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 30 JUNE 2019

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March 2020

AR/TPDC/2018/2019

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NAO VISION AND MISSION STATEMENTS

Office of the Controller and Auditor General,
United Republic of Tanzania

(Established under Article 143 of the Constitution of the URT)

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the URT of 1977 (revised 2005) as amplified under the Public Audit Act No. 11 of 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, National Audit Office (NAO) is guided by the following Core Values:

- ✓ **Objectivity:** We are an impartial public institution, offering audit services to our clients in an unbiased manner.
- ✓ **Excellence:** We are professionals providing high quality audit services based on 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 that promotes value added ideas within and outside the institution.
- ✓ **Results Oriented:** We are an organisation that focuses an achievement based on performance targets.
- ✓ **Team Work Spirit:** We work together as a team, interact professionally, share knowledge, ideas and experience.

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 appropriate training, adequate working tools and facilities that promote independence.

ABBREVIATIONS

AG	Attorney General
AGG	Airborne Gravity Gradiometry
BCF	Billion Cubic Feet
CAG	Controller and Auditor General
CNG	Condensed Natural Gas
TANOIL	TANOIL Investment Limited
CWIP	Capital Work in Progress
EIA	Environmental Impact Assessment
FTG	Full Tensor Gradiometry
GASCO	Gas Company (Tanzania) Limited
CGU	Cash Generating Unit
GSA	Gas Sale Agreement
IOCs	International Oil Companies
Km	Kilometers
LAPF	Local Authority Pension Fund
LPG	Liquefied Petroleum Gas
LNG	Liquefied Natural Gas
M& P	Maurel et Prom
MEM	Ministry of Energy and Minerals
MMSCFD	Million Standard Cubic Feet per Day
MOU	Memorandum of Understanding
MV	Motor Vehicle
MW	Megawatts
NHIF	National Health Insurance Fund
NSSF	National Social Security Fund
NAO	National Audit Office
NBAA	National Board of Accountants and Auditors
NNGI	National Natural Gas Infrastructure Project
NCI	Non-Controlling Interest
NEMC	National Environmental Management Council
NNGIP	National Natural Gas Infrastructure Project
OCI	Other Comprehensive Income
PA	Petroleum Act
PAET	Pan African Energy Tanzania Limited
PMU	Procurement Management Unit
PNG	Piped Natural Gas
PPF	Parastatal Pension Fund
PSA	Production Sharing Agreement
PSPF	Public Service Pensions Fund
PURA	Petroleum Upstream Regulatory Authority
SACCOS	Savings and Credit Corporative Society
Sq. Km	Square Kilometres
TCF	Trillion Cubic Feet
TPDC	Tanzania Petroleum Development Corporation
TZ	Tanzania
URT	United Republic of Tanzania
MD	Managing Director
EPC	Engineering Procurement and Construction

TANZANIA PETROLEUM DEVELOPMENT CORPORATION

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2019

The Directors submit their report together with consolidated and separate financial statements for the year ended 30 June 2019, 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 entire shares are held 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;
- 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.

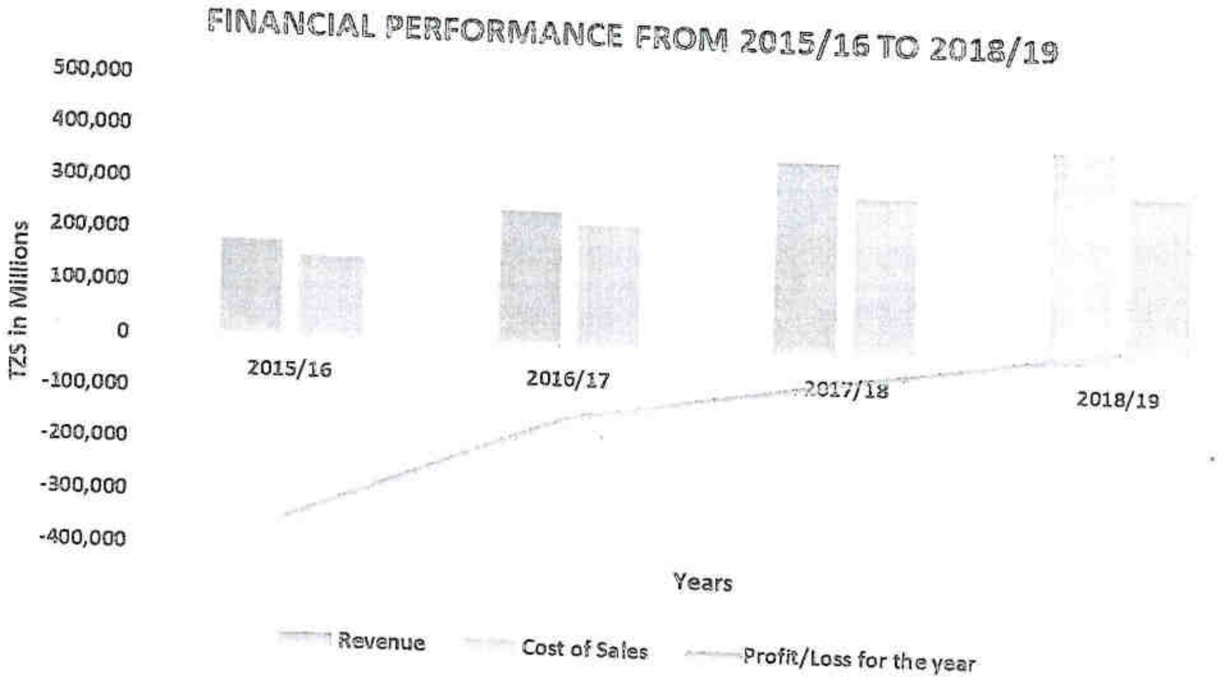
In the current year, the Corporation witnessed significant achievements in intensifying its exploration and development activities and implementation of gas distributions projects. These achievements enabled TPDC to contribute Tshs 66.4 billion in 2018/19 to the Oil and Gas Revenue Fund compared to Tshs 28 billion contributed in the preceding year. In the same year 2018/19 the Corporation paid Tshs 2.5 billion as dividend to the Government.

