	(455)	(1,135)	(1,606)	(59,579)	(21,843)	-	(85,232)
Closing net book amount	**160,533**	**28,822**	**1,752**	**7,311**	**1,626**	**1,550,180**	**349,490**	**5,544**	**2,105,258**
At 30th June, 2020									
Cost/revaluation	160,533	30,703	3,553	11,632	6,815	1,787,591	436,863	5,544	2,443,234
Accumulated depreciation	-	(1,881)	(1,801)	(4,321)	(5,189)	(237,411)	(87,373)	-	(337,976)
Net book amount	**160,533**	**28,822**	**1,752**	**7,311**	**1,626**	**1,550,180**	**349,490**	**5,544**	**2,105,258**
Year ended 30th June, 2019									
Opening net book amount	107,805	20,277	2,666	10,050	-	1,781,878	325,324	2,275	2,250,275
Additions	134	-	-	159	1,292	-	-	9,160	10,745
Reclassification	-	-	-	(1,083)	3,294	(70,066)	67,855	-	-
Depreciation charge	-	(422)	(459)	(1,114)	(2,201)	(59,291)	(21,846)	-	(84,333)
Closing net book amount	**107,939**	**19,855**	**2,207**	**8,012**	**2,385**	**1,652,521**	**371,333**	**11,435**	**2,175,687**
At 30th June, 2019									
Cost	107,939	21,122	3,553	11,198	5,965	1,830,353	436,863	11,435	2,428,428
Accumulated depreciation	-	(1,267)	(1,346)	(3,186)	(3,580)	(177,832)	(65,530)	-	(252,741)
Net book amount	**107,939**	**19,855**	**2,207**	**8,012**	**2,385**	**1,652,521**	**371,333**	**11,435**	**2,175,687**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Items of property, plant and equipment were revalued on 30th June, 2016 by Ministry of Lands, Housing and Human settlements Development under the Valuation section and approved by the Chief Government valuer. The valuation was done using direct comparison and replacement cost method. Significant inputs applied by the valuer in arriving at the fair value are un observable, consequently, Management has classified the fair value measurement as level 3. There has been no change in valuation technique. The highest and best use does not differ from the actual.

During the year, Management performed an assessment of the fair value of property, plant and equipment and are of the opinion that the value of the property, plant and equipment reasonably approximates their fair value as at 30th June, 2020.

15. NATURAL GAS PROPERTIES

	Group		Corporation	
	2020	2019	2020	2019
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Opening balance	**56,398**	61,378	**56,398**	61,378
Addition	**41**	844	**41**	844
Depletion	**(4,809)**	(5,824)	**(4,809)**	(5,824)
Closing balance	**51,630**	56,398	**51,630**	56,398

The Group and Corporation assessed triggers for impairment on the natural gas properties and determined that an impairment test was not required. The majority of the Group and Corporation's natural gas is sold under long-term fixed price gas sales and purchase agreement, eliminating the current volatility in the commodity market.

16. INVESTMENT PROPERTIES

	Group		Corporation	
	2020	2019	2020	2019
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Opening balance	**1,682**	1,682	**1,682**	1,682
Gain/(loss) in fair valuation	**-**	-	**-**	-
Closing balance	**1,682**	1,682	**1,682**	1,682

Management has assessed the fair value of investment property and concluded that they reflect the market conditions as at reporting date

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

17. INTANGIBLE ASSETS

The subsidiaries do not have intangible assets. The Group's and Corporation's intangible assets is made up of;-

	Exploration software TZS 'm	Accounts software TZS 'm	FTG project TZS 'm	Total TZS 'm
Year ended 30th June, 2020				
Opening balance	-	236	13,056	13,292
Addition	-	196	-	196
Amortization	-	(210)	-	(210)
Closing balance	**-**	**222**	**13,056**	**13,278**
As at 30				
Cost	2,926	855	13,056	16,207
Accumulated amortization	(2,926)	(633)	-	(2,929)
Closing balance	**-**	**222**	**13,056**	**13,278**
Year ended 30th June, 2019				
Opening balance	-	382	13,056	13,438
Addition	-	17	-	17
Amortization	-	(163)	-	(163)
Closing balance	-	**236**	**13,056**	**13,292**
As at 30th June, 2019				
Cost	2,926	659	13,056	16,011
Accumulated amortization	(2,926)	(423)	-	(2,719)
Closing balance	**-**	**236**	**13,056**	**13,292**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

18. INVESTMENT IN SUBSIDIARY

Group	2020 TZS 'm	2019 TZS 'm
Investment in subsidiary	-	-
Corporation		
Investment in TANOIL*	5,000	5,000
Investment in GASCO**	1,500	1,500
	6,500	6,500

*TANOIL (formerly known as COPEC) is a fully owned subsidiary company of TPDC established in March, 1999 to carry on oil business in terms of export and import, storage, supplies and distribution of petroleum products.