TPDC activities in the near future will emphasize on availability of natural gas through development of upstream discoveries and implementation of natural gas distribution projects. The Corporation will implement upstream activities which include drilling of wells in Mnazi Bay North Block and acquiring of 2D and 3D seismic data in Eyasi Wembere and Block 4/1B respectively. The domestic gas utilization will focus on maintaining and increasing customer base through undertaking natural gas distribution projects to connect 6 industries, 5 institutions and 1300 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. It is our hope that these projects will create significant savings in foreign exchange and at the same time protect the environment by reducing carbon footprints and deforestation.

Most important, it is worth noting that the key to success of the Corporation rests on human resource development. Significant emphasis has been directed towards human resource development, 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 improved significantly during the year under review as compared to the last three years. During the year the Group recorded a profit of TZS 25,399 million whereas in the past three years the recorded losses were TZS 341,630 million (2015/2016), TZS 136,750 million (2016/2017) and TZS 52,804 million (2017/2018) as shown in the chart on the following page:

5. GENERAL OUTLOOK (CONTINUED)



6. COMPOSITION OF THE BOARD OF DIRECTORS

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

Name	Position	Discipline	Nationality	Date resigned
Prof. Sufian H. Bukurura	Chairman	Legal academician/ Researcher	Tanzanian	30 May 2019
Hon. (Rtd) Judge Josephat M. Mackanja	Vice Chairman	Lawyer	Tanzanian	30 May 2019
Ambassador Dr. Ben Mosses	Director	Administrator/ Diplomat	Tanzanian	30 May 2019
Prof. Abiud Kaswamila	Director	Land use planner/ environmentalist	Tanzanian	30 May 2019
Prof. Hussein Sosovele	Director	Environmentalist	Tanzanian	30 May 2019
Ms. Mwanamani Kidaya	Director	Geologist	Tanzanian	30 May 2019
Dr. Shufaa Albeity	Director	Accountant	Tanzanian	30 May 2019
Eng. Kapuulya Musomba*	Ex-officio member	Engineer	Tanzanian	30 May 2019

*Eng. Kapuulya Musomba was the acting Managing Director of TPDC

6. COMPOSITION OF THE BOARD OF DIRECTORS (CONTINUED)

Directors' remuneration

Total directors' remunerations for services rendered as directors of the Group was TZS 209 million and Corporation TZS 138 million for the year ended 30 June 2019 as compared to TZS 127 million paid during the year ended 30 June 2018 for both Group and Corporation. Directors' remunerations comprise of annual directors fees, payable on quarterly basis, to the Board Chairman, ordinary Board members and Board's committees members.

7. CORPORATE GOVERNANCE

The Board consists of eight (8) Directors. The Managing Director holds an executive position in the Corporation. 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 Board delegates the day-to-day management of the business to the Managing Director assisted by senior management team. Senior management members are invited to attend board meetings. They facilitate effective control of all the Corporation's operational activities, acting as a medium of communication and coordination between various business units. The Corporation is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency and accountability.

The TPDC Board has two committees to ensure and uphold a high standard of corporate governance. The members' tenure of office for these committees runs concurrently with that of the Board of Directors. The Committees report to the Board of Directors and are required to meet at least once in every quarter. The two Board's committees are:

i. Audit and Risk Management Committee, and
ii. Corporate Legal Affairs Committee

The Audit and Risk Management Committee is made up of five members, three from members of the Board of Directors and two co-opted (independent) members. Among the two members of the committee, one has financial background and the other one has operational expertise of TPDC's activities.

The Corporate Legal Affairs Committee comprises of four members, three from the TPDC Board of Directors and one co-opted member with a legal background. The Chairman of the Corporate Legal Affairs Committee is a lawyer and a retired judge.

7. CORPORATE GOVERNANCE (CONTINUED)

During the year, members of the Committees were as follows:

a) Audit and Risk Management Committee

Name	Position	Discipline	Nationality	Appointed/ Resigned	Date Appointed/ Resigned
Dr. Shufaa Albeity	Chairperson	Accountant	Tanzanian	Appointed	3 Jun 2016
Amb. Dr. Ben Moses	Member	Administrator/ Diplomatic	Tanzanian	Appointed	3 Jun 2016
Prof. Hussein Sosovele	Member	Environmentalist	Tanzanian	Appointed	3 Jun 2016
Prof. Shukrani Manya	Member	Geologist	Tanzanian	Appointed	22 Aug 2016
Mr.Nicodemus Mallya	Member	Accountant	Tanzanian	Appointed	12 July 2017

b) Corporate Legal Affairs Committee

Name	Position	Discipline	Nationality	Appointed/ Resigned	Date Appointed/ Resigned
Hon. Judge Josephat Mackanja	Chairman	Rtd. Judge/Lawyer	Tanzanian	Appointed	3 Jun 2016
Prof. Abiud Kaswamila	Member	Land use planner/ Environmentalist	Tanzanian	Appointed	3 Jun 2016
Mrs. Mwanamani Kidaya	Member	Geologist	Tanzanian	Appointed	3 Jun 2016
Ms. Monica Otaru	Member	Lawyer	Tanzanian	Appointed	24 Feb 2017

During the year ended 30 June 2019, the Board of Directors had eleven (11) meetings and twelve (12) committee meetings as tabulated in the table below:

S/N	Meeting	Board of Directors	Corporate and Legal Affairs Committee	Audit and Risk Management Committee
1.	Ordinary meetings	4	2	3
2.	Special meetings	7	3	4
	Total number of meetings	11	5	7

7. CORPORATE GOVERNANCE (CONTINUED)

The Board and its Committees performed discussions on the following issues during the period ended 30 June 2019:

a) Reviewed and approved Annual Plan and Budget for the financial year 2019/20.
b) Reviewed and approved Internal Audit Plan for year 2019/20.
c) Contracts negotiated and/or entered between TPDC and other parties.
d) Reviewed and approved Corporations policies and practices.
e) Reviewed and deliberated on litigations, claims, transactions and other contingencies
f) Approved documents on organisational structure, scheme of services and determination of remunerations and fees for members of staff and directors.