**Gas Company (Tanzania) Limited (GASCO) is a fully owned subsidiary company of TPDC established in August 1985 to carry on operations, maintenance and construction activities of the natural gas infrastructure as well as performing mechanical and civil works.

FINANCIAL INFORMATION OF SUBSIDIARIES

GASCO	2020 TZS 'm	2019 TZS 'm
Summary of the income statement:		
Revenue	551	392
Cost of sales	(359)	(174)
Gross profit	192	218
Other income	21,422	35,667
Expenses	(21,422)	(35,783)
(Loss)/profit before tax	192	101
Income tax expense	(171)	(138)
Net loss for the year	21	(37)
Summary of statement of financial position		
Non-current assets	2,077	569
Current assets	15,367	14,858
Non-current liabilities	(59)	(22)
Current liabilities	(15,902)	(13,942)
Net assets	1,484	1,463

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

18. INVESTMENT IN SUBSIDIARY (CONTINUED)

TANOIL	2020	2019
	TZS 'm	TZS 'm
Summary of the income statement:		
Other income	102	-
Operating expenses	(58)	(1)
Profit/(loss) before tax	45	(1)
Summary of statement of financial position		
Current assets	5,486	5,008
Current liabilities	(456)	(9)
Net assets	5,030	4,999

19. INVESTMENT IN ASSOCIATE

On 31st July, 2004, TPDC acquired 30,000 shares in SONGAS Limited which is equivalent to 28.69% of the share capital of SONGAS Limited. This investment had cost of USD 3,000,000. The Group has determined that it has significant influence over the investee and has accounted for the investment as an associate. SONGAS Limited is one of the Group's strategic partner and is principally engaged in the gas processing, transportation and generation of electricity in Tanzania using natural gas from Songo Songo Island "SSI", which is off the coast of Southern Tanzania. The Company is not publicly listed. There was no change in ownership during the year. The investment is accounted for using the equity method in both the consolidated and separate financial statements.

The following table analyses the financial information about the associate as included in its own financial statements. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Songas. The financial information of the associate presented in the table below from which the attributable loss was taken were for the period ended 30th June, 2020, this is consistent with prior years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

19. INVESTMENT IN ASSOCIATE (CONTINUED)

	2019	2018
Percentage ownership interest	28.69%	28.69%
	USD 'm	USD 'm
Non-current assets	109	122
Current assets	75	80
Non-current liabilities	(46)	(70)
Current liabilities	(48)	(46)
Net assets (100%)	91	86
Group's share of net assets (28.69%)	26.19	24.67
Foreign exchange rate	2,297	2,289.51
Group's share of net assets in associate (TZS 'm)	60,155	56,482
Foreign exchange differences (TZS 'm)	2,144	1,062
Carrying amount of interest in associate at 30th June (TZS 'm)	62,299	57,544
Revenue	95.49	103.19
Profit from continuing operations	20.73	26.25
Groups share of net profit	5.95	7.53
Exchange rate	2,290	2,278.20
Group's share of total comprehensive income (28.69%) (TZS 'm)	13,616	17,155

The following table analyses, in aggregate, the carrying amount and share of profit and OCI of the associate.

	Group		Corporation	
	2020	2019	2020	2019
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Carrying amount of interest	57,548	49,258	57,548	49,258
Share of profit	13,616	17,147	13,616	17,147
Dividend received	(8,865)	(8,857)	(8,865)	(8,857)
Closing balance	62,299	57,548	62,299	57,548

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

20. OTHER INVESTMENTS

	Group		Corporation	
	2020	2019	2020	2019
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Equity security available for sale	1,500	1,500	1,500	1,500
Less: Accumulated impairment loss	(1,500)	(1,500)	(1,500)	(1,500)
Closing balance	-	-	-	-

The Group and Corporation holds 150,000 shares of TZS 10,000 each in Agro EcoEnergy (T) Ltd representing 5% of total issued share capital in the Company. This is a private Agro industrial development Company registered in 2007 under Tanzanian Company law. Agro EcoEnergy formed a special purpose project Bagamoyo EcoEnergy Ltd with the purpose of developing a modern sugar cane plantation and factory producing sugar, ethanol and power for the Tanzanian market. The project was later cancelled by the Government.

21. ESCROW FUNDS

The Corporation is an end user of a loan awarded to the Government of Tanzania ("GOT"/Borrower) by the Export-Import Bank of China (Lender). The GOT and the Export-Import Bank of China had entered into a preferential buyer credit loan agreement and the buyer credit loan agreement in 2012 with the total amount of USD 920 million and USD 275 million respectively. The funds were on-lent to TPDC ("End-User") to fund part of the cost of construction of the Tanzania's natural gas processing plants and pipelines.

In accordance with terms of the loan agreements, three escrow accounts were opened and governed by the Escrow Accounts Management Agreement between Exim Bank of China, Ministry of Finance, TPDC (End User) and a commercial bank (Escrow Bank"). The escrow accounts were opened to secure repayment of principal and payment of interest and fees under the loan agreements.

The escrow funds represent amounts deposited into the escrow accounts.

The balance of USD 60,320,710 (TZS 139 million) as at 30th June, 2020 (2019: USD 60,320,710 (TZS 138 million)) consists of USD 58,866,942 and USD 1,473,574 deposited by the Ministry of Finance on behalf of the Government of United Republic of Tanzania and TPDC respectively. The deposited funds are classified under non-current assets since they are not available for meeting immediate short-term Group's and Corporation's financial obligations during the entire period of the loan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

21. ESCROW FUNDS (CONTINUED)

The total deposits into the escrow accounts as at the reporting period are shown below;

	Group		Corporation	
	2020	2019	2020	2019
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Escrow funds	**138,527**	138,105	**138,527**	138,105

22. DEFERRED INCOME TAX (ASSET)/LIABILITY

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 30%. The details of the deferred tax are as follows;-

GROUP	At start of year	Movement	At end of year
	TZS 'm	TZS 'm	TZS 'm
Year ended 30th June, 2020			
Group			
Accelerated capital deductions	**134,630**	**8,066**	**142,610**
Revaluations	**59,856**	**-**	**59,856**
Tax loss carried forward	**(180,363)**	**3,519**	**(176,845)**
Provisions	**(222,695)**	**31**	**(222,695)**
	(208,573)	**11,616**	**(197,074)**
Deferred tax asset not recognized	(235,612)	38,530	(197,082)
Deferred tax liability recognized	27,039	(27,031)	59
Net deferred tax asset	**(208,573)**	**(11,499)**	**(197,074)**
Year ended 30th June, 2019			
Group			
Accelerated capital deductions	120,881	13,749	134,630
Revaluations	59,856	-	59,856
Tax loss carried forward	(188,587)	8,224	(180,363)
Provisions	(192,988)	(29,707)	(222,695)
	(200,838)	**(7,735)**	**(208,573)**
Deferred tax asset not recognized	(227,855)	(7,757)	(235,612)
Deferred tax liability recognized	27,017	22	27,039
Net deferred tax asset	**(200,838)**	**(7,735)**	**(208,573)**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

22. DEFERRED INCOME TAX (ASSET)/LIABILITY (CONTINUED)

CORPORATION	At start of year TZS 'm	Movement TZS 'm	At end of year TZS 'm
Year ended 30th June, 2020			
Corporation			
Accelerated capital deductions	134,608	8,022	142,630
Revaluations	32,856	27,017	59,856
Tax loss carried forward	(180,363)	3,730	(176,633)
Provisions	(222,696)	(8,035)	(230,731)
	(235,612)	30,734	(204,878)

There is a potential deferred tax asset of TZS 204,878 million (2019: TZS 235,612 million) mainly arising on account of estimated accumulated tax losses. The deferred tax assets has not been recognized due to the fact the Corporation's does not project to generate sufficient taxable profits in the foreseeable future against which the deferred tax assets can be recovered fully.