8. CAPITAL STRUCTURE

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

SHARE CAPITAL	2019 Tzs 'm	2018 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

	2019 Tzs 'm	2018 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.

9. MANAGEMENT

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

Directorates

- Exploration, Development and Production and

- Oil and Gas Business

9. MANAGEMENT (CONTINUED)

Directorates (Continued)
- Panning and Investment
- Finance and Administration

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

10. ONGOING AND FUTURE DEVELOPMENT PROJECTS

A) Upstream Operations

i) Exploration Activities

TPDC application for license for carrying out Hydrocarbon Exploration and acquiring 3D Seismic Data in West Songo Songo (WSS) Block was submitted to Ministry of Energy (MoE). MoE issued a letter of intent prior to license award. Also, TPDC completed Petro-physical studies of SS10 Well. Such studies of characteristics of nearby wells to the potential block (WSS) gave good results of reservoir characteristics for potential exploration activities in the block. The consultant for undertaking EIA was secured and the study is expected to be undertaken in the year 2019/2020.

TPDC completed petrographic, geochemical and bio-stratigraphic analysis of samples from the Eyasi Wembere geological fieldwork. The drilling of the short stratigraphic boreholes will be conducted in 2019/2020. Also, TPDC started undertaking Environmental Impact Assessment (EIA) activities whereby field identification and mapping of sensitive sites, conservation sites and cultural heritage sites/community in the Eyasi-Wembere block were conducted.

For the Block 4/1B and 4/1C, TPDC completed EIA upgrade. Also, Petro-physical interpretation of Chaza-1 Well and Palynological analysis of samples from Jodari-1 Well near to blocks 4/1B and 4/1C was done. Such studies depicted good potential for further exploration.

TPDC completed processing and interpretation of 131.7sqkm of the existing 3D Seismic data. Also, well planning and geological prognosis using time domain data for Mnazi Bay North block was conducted and drilling preparation will be started in 2019/2020.

ii) LNG Development

TPDC obtained EIA certificate for resettlement of LNG Project land. LNG Technical and Commercial capacity building was conducted whereby Government Negotiation Team (GNT) and LNG team conducted benchmarking studies in Qatar, Indonesia and Papua New Guinea. Compensation of the affected people due to relocation from the LNG project land was not effected and the compensation will be paid in 2019/2020.

10. ONGOING AND FUTURE DEVELOPMENT PROJECTS (CONTINUED)

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 and Dangote Cement Factory were concluded. Dangote started using gas in December 2018.

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

TPDC commenced trenching and High-density Polythelene (HDPE) pipeline laying for the Dar es Salaam households' connection. Furthermore, connection works for COET cafeteria, Cafeteria 1 & 2 at University of Dar-es-Salaam (UDSM) are ongoing, whereby 3.2km trenching and pipe laying works had been completed. Also, 24 out of the planned 38 houses at Mikocheni area were connected to the use of natural gas.

The concept note and pre-feasibility study to undertaking the implementation of Regional Natural Gas Distribution project under Public Private Partnership (PPP) arrangement was completed and approved by Ministry of Finance and Planning (MoFP). Procurement for consultant to undertake a feasibility study was initiated.

Memorandum of Understanding (MoU) between the Governments of Tanzania and Uganda on the implementation of the Dar es Salaam-Tanga-Mwanza-Kagera-Uganda Gas Pipeline project was signed in August, 2018. The Joint Technical Committee (JTC) between officials from Tanzania and Uganda was formed.

B.2 Downstream Oil Trading Projects

The valuation of the assets and verification of operators of TPDC petrol stations in Tanga, Arusha, Singida, Mara and Geita were conducted. Rehabilitation of petrol stations will be undertaken in the 2019/20.

In establishing the Strategic Petroleum Reserve (SPR), plots for Strategic Depots in Dar es Salaam, Morogoro, Dodoma and Tanga were identified. The spot valuation of those plots will be conducted in 2019/20.

The Corporation is proceeding with the HGA negotiations for the East African Crude Oil Pipeline (EACOP) project. TPDC participated in completed Geotechnical survey and valuation of the way-leave and identification of priority areas for camps and pipes coating yards.

11. KEY ACHIEVEMENTS

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

i) Completed construction of natural gas infrastructure to supply gas to Lodhia and Coca Cola industries at Mkuranga and Mikocheni respectively as well as 24 households at Mikocheni. Also, the Corporation completed 3.2km trenching and gas pipes' laying works to supply gas to the University of Dar es Salaam cafeterias.

ii) Concluded Gas Sales Agreement (GSA) negotiations with six industries (Dangote, Lodhia, Knauf, Coca Cola, Shreeji and LN Future).

iii) Conducted petro-physical studies of SS10 well. This is a nearby well to the potential West Songo Songo (WSS) block which is owned by TPDC. The study of SS10 well characteristics gave good results of reservoir characteristics for potential exploration activities in the WSS block.

iv) Completed geological and geophysical studies for Eyasi Wembere and two (2) Wells (Chaza and Jodari) near to blocks 4/1B and 4/1C. Such studies depicted good potential for further exploration in the blocks.

v) Completed processing and interpretation of 131.7sqkm of the existing 3D seismic data for Mnazi Bay North block.

vi) Processed and transported 15.48 Billion Cubic Feet (BCF) of natural gas through Corporation owned natural gas infrastructure operated by GASCO.

vii) Conducted 15 corporate awareness programs in Lindi, Mtwara, Pwani and regions along the Hoima-Tanga pipeline project.

12. RESULTS AND DIVIDEND

Results for the year are set out on page 23 of this report. During the year, the Group recorded a net profit of Tzs 25,399 million (Corporation: Tzs 25,437) for the year ended 30 June 2019 (2018: Group incurred a net loss of Tzs 52,804 million and Corporation: Tzs 52,944 million). The Directors declared and paid dividend of Tzs 2,500 million to the Government, through the Office of Treasury Registrar, for the financial year ended 30 June 2019 (30 June 2018: Nil).

13. 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 66,449 million to the oil and gas fund maintained at the Central Bank of Tanzania (2018: Tzs 28,132 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.

14. 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.

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.

14. 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 2018/19 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.

15. SOLVENCY

The Directors have 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. The reported net profit of Tzs 25,399 million mainly has been resulted from increases of revenues as a result of expansion of business operations in the downstream. With the on-going oil and gas downstream projects, the Group performance is expected to improve further. Additionally, the profit has also been contributed by the increase of gas sales revenue resulting from expansion of customer base.