Year ended 30th June, 2019			
Corporation			
Accelerated capital deductions	120,881	13,727	134,630
Revaluations	59,856	-	59,856
Tax loss carried forward	(188,587)	8,224	(180,363)
Provisions	(192,988)	(29,707)	(222,695)
	(200,838)	(7,757)	(208,595)
Deferred tax asset not recognized	(227,855)	(7,757)	(235,612)
Deferred tax liability recognized	27,017	-	27,017
Net deferred tax asset	(200,838)	(7,735)	(208,5595)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

23. INVENTORIES

	Group 2020 TZS 'm	Group 2019 TZS 'm	Corporation 2020 TZS 'm	Corporation 2019 TZS 'm
Consumables	5,270	4,172	82	113
Condensate	573	786	573	786
	5,843	4,958	655	899

24. TRADE AND OTHER RECEIVABLES

	Group 2020 TZS 'm	Group 2019 TZS 'm	Corporation 2020 TZS 'm	Corporation 2019 TZS 'm
Trade receivables	168,029	123,473	167,869	123,473
Less: Provision for bad debt	(53,334)	(36,773)	(53,334)	(36,773)
Net trade receivables	114,695	86,700	114,535	86,700
Prepayments	65,810	61,999	65,594	61,999
Due from related parties	391,171	427,024	408,091	431,982
VAT receivable	714	85	-	-
Staff receivables	1,321	648	335	575
Other receivables	197	235	197	235
Less: Provision for bad debt - others	(216)	(216)	(216)	(216)
	573,692	576,475	588,536	581,275

25. CASH AND CASH EQUIVALENTS

	Group 2020 TZS 'm	Group 2019 TZS 'm	Corporation 2020 TZS 'm	Corporation 2019 TZS 'm
Cash at bank	230,670	144,419	223,626	138,502

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

26. CAPITAL AND RESERVES

(a) SHARE CAPITAL

	2020 TZS'm	2019 TZS'm
Authorised:		
2,500 ordinary shares of TZS 1,000,000 each	**2,500**	2,500
Issued and fully paid:		
2,208 ordinary shares of Shs 1,000,000 each	**2,208**	2,208

(b) EQUITY CONTRIBUTION FROM GOVERNMENT

The equity contribution from Government as at 30th June, 2020 represents net cash received from the Government of Tanzania as capital contribution to the petroleum/gas projects for TPDC.

	Group		Corporation	
	2020 TZS 'm	2019 TZS 'm	2020 TZS 'm	2019 TZS 'm
At start of year	184,139	184,139	184,139	184,139
Received during the year	-	-	-	-
Remittance to the Government	-	-	-	-
At end of year	**184,139**	184,139	**184,139**	184,139

(c) REVALUATION RESERVE

The revaluation reserves amounting to TZS 140 billion relates to the revaluation of property, plant and equipment (2019: TZS 140 billion).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

27. CARRIED INTEREST (ASSET)/LIABILITY

Carried interest represents amounts payable to/ recoverable from other partners in the Mnazi bay PSA in respect of the Corporation's 20% participating interest. Amounts include cash call commitments and accrued interest on contributions made by other partners on behalf of TPDC. The Group is liable to contribute 20% of all operation and development cost in Mnazi bay PSA as a specified TPDC's participation interest of the all contract expenses other than exploration expenses of joint operations in all development areas. TPDC portion of cash calls carried with other partners are at an interest rate of one month LIBOR + 2%. The amount is recovered by the Operator from the TPDC's profit share on the future production by applying the agreed TPDC's annual share of revenue towards financing the long-term liability repayment obligations until it is fully settled.

The balances as at year end are shown below;

	Group		Corporation	
	2020	2019	2020	2019
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Cash call commitments (recoverable)/ payable	873	(266)	873	(266)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

28. GOVERNMENT GRANT

Group and Corporation	Opening balance TZS 'm	Additions TZS 'm	Amortization TZS 'm	Closing balance TZS 'm
As at 30th June, 2020				
Benjamin W. Mkapa Tower (i)	3,942	-	(158)	3,784
Ministry of Energy - World Bank (ii)	1,020	-	(160)	860
Likong'o (iii)	25,000	-	-	25,000
Government grant - land compensation	-	5,662	-	5,662
Forklift (iv)	-	144	-	144
	29,962	5,806	(318)	35,450
As at 30th June, 2019				
Benjamin W. Mkapa Tower (i)	4,034	-	(92)	3,942
Ministry of Energy - World Bank (ii)	1,218	-	(198)	1,020
Likong'o	25,000	-	-	25,000
	30,252	-	(290)	29,962

Terms and conditions:

(i) The grant relates to Benjamin William Mkapa tower A (TPDC's head office) that was granted to TPDC in year 2008 and 2009 by the government and is being amortised over the life of the building designated at 25 years.

(ii) The grant was received from World Bank through the Ministry of Energy. World Bank through the Ministry of energy granted Source Rock Analyser system, Petrol Reservoir engineering and eclipse software including computers. The grant aimed at building capacity in the energy sector.

(iii) The grant relates to the land which was given to TPDC by the Ministry of Lands, Housing and Human Settlements Development in 2015 in Likong'o area, Lindi. This area has been reserved for the LNG project. The amount is the fair value of the land as it was offered to TPDC at no cost.

(iv) The Group received a forklift as a grant from Shell for use in exploration and development activities during the year ended 30th June, 2020.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

29. ASSET RETIREMENT OBLIGATION (ARO)

The Group has AROs primarily related to Mnazi bay gas fields, Natural gas processing plants and gas pipeline. The full balance is non-current as decommissioning activities are not expected to occur within the next twelve months.

The information below reconciles the value of the asset retirement obligation for Mnazi bay gas field and the Natural gas processing plants and pipeline:

Group and Corporation

	2020 TZS 'm	2019 TZS 'm
Opening balance	**3,764**	3,434
Provision	-	-
Accretion	**363**	330
	4,127	3,764
This relates to the following assets;-		
Ministry of Energy - World Bank (ii)	2,399	2,189
Likong'o	1,728	1,575
	4,127	3,764

30. BORROWINGS

The subsidiaries of the Group do not have any borrowings. The borrowings for the Group and Corporation are as follows;-

	Opening balance TZS 'm	Interest TZS 'm	Exchange loss TZS 'm	Principal and interest repayment TZS 'm	Waiver on penalty TZS 'm	Closing balance TZS 'm
As at 30th June, 2020						
Preferential buyer's credit (a)	2,330,382	45,202	7,257	-	-	2,382,841
Buyer's credit (b)	811,358	31,679	2,547	-	-	845,584
TIB Loan	40,002	2,432	75	(18,987)	-	23,522
	3,181,742	79,313	9,879	(18,987)	-	3,251,947
As at 30th June, 2019						
Preferential buyer's credit (a)	2,261,432	45,649	23,301	-	-	2,330,382
Buyer's credit (b)	768,040	35,304	8,014	-	-	811,358
TIB Loan	71,392	2,562	3,104	(34,915)	(2,141)	40,002
	3,100,864	83,515	34,419	(34,915)	(2,141)	3,181,742

	Consolidated 2020 TZS 'm	Consolidated 2019 TZS 'm	Corporation 2020 TZS 'm	Corporation 2019 TZS 'm
Non-current	2,521,470	2,756,235	2,521,470	2,756,235
Current	730,477	425,507	730,477	425,507
Total	3,251,947	3,181,742	3,251,947	3,181,742

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

30. BORROWINGS (CONTINUED)

a) This loan from Export - Import (Exim) Bank of China was received through the Government of the United Republic of Tanzania to finance the construction of Mtwara and Songo Songo to Dar es Salaam gas pipeline and processing plants. The loan is denominated in US dollars. The loan contract amounts to USD 920,000,000 and carries an interest of two percent per annum (2% per annum) which is to be paid every 21st January and 21st July. The loan had a grace period of 84 months from the first day of disbursement, 20 June 2013. The loan is to be repaid in 156 months from the end of the grace period.

b) This loan from Export - Import (Exim) Bank of China was received through the Government of the United Republic of Tanzania to finance the construction of Mtwara and Songo Songo to Dar es Salaam gas pipeline and processing plants. The loan is denominated in US dollars. The loan contract amounts to USD 275 million and carries an interest of 430 basis points plus a 6 months LIBOR per annum which is to be paid every 21st January and 21st July. The loan had a grace period of 22 months from the first day of disbursement, 24th July, 2013. The loan is to be repaid in 132 months from the end of the grace period.