16. 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.

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.

17. 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.

18. 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 30 June 2019, a total of Tzs 1.42 billion was spent to cover for short and long courses both local and abroad as compared to Tzs1.25 billion spent in the year ended 30 June 2018.

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 1.16 billion (2018: Tzs 1.17 billion) as contributions to publicly administered Pension plans (i.e. Public Service Social Security Fund (PSSSF) and National Social Security Fund (NSSF).

18. EMPLOYEES' WELFARE (CONTINUED)

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 30 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 work place 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 39 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 30 June 2019 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/N	Intervention Areas	Program/project Supported	Beneficiaries	Program/project Cost/Amount donated (Tzs)
1	Water	Construction of water project.	Kilangala B, Village-Lindi	52,300,000
2	Education	Construction of classroom.	Kinyerezi primary school	22,000,000
3.	Education	Construction of Classroom.	Mtwara District Council	13,258,042
4.	Good governance	Construction of Bungu B village local government office	Bungu B village - Kibiti	10,000,000
5.	Health	Heart Marathon	Heart Marathon 'DSM'	2,790,000
6.	Health	TAKUWA	TAKUWA- Mtwara	3,970,000
7.	Good governance	Association Of Local Authority Of Tanzania (ALAT)	Dar es Saalam	5,000,000
8.	SPORTS	Contribution for the Annual National Festival of Fire and Rescue Week	DODOMA-Fire Protection Services	2,000,000
9.	Good Governance	Contribution on capsized of MV-Nyerere ferry Mwanza	RC Mwanza	1,000,000
10.	Good Governance	Contribution of the peak race of the Uhuru Torch	RC-Tanga	2,000,000
11.	Good Governance	Wood posts for TPDC funded projects.	LINDI & MTWARA	3,500,000

12.	SPORTS	Contribution to Confederation of East and Central Africa Amputee Football (CECAAF)	CECAAF	10,000,000
13	Good Governance	Contribution for Business Forum in Lindi	RC-Lindi	2,000,000
TOTAL				**129,818,042**

22. CORPORATE SOCIAL RESPONSIBILITY (CSR) (CONTINUED)

Total donations made during the year amounted to Tzs 129.8 million (June 2018: Tzs 143 million).

Corporate Image and Reputation

In carrying out its responsibilities, TPDC relies on 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 30 villages along the natural gas pipeline from Mtwara to Lindi were visited as part of creating awareness relating to natural gas infrastructure and security. Along the same line of strategic use of media, 13 articles were published in various newspapers, 11 Television stations and 6 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.

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, KPMG has been authorised to carry out the Audit of Tanzania Petroleum Development Corporation for the year ended 30 June 2019 on behalf of the Controller and Auditor General to assist the CAG in forming his audit opinion.

BY ORDER OF THE BOARD

Masanja	09/03/2020
Acting Permanent Secretary - Ministry of Energy: Eng. Leonard R. Masanja	Date
Mataragio	9/3/2020
Managing Director: Dr. James P. Mataragio	Date

TANZANIA PETROLEUM DEVELOPMENT CORPORATION

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2019

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 30 June 2019, 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 the 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.

The Directors have made an assessment of the Corporation's and Group's ability to continue as going concern and have disclosed the facts under Note 7 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 Board of Directors ....9|3.........2020 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 YEAR ENDED 30 JUNE 2019

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 Board of Directors as under Directors 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 30 June 2019 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: ....

Position: Director of Finance and Administration:

CPA. George M. Seni

NBAA Membership No.: ACPA (T) 2739

Date: 09 MARCH 2020

Permanent Secretary,
Ministry of Energy,
Government City,
Mtumba,
P.O. Box 2494
40474 DODOMA

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF TANZANIA PETROLEUM DEVELOPMENT CORPORATION FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2019

Unqualified Opinion

I have audited the consolidated and separate financial statements of Tanzania Petroleum Development Corporation ("the Group and Corporation"), which comprise the statements of financial position as at 30 June 2019, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes to the financial statements, comprising significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated and separate financial statements give true and fair view of the consolidated and separate financial position of Tanzania Petroleum Development Corporation (TPDC) as at 30 June 2019, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by Public Corporation Act, 1992.

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. 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.

Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors, the Statement of Directors' Responsibilities and Declaration of Head of Finance. The other information does not include the consolidated and separate financial statements and my audit report thereon.

My opinion on the consolidated and separate 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 and separate 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 and separate financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, 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.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there are no key audit matters to communicate in my report.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated and separate 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 and separate financial statements.

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.

Report on Other Legal and Regulatory Requirements

Compliance with Public Procurement Act, 2011

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 the 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

National Audit Office,
Dodoma, Tanzania.

13th March, 2020

TANZANIA PETROLEUM DEVELOPMENT CORPORATION

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated		Separate	
	Note	2019 Tzs 'm	2018 Tzs 'm	2019 Tzs 'm	2018 Tzs 'm
Revenue	11	405,902	369,477	405,510	369,477
Cost of sales	12	(292,354)	(304,807)	(318,845)	(304,807)
Gross profit		113,548	64,670	86,665	64,670
Other income	13	52,185	25,972	43,183	25,972
Impairment loss on trade receivables	27	(1,044)	(807)	(1,044)	(807)
Operating expenses	14	(46,568)	(24,591)	(10,783)	(24,731)
Operating profit		118,121	65,244	118;021	65,104
Finance cost	15	(116,774)	(144,602)	(116,774)	(144,602)
Share of profit from associate	22	17,147	14,815	17,147	14,815
Operating profit /(loss) before tax		18,494	(64,543)	18,314	(64,683)
Taxation	16	6,905	11,739	7,043	11,739
Profit/ (loss) for the year		25,399	(52,804)	25,437	(52,944)
Other comprehensive income		-	-	-	-
Total comprehensive income/ (loss) for the year		25,399	(52,804)	25,437	(52,944)

The notes on pages 27 to 100 are an integral part of these financial statements.

TANZANIA PETROLEUM DEVELOPMENT CORPORATION

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019

		Consolidated		Separate	
		2019	2018	2019	2018
Assets	Note	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm
Non-current assets					
Property, plant and equipment	17	2,176,255	2,249,421	2,175,687	2,249,421
Natural gas properties	18	56,398	61,378	56,398	61,378
Investment properties	19	1,682	1,682	1,682	1,682
Intangible assets	20	13,292	13,438	13,292	13,438
Investment in subsidiaries	21	-	-	6,500	6,500
Investment in associate	22	57,548	49,246	57,548	49,246
Escrow funds	24	138,105	136,713	138,105	136,713
		2,443,280	2,511,878	2,449,212	2,518,378
Current assets					
Inventories	26	4,959	2,465	899	2,465
Trade and other receivables	27	576,475	606,101	581,275	606,103
Cash and cash equivalents	28	144,419	49,312	138,502	49,310
Carried interest asset	30	266	-	266	-
		726,119	657,878	720,942	657,878
Total assets		3,169,399	3,169,756	3,170,154	3,176,256
Equity and Liabilities					
Equity					
Share capital	29(a)	2,208	2,208	2,208	2,208
Equity contribution from Government	29(b)	184,139	184,139	184,139	184,139
Revaluation reserve		139,714	139,714	139,714	139,714
Retained earnings		(680,894)	(701,197)	(680,843)	(701,184)
Total equity		(354,833)	(375,136)	(354,782)	(375,123)
Liabilities					
Non-current liabilities					
Deferred tax liability	25	27,039	27,017	27,017	27,017
Borrowings	31	2,756,235	2,676,947	2,756,235	2,676,947
Government grant	32	29,962	30,252	29,962	30,252
Asset retirement obligation	33	3,764	3,434	3,764	3,434
		2,817,000	2,737,650	2,816,978	2,737,650
Current liabilities					
Borrowings	31	425,507	423,917	425,507	423,917
Carried interest liability	30	-	39,841	-	39,841
Trade and other payables	34	278,413	321,610	279,237	328,097
Income tax payable		3,312	21,874	3,214	21,874
		707,232	807,242	707,958	813,729
Total liabilities		3,524,232	3,544,892	3,524,936	3,551,379
Total equity and liabilities		3,169,399	3,169,756	3,170,154	3,176,256

The consolidated and separate financial statements on pages 23 to 100 were approved by the Board of Directors on ....9|3........ 2020 and signed on its behalf by: -

Acting Permanent Secretary Ministry of ɜy: Eng. Leornard R. Masanja

Managing Director: Dr. James P. Mataragio

TANZANIA PETROLEUM DEVELOPMENT CORPORATION

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

Consolidated	Share capital Tzs 'm	Equity contribution government Tzs 'm	Revaluation reserve Tzs 'm	Retained earnings Tzs 'm	Total Tzs 'm
Balance at 1 July 2017	2,208	184,139	139,714	(648,393)	(322,332)
Total comprehensive income					
Loss for the year	-	-	-	(52,804)	(52,804)
Other comprehensive income	-	-	-	-	-
Balance at 30 June 2018	**2,208**	**184,139**	**139,714**	**(701,197)**	**(375,136)**
Adjustment on initial application of IFRS 9 - gross of tax*	-	-	-	(2,596)	(2,596)
At 1 July 2018	**2,208**	**184,139**	**139,714**	**(703,793)**	**(377,732)**
Total comprehensive income					
Profit for the year	-	-	-	25,399	25,399
Transactions with owners of the Corporation					
Dividend paid	-	-	-	(2,500)	(2,500)
Balance at 30 June 2019	**2,208**	**184,139**	**139,714**	**(680,894)**	**(354,833)**

Separate	Share capital Tzs 'm	Equity contribution government Tzs 'm	Revaluation reserve Tzs 'm	Retained earnings Tzs 'm	Total Tzs 'm
Balance at 1 July 2017	2,208	184,139	139,714	(648,240)	(322,179)
Total comprehensive income					
Loss for the year	-	-	-	(52,944)	(52,944)
Other comprehensive income	-	-	-	-	-
Balance at 30 June 2018	**2,208**	**184,139**	**139,714**	**(701,184)**	**(375,123)**
Adjustment on initial application of IFRS 9 - gross of tax	-	-	-	(2,596)	(2,596)
At 1 July 2018	2,208	184,139	139,714	(703,780)	(377,719)
Total comprehensive income					
Profit for the year	-	-	-	25,437	25,437
Transactions with owners of the Corporation					
Dividends paid				(2,500)	(2,500)
Balance at 30 June 2019	2,208	184,139	139,714	(680,843)	(354,782)

The notes on pages 27 to 100 are an integral part of these financial statement

TANZANIA PETROLEUM DEVELOPMENT CORPORATION

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated		Separate	
		2019 Tzs 'm	2018 Tzs 'm	2019 Tzs 'm	2018 Tzs 'm
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from / (used in) operating activities	36	151,261	22,330	144,719	22,328
Interest paid		(2,561)	-	(2,561)	-
Tax paid		(16,686)	(2,732)	(16,668)	(2,732)
Net cash generated from / (used in) operating activities		132,014	19,598	125,490	19,596
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant & equipment		(11,354)	(2,828)	(10,745)	(2,828)
Proceeds from disposal of assets		-	271	-	271
Acquisition of intangible assets		(17)	(28)	(17)	(28)
Additions to natural gas properties		(844)	(1,981)	(844)	(1,981)
Dividends received		8,857	17,405	8,857	17,405
Net cash generated from / (used in) investing activities		(3,358)	12,839	(2,749)	12,839
CASH FLOWS FROM FINANCING ACTIVITIES					
Escrow funds		1,392	(44)	1,392	(44)
Repayment of borrowings		(32,441)	-	(32,441)	-
Dividends paid		(2,500)	-	(2,500)	-
Net cash (used in) / generated from financing activities		(33,549)	(44)	(33,549)	(44)
Net increase / (decrease) in cash and cash equivalents		95,107	32,393	89,192	32,391
Movement in cash and cash equivalents					
Cash and cash equivalents at beginning of year		49,312	16,919	49,310	16,919
Increase/(decrease) during the year		95,107	32,393	89,192	32,391
Cash and cash equivalents at end of year		144,419	49,312	138,502	49,310

Significant non-cash transactions

Significant non-cash transaction which is not included under financing activity is as follows:

	Consolidated		Separate	
	2019 Tzs 'm	2018 Tzs 'm	2019 Tzs 'm	2018 Tzs 'm
Decrease in carried interest liability	(40,107)	(40,420)	(40,107)	(40,420)

The notes on pages 27 to 100 are an integral part of these financial statements.