The securities for loan (a) and loan (b) above includes all rights under the natural gas sales agreement between TPDC and TANESCO to the lender as security for the obligation of the borrower under the loan agreement and escrow account agreement.

c) This is a medium-term loan from the TIB Development Bank Limited. The purpose of the loan was to fulfil conditions set out in the Gas Sales Agreement between TPDC and Mnazi Bay PSA Partners. Interest for the loan up to December 2018 was charged at 900 basis points plus 6 months plus US LIBOR rate per annum. The loan amounts to USD 27 million. The loan had a grace period of 12 months from the date of disbursement, 16 August 2015. The loan was to be repaid in 4 equal instalments within the period of 24 months from the end of the grace period. On 31 December 2018 the loan was restructured and interest rate was changed to 7.5% per annum.

The loan has the following securities;

- Specific assignment over the TPDC entitlements of Cost Gas and Profit Gas Mnazi Bay GSA receivables which shall rank second to the Mnazi Bay Concession Partners' claims prior to settlement of the outstanding TPDC payables and thereafter shall rank first till the liquidation of the loan; and

- Pledge/assignment of the TPDC's shares in the Mnazi Bay Concession standing at 20% participating interests. As at the date of entering the agreement the participating interest was estimated to be TZS 61.55 billion.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31. TRADE AND OTHER PAYABLES

	Group 2020 TZS 'm	Group 2019 TZS 'm	Corporation 2020 TZS 'm	Corporation 2019 TZS 'm
Trade payables	**63,856**	106,623	**63,856**	106,623
Due to related parties	**89,770**	114,700	**97,108**	115,563
Accruals	**47,577**	51,358	**47,522**	51,359
VAT payables	**9,611**	3,996	**9,612**	3,957
Payroll liabilities	**10,274**	1,735	**10,225**	1,735
	221,087	278,413	**228,323**	279,237

32. CASH GENERATED FROM OPERATIONS

	Note	Group 2020 TZS 'm	Group 2019 TZS 'm	Corporation 2020 TZS 'm	Corporation 2019 TZS 'm
Operating activities					
Profit before tax		**13,426**	18,494	**13,188**	18,394
Adjustments for:					
Depreciation - fixed assets	14	**85,530**	84,522	**85,232**	84,439
Depletion expense	15	**4,809**	5,824	**4,809**	5,824
Interest expense	12	**79,313**	85,190	**79,313**	85,190
Amortisation of intangible asset	17	**210**	163	**210**	163
Amortisation of grants	28	**(318)**	(290)	**(318)**	(290)
Share of profit of equity	19	**(13,616)**	(17,147)	**(13,616)**	(17,147)
Impairment loss on receivables	5(b)	**16,660**	4,068	**16,660**	4,068
Carried interest	27	**1,139**	(40,107)	**1,139**	(40,107)
Accretion expense	29	**363**	330	**363**	330
Net unrealized forex losses		**9,456**	30,149	**9,456**	30,149
		196,971	171,196	**196,437**	171,014
Changes in:					
- inventories	23	**(884)**	(2,493)	**243**	1,566
- trade and other receivables	24	**(13,878)**	25,558	**(23,921)**	20,760
- trade and other payables	31	**(57,325)**	(43,197)	**(50,915)**	(48,860)
Cash generated from operations		**124,884**	151,064	**121,844**	144,480

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

33. CAPITAL COMMITMENTS

The Group and Corporation had entered into contract for construction of natural gas distribution network and connection of gas supply to households, institution and Industry in Mtwara. Gas Company (Tanzania) Limited is the contractor for this projector. The capital commitment amount for this project as at 30th June, 2020 is TZS 780 million.

34. CONTINGENCIES- ASSETS AND LIABILITIES

The following are contingent liabilities with respect to Group and Corporation affairs for the year ended 30th June, 2020;

(ii) Abandonment / decommissioning costs of plants and other assets at Songo Songo Gas producing site

In October, 2001 the Government of United Republic of Tanzania, TPDC and PAET entered into a Production Sharing Agreement for the development of Songo Songo gas field. At the same time, the Government, TPDC, Songas Limited and PanAfrican Energy Tanzania Limited entered into a Gas Agreement relating to Songo Songo Gas-to-Electricity Project. The investment costs for the wells and other upstream structures at the gas field were done by the Government, Songas and PAET.

Per the Gas Agreement, TPDC transferred and assigned to Songas Limited the exclusive rights to carry exploration and development operations in the Discovery blocks and carry on other related operations as are necessary, for the sole purpose of supplying protected gas. The same Agreement transferred and assigned TPDC's rights to PanAfrican Energy Tanzania Limited to carry exploration and development operations in the Songo Songo Gas Field and jointly with TPDC sell the Additional Gas.