1. REPORTING ENTITY

Tanzania Petroleum Development Corporation (TPDC) is domiciled in Dar es Salaam, Tanzania. The consolidated financial statements of the Corporation as at and for the year ended 30 June 2019 comprise the Corporation and its subsidiaries GASCO and TANOIL (together referred to as the "Group").

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. BASIS OF ACCOUNTING

These consolidated and separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and in the manner required by the Public Corporation Act, 1992.

The financial statements were authorised for issue by the Corporation's Board of Directors on .... 2020.

This is the first set of Group's financial statements in which IFRS 15 *Revenue from Contract with Customers and* IFRS 9 *Financial Instruments* have been applied. Changes to significant accounting policies are described in Note 5.

Consolidation

The Corporation owns 100% of the ordinary share capital of GASCO and TANOIL. The consolidated financial statements include the financial statements of TPDC and its subsidiaries all made up to 30 June 2019. These financial statements are of the Group (consolidated) and Corporation (separate).

3. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated and separate financial statements are presented in Tanzanian Shillings (Tzs), which is the Group and Corporation's functional currency. All financial information presented in Tanzanian Shillings has been rounded off to the nearest million (Tzs 'm) except where otherwise indicated.

4. USE OF ESTIMATES AND JUDGMENTS

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 Corporate 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 separately disclosed in Note 9.

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

New standards, amendments and interpretations in issue and effective for the year ended 30 June 2019

The Group has initially applied IFRS 15 (see a) and IFRS 9 (see b) from 1 July 2018. A number of other new accounting standards are also effective from 1 July 2018 but do not have material effect on Group's and Corporation's financial statements. As a result of adoption of these standards, there has been a change on the significant accounting policies.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

a) IFRS 15 Revenue from Contracts with Customer

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgement.

The Group and the Corporation have adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 18, and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

Revenue is measured based on the consideration specified in a contract with customer. The Group recognises revenue when it transfers control over goods to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligation in contracts with customers, including significant payment terms and the related revenue recognition policies.

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, amendments and interpretations in issue and effective for the year ended 30 June 2019 (Continued)

a) IFRS 15 Revenue from Contracts with Customer (Continued)

Type of product	Nature and timing of satisfaction of performance obligation including significant payment terms	Revenue recognition under IFRS 15	Revenue recognition under IAS 18
Sale of natural gas	The corporation charges fees for the sale of natural gas to its customers per the Gas Sales Agreements (GSA). The price of those contracts does not include variable consideration, billings are only done and revenue recognised upon the discharge of performance obligations (delivery of the natural gas).	Revenue is recognised at a point in time when natural gas has been delivered to the customers. (Evidenced by signing meter reading sheets by both parties).	Revenue was recognised when the natural gas was delivered to the customers' delivery facility, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred.
Sale of protected gas	The corporation charges fees for the sale of natural gas to its customer. The price of those contracts does not include variable consideration, billings are only done and revenue recognised upon the discharge of performance obligations (delivery of the natural gas).	Revenue is recognised at a point in time when protected gas has been delivered to the customers. (Evidenced by signing meter reading sheets by both parties).	Revenue was recognised when the protected gas was delivered to the customers' delivery facility, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred.

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, amendments and interpretations in issue and effective for the year ended 30 June 2019 (Continued)

a) IFRS 15 Revenue from Contracts with Customer (Continued)

Type of product	Nature and timing of satisfaction of performance obligation including significant payment terms	Revenue recognition under IFRS 15	Revenue recognition under IAS 18
Share of profit from PSA revenue	The corporation and its concession partners charge fees for the sale of natural gas to its customers. Performance obligation is satisfied when protected gas has been delivered to the customers' receiving facilities (take points). Revenue Is recognised based on the Corporation's share per the Profit Sharing Agreement (PSA)	Revenue is recognised at a point in time when natural gas has been delivered to the customers. (Evidenced by signing meter reading sheets by both parties). Revenue Is recognised based on the Corporation's share per the Profit Sharing Agreement (PSA).	Revenue was recognised when the natural gas was delivered to the customers' delivery facility, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred.
Sale/Lease of Data	Performance obligation is satisfied when data has been handled to the customers.	Revenue cognized is at a point in time which is when data has been handled to the respective customers.	Revenue was recognized when data has been handled to the respective customers, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred.

Adoption of IFRS 15 did not have a significant impact on the Group's and Corporation's accounting policies.

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) IFRS 9 Financial Instruments

i) *Classification and measurement of financial instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non‑financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.*

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit and Loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on Group's accounting policy related to financial liabilities.

The effect of adopting IFRS 9 on carrying amounts of financial assets at 1 July 2018 relates to solely the new impairment requirement.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 July 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 Tzs 'm'	New carrying amount under IFRS 9 Tzs 'm'
CONSOLIDATED FINANCIAL ASSETS				
Trade and other receivables	Loans and receivables	Amortised cost	543,954	541,358,
Escrow funds	Loans and receivables	Amortised cost	136,713	136,713
Cash and cash equivalents	Loans and receivables	Amortised cost	49,312	49,312
			729,979	727,383

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) IFRS 9 Financial Instruments (Continued)

i) Classification and measurement of financial instruments (Continued)

CONSOLIDATED	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 Tzs 'm'	New carrying amount under IFRS 9 Tzs 'm'
FINANCIAL LIABILITIES				
Trade and other payables	Other financial liabilities	Amortised cost	314,811	314,811
Borrowings	Other financial liabilities.	Amortised cost	3,100,864	3,100,864
Carried interest liability	Other financial liabilities.	Amortised cost	39,841	39,84
			3,455,516	3,455,516

SEPARATE	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 Tzs 'm'	New carrying amount under IFRS 9 Tzs 'm'
FINANCIAL ASSETS				
Trade and other receivables	Loans and receivables	Amortised cost	543,956	541,360
Escrow funds	Loans and receivables	Amortised cost	136,713	136,713
Cash and cash equivalents	Loans and receivables	Amortised cost	49,310	49,310
			729,979	727,383

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) IFRS 9 Financial Instruments(continued)

i) Classification and measurement of financial instruments

SEPARATE	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 Tzs 'm'	New carrying amount under IFRS 9 Tzs 'm'
FINANCIAL LIABILITIES				
Trade and other payables	Other financial liabilities	Amortised cost	321,298	321,298
Borrowings	Other financial liabilities.	Amortised cost	3,100,864	3,100,864
Carried interest liability	Other financial liabilities.	Amortised cost	39,841	39,84
			3,462,003	3,462,003

ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'Expected Credit Loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The impact on adoption of IFRS 9 - Financial instruments is disclosed below under transition.

iii) Transition

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in other expenses. Consequently, the Group reclassified impairment losses amounting to Tzs 807 million, recognised under IAS 39, from 'operating expenses' to 'impairment loss on trade receivables and contract assets' in the statement of profit or loss and OCI for the year ended 30 June 2018. Impairment losses on other financial assets are presented under 'operating expenses', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations. Additionally, the Group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2019 but have not been generally applied to comparative information.

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Effect of adoption of IFRS 15 and 9 (continued)

Transition adjustment

Changes in accounting policies resulting from the adoption of IFRS 9 and 15 have been applied retrospectively.

Impact of adoption of the standard on accumulated deficit

	Impact of adopting IFRS 15 and 9 on opening balance TZS'm
Impact of adoption of IFRS 15	-
Recognition of expected credit loss under IFRS 9	2,596
Related deferred tax not recognised*	(779)
Impact at 1 July 2018	1,817

As permitted by these standards, the Group has not restated comparatives. The following table gives a summary of the impact on assets and liabilities of the new policies as at 30 June 2018 and the adjusted opening balance sheet on 1 July 2018:

Consolidated	Statement of financial position as at 30 June 2018 Tzs 'm	Impact on initial application of IFRS 15 - pre-tax Tzs 'm	Impact on initial application of IFRS 9 -pre tax Tzs 'm	Related tax Tzs'm	Adjusted balance sheet as at 1 July 2018 Tzs'm
Assets					
Non-current assets					
Property, plant and equipment	2,249,421	-	-	-	2,249,421
Natural gas properties	61,378	-	-	-	61,378
Investment properties	1,682	-	-	-	1,682
Intangible assets	13,438	-	-	-	13,438
Investment in associate	49,246	-	-	-	49,246
Escrow funds	136,713	-	-	-	136,713
	2,511,878	-	-	-	2,511,878
Current assets		-	-	-	
Inventories	2,465	-	-	-	2,465
Trade and other receivables	606,101	-	(2,596)	-	603,505
Cash and cash equivalents	49,312	-	-	-	49,312
	657,878	-	(2,596)	-	655,282
Total assets	3,169,756	-	(2,596)	-	3,167,160
Equity and Liabilities					
Equity		-	-	-	
Share capital	2,208	-	-	-	2,208
Equity contribution from Government	184,139	-	-	-	184,139
Revaluation reserve	139,714	-	-	-	139,714
Retained earnings	(701,197)	-	(2,596)	-	(703,793)
Total equity	(375,136)	-	(2,596)	-	(377,732)
		-	-	-	

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Effect of adoption of IFRS 15 and 9 (continued)

Consolidated	Statement of financial position as at 30 June 2018 Tzs 'm	Impact on initial application of IFRS 15 - pre-tax Tzs 'm	Impact on initial application of IFRS 9 -pre tax Tzs 'm	Related tax Tzs'm	Adjusted balance sheet as at 1 July 2018 Tzs'm
Liabilities		-	-	-	
Non-current liabilities		-		-	
Deferred tax liability	27,017	-		-	27,017
Carried interest liability		-		-	-
Borrowings	2,676,947	-	-	-	2,676,947
Government grant	30,252	-	-	-	30,252
Asset retirement obligation	3,434	-	-	-	3,434
	2,737,650	-	-	-	2,737,650
Current liabilities		-	-	-	
Borrowings	423,917	-	-	-	423,917
Carried interest liability	39,841	-	-	-	39,841
Trade and other payables	321,610	-	-	-	321,610
Income tax payable	21,874	-	-	-	21,874
	807,242	-	-	-	807,242
Total liabilities	3,544,892	-	-	-	3,544,891
Total equity and liabilities	3,169,756	-	(2,596)	-	3,167,160

Separate	Statement of financial position as at 30 June 2018 Tzs 'm	Impact on initial application of IFRS 15 - pre-tax Tzs 'm	Impact on initial application of IFRS 9 -pre tax Tzs 'm	Related tax Tzs'm	Adjusted balance sheet as at 1 July 2018 Tzs'm
Assets					
Non-current assets					
Property, plant and equipment	2,249,421	-	-	-	2,249,421
Natural gas properties	61,378	-	-	-	61,378
Investment properties	1,682	-	-	-	1,682
Intangible assets	13,438	-	-	-	13,438
Investment in subsidiaries	-	-	-	-	6,500
Investment in associate	49,246	-	-	-	49,246
Escrow funds	136,713	-	-	-	136,713
	2,511,878	-	-	-	2,518,378

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c). Effect of adoption of IFRS 15 and 9 (continued)