As per the Gas Agreement stipulates that when the Gas wells reach their respective economic limits it is the Operator who will plug and abandon the wells utilizing good oilfield practices. Prior to this the Operator is ought to have forecasted a realistic cost of abandonment and to have consulted Government and TPDC in the determination of when the economic limit is reached. Also, the Operator is obliged to set aside funds for abandonment and these would be recoverable prior to expenditure. Also, it is the Operator who will safely arrange for the abandonment of unused flow lines and arrange for clean-up and reclamation of all sites.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

34. CONTINGENCIES- ASSETS AND LIABILITIES (CONTINUED)

According to a reserve estimate report from an independent consultant, the Songo Songo field is not anticipated to cease economic production until a time between 2036 and 2040 hence abandonment costs are expected to be incurred at some time after 2036. This is well beyond the current basic agreements (with the operator - M&P) and development license expiry in 2026. The estimated liability for the abandonment work as computed by independent consultant in year 2012 was approximately USD 34.35 million.

The management is of the opinion that it is not probable that any liability will arise to TPDC because it is not the Operator of the Songo Songo gas field. Despite the current suite of basic agreements and the development license expiring before the economic life of the gas field, management believes that an extension of the agreements and license will be sought with or without the current operator. Also, the operator will be advised to update the existing abandonment plan and set aside funds for that purpose. Additionally, TPDC has no participation interest in the Songo Songo gas field assets and hence the Group and Corporation have not made any provision against it.

(iii) Relocation costs of Mtwara pipeline from Mtwara Airport land reserve

In the year 2012 the Group and Corporation commenced implementation of National Natural Gas Infrastructure Project (NNGIP) which comprised construction of the two processing plants located at Madimba in Mtwara and Songo Songo in Lindi, and a transportation pipeline from Mnazi Bay and Songo Songo to Dar es Salaam. Prior to project commencement, TPDC engaged Ardhi University (ARU) as a project consultant for pipeline route (wayleave) survey, environmental impact assessment, valuation and acquisition. TPDC successfully acquired natural gas pipeline wayleave under the professional guidance and advice from the Ardhi University.

On 11th January 2018, through various media coverage the Deputy Minister for Works directed TPDC, Tanzania Airport Authority (TAA) and experts from the Ministry of Infrastructure, Transport and Communication to discuss the reported pipeline crossing the airport including relocating the gas pipeline from the Mtwara Airport land.

Pursuant to such directive, TPDC made a preliminary investigation on 15th January 2018 in collaboration with Mtwara Airport management and Mtwara Municipal Council on the matter and identified that the gas pipeline crossed within the airport land.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

34. CONTINGENCIES- ASSETS AND LIABILITIES (CONTINUED)

Based on the preliminary findings, there is a possibility to relocate the existing natural gas pipeline towards the north-east side outside the Mtwara Airport land. Relocation costs might be incurred by the Corporation but have not been agreed as yet.

If determined to be necessary and agreed, the relocation of the pipeline will have economic and financial implications to TPDC. The estimation of the cost includes cost incurred for acquisition of the wayleave and construction of the existing pipeline (Sunk Cost) and Additional Cost to be incurred for relocation (Additional Cost). Management has estimated the relocation cost at TZS 53.17 Billion.

However, management is of the opinion that it is not probable that the liability will occur due to high cost of relocation and continuous negotiations with the Tanzania Airport Authority. The Group, together with the Ministry of Energy plans to initiate amicable land dispute settlement mechanisms with Ministry of Infrastructure, Transport and Communication and Ministry of Land, Housing and Human Settlements Development to re-coordinate Mtwara Airport land into national coordinate system without relocating the existing pipeline.

(iv) Existing litigations

During the year under review the Group had a total of four (4) cases in various courts and tribunals at different stages of hearing. The Group is the respondent in all 4 cases claiming a relief of TZS 346,192 million. Where the outcome of the cases will be against the Company it may have significant financial impact on its operations. The Management of the Group has not made a provision on the pending cases.

(v) Tax related matters

As at year end 30th June, 2020 the Group had disputed tax matters with the Tanzania Revenue Authority (TRA) with respect to Value Added Tax (VAT) and corporate income tax for the years of income 2014 - 2017. The disputed amount as at 30th June, 2020 was TZS 7,271 million.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

35. RELATED PARTY TRANSACTIONS AND BALANCES

The Corporation is wholly owned by the Government of United Republic of Tanzania through the Treasury Registrar. Therefore, the Government of United Republic of Tanzania is the ultimate holding entity.

Related parties in the books of TPDC include subsidiaries, associates and government agencies (including national departments/Ministries, public entities and local government municipalities). TPDC's transactions with the local Government offices and Government Executive Agencies are not individually significant when compared to the total value of the transactions between TPDC and other government related parties and are therefore not disclosed separately. These include, among others, transactions as a result of services received from government hospitals and utility companies.

Related parties also comprise key management personnel of TPDC or its shareholder and close family members of these related parties.

The following transactions were carried out with related parties and were deemed to be significant for disclosure purposes.

	Group		Corporation	
	2020	2019	2020	2019
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Transactions:				
Sales of goods and services				
Associate - SONGAS Limited	**18,595**	22,000	**18,595**	22,000
Government entity - TANESCO	**377,035**	324,615	**377,035**	324,615
	395,630	346,615	**395,630**	346,615
Purchases of goods and services				
GASCO - (Operation and maintenance)	**21,981**	26,665	**20,981**	26,665
Other				
Government - Interest incurred on on-lent borrowings	**76,881**	80,953	**76,881**	80,953
TIB borrowing - Interest incurred	**2,432**	3,387	**2,432**	2,562
Associate - Dividend received	**8,865**	8,845	**8,865**	8,845
	88,178	93,185	**88,178**	92,360

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	Group		Corporation	
	2020	2019	2020	2019
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Outstanding balances (due from related parties)				
Receivables and amounts owed by related parties				
Associate - SONGAS Limited	**46,517**	40,425	**46,517**	40,425
Subsidiary - (GASCO)	-	-	**16,230**	8,651
Government entity - TANESCO	**344,654**	338,663	**344,654**	338,663
	391,171	379,088	**407,401**	387,739
Outstanding balances (due to related parties)				
Payables and amounts owed to related parties				
Amounts payable to subsidiary - TANOIL	-	-	**5,000**	5,000
Amounts payable to subsidiary - GASCO	-	-	**1,500**	1,500
Royalty payable to Ministry of Energy and Minerals	6,101	20,101	**6,101**	20,101
License fees payable to Ministry of Energy	-	2,606	-	2,606
	6,101	**22,707**	**12,601**	**122,063**
Borrowings				
TIB Loan	23,522	40,002	23,522	40,002
Government on-lent borrowings	3,228,425	3,141,739	3,228,425	3,141,739
	3,251,947	3,181,741	**3,251,947**	3,181,741

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

35. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Directors and key management personnel remuneration;

Group	Salary and post-retirement benefits		Fees and Sitting allowances		Social security benefits	
	2020	2019	2020	2019	2020	2019
	TZS 'm	TZS 'm	TZS 'm	TZS'm	TZS 'm	TZS 'm
Key management	1,574	1,818	487	521	98	102
Directors	-	-	-	209	-	-
Total	1,574	1,818	487	730	98	102

Corporation	Salary and post-retirement benefits		Fees and Sitting allowances		Social security benefits	
	2020	2019	2020	2019	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS'm	TZS 'm	TZS 'm
Key management	1,574	1,818	487	521	98	102
Directors	-	-	-	209	-	-
Total	1,574	1,818	487	730	98	102

36. PRIOR YEAR RECLASSIFICATIONS

Comparative balances in the statement of profit or loss and other comprehensive income have been reclassified for presentation purposes and consistent with the accounting policies and accounting standards. The prior year reclassifications affect the statement of profit or loss and other comprehensive income for the year 2018/19 as per below table;-

Group	Amount prior reclassification	Reclassification adjustment	Amount after reclassification
	TZS 'm	TZS 'm	TZS 'm
Other income	52,185	25,981	78,166
Provision for bad debt	(1,044)	(3,024)	(4,068)
Operating expenses	(46,568)	(22,957)	(69,525)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Corporation	Amount prior reclassification TZS 'm	Reclassification adjustment TZS 'm	Amount after reclassification TZS 'm
Other income	43,183	28,724	71,907
Provision for bad debt	(1,044)	(3,024)	(4,068)
Operating expenses	(10,783)	(25,698)	(36,481)

37. SUBSEQUENT EVENTS

Management is not aware of any other event that requires adjustment to the financial statements and/or disclosure other than those already mentioned here and elsewhere in the financial statements.