Separate	Statement of financial position as at 30 June 2018 Tzs 'm	Impact on initial application of IFRS 15 - pre-tax Tzs 'm	Impact on initial application of IFRS 9 -pre tax Tzs 'm	Related tax Tzs'm	Adjusted balance sheet as at 1 July 2018 Tzs'm
Current assets		-	-	-	
Inventories	2,465	-	-	-	2,465
Trade and other receivables	606,103	-	(2,596)	-	603,507
Cash and cash equivalents	49,310	-	-	-	49,310
	657,878	-	(2,596)	-	655,282
Total assets	3,169,756	-	(2,596)	-	3,173,660
Equity and Liabilities					
Equity		-	-	-	
Share capital	2,208	-	-	-	2,208
Equity contribution from Government	184,139	-	-	-	184,139
Revaluation reserve	139,714	-	-	-	139,714
Retained earnings	(701,184)	-	(2,596)	-	(703,780)
Total equity	(375,123)	-	(2,596)	-	(377,719)
		-	-	-	
Liabilities		-	-	-	
Non-current liabilities		-	-	-	
Deferred tax liability	27,017	-	-	-	27,017
Carried interest liability	-	-	-	-	-
Borrowings	2,676,947	-	-	-	2,676,947
Government grant	30,252	-	-	-	30,252
Asset retirement obligation	3,434	-	-	-	3,434
	2,737,650	-	-	-	2,737,650
Current liabilities		-	-	-	
Borrowings	423,917	-	-	-	423,917
Carried interest liability	39,841	-	-	-	39,841
Trade and other payables	328,097	-	-	-	328,097
Income tax payable	21,874	-	-	-	21,874
	813,729	-	-	-	813,729
Total liabilities	3,551,379	-	-	-	3,552,379
		-	-	-	
Total equity and liabilities	3,176,256	-	(2,596)	-	3,174,660

6. SIGNIFICANT ACCOUNTING POLICIES

Summary of 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 applied consistently to all years presented, unless otherwise stated. Certain comparative amounts in the statements of profit or loss and OCI have been reclassified as a result of a change in accounting policy to conform to the current year's presentation.

a) Basis of consolidation

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.

b) 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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) 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.

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.

d) Revenue

The Group has initially applied IFRS 15 from 1 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 ad taxes. The effect of initially applying IFRS 15 is described in Note 5(a).

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Revenue (Continued)

Policy applicable from 1 July 2018

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.

PSA Revenue

Revenues from the production of gas in which the Group and Corporation share an interest with other companies 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.

e) 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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) 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.

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.

Physical verification and valuation of all Group's and Corporation's fixed assets were carried out to determine values of assets as at 30 June, 2016. The exercise was conducted by the Ministry of Lands, Housing and Human settlements Development under the Valuation department and approved by the Chief Government valuer.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Property, Plant and Equipment (Continued)

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.

f) 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.

g) 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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Natural gas properties (Continued)

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.

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.

h) 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.

i) 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.

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.

j) 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. 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.

k) 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.

l) 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.

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.

m) 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.

n) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group and Corporation substantially all the risk and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are recognized in the profit or loss. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group and Corporation will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the profit or loss on a straight line basis over the lease term.

o) 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%.

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.

o) Current and deferred income tax (Continued)

Deferred tax (Continued)

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.

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.

p) 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.

q) 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.

r) 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

Financial assets - policy applicable from 1 July 2018

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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) 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: policy applicable from 1 July 2018

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.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest: policy applicable from 1 July 2018

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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Financial instruments (Continued)

(ii) Classification and subsequent measurement (continued)

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest: policy applicable from 1 July 2018 (Continued)

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.

Financial assets - Subsequent measurement and gains and losses: policy applicable from 1 July 2018

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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Financial instruments (Continued)

(ii) Classification and subsequent measurement (continued)

Financial assets - Subsequent measurement and gains and losses: policy applicable from 1 July 2018 (Continued)

The Group classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
  - held for trading;
  - derivative hedging instruments; or
  - designated as at FVTPL.

Financial assets - Subsequent measurement and gains and losses: policy applicable before 1 July 2018

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was 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 classified as held-for-trading, 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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) 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.

s) Compound financial instruments

Compound financial instruments of the Group and Corporation comprise of borrowing that have been issued at below market rates. The liability component is initially recognised at fair value and the equity component is initially recognised as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method. The equity component is not remeasured. Interest related to the financial liability is recognised in profit or loss.

Financial assets not classified at fair value through profit or loss, including interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

t) Impairment

i. Non-derivative financial asset

Policy applicable from 1 July 2018

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 ECL's

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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Impairment (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

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the 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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Impairment (Continued)

i. Non-derivative financial assets (Continued)
Policy applicable before 1 July 2018
Non-derivative financial assets

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer would enter bankruptcy;
- adverse changes in the payment status of customer or borrower;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity instrument, objective evidence of impairment included a significant or prolonged decline in its fair value below its cost.

Financial assets measured at amortised cost	The Group considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.
	In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.
	An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Impairment (Continued)

i. Non-derivative financial assets (Continued)

Policy applicable before 1 July 2018 (continued)

Financial assets measured at amortised cost	When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.
Available for sale financial assets	Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified was the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.

ii. 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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 represent 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 23. Changes in the escrow funds account are presented within financing activities in the statement of cash flows. These funds do not have original maturities of three months or less. These have been classified as non-current.

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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

z) 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.

aa) 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 Songosongo NNGI and other miscellaneous income.

bb) Finance cost

Finance cost comprises interest payable on borrowings, related exchange rate differences and carried interest liability. Borrowing costs which are not capitalised (refer to Note 5(n)) are recognised in profit or loss.

cc) 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.

dd) 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. Refer to Note 30.

ee) The Group and Corporation have consistently applied its accounting policies to all periods presented in these consolidated and separate financial statements.

7. GOING CONCERN

The Group has incurred a net profit of Tzs 25,399 million (Corporation: Tzs 25,437 million) for the year ended 30 June 2019 (2018: Group incurred a net loss of Tzs 52,804 million and Corporation: Tzs 52,944 million). As at the reporting date the Group's liabilities exceeded its assets by Tzs 354,030 million (Corporation: Tzs 353,926 million) (2018: Group's total liabilities exceeded assets by Tzs 375,136 million and Corporation: Tzs 375,123 million).

In addition, TPDC holds 100% shares in its subsidiary companies, GASCO and TANOIL. The operational budget 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 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 Directors are 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.

The Government has continued funding the Corporation. Additionally, the Government has confirmed its commitment of providing financial support to TPDC in order to continue operating on a going concern basis.

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

8. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2018 and earlier application is permitted but not mandatory, the Group has not early applied the following new or amended standards in preparing these consolidated and separate financial statements.

New standards, amendments and interpretations	Effective for annual periods beginning on or after
IFRS 16 Leases	1 January 2019
Uncertainty over income tax treatment (IFRIC 23)	1 January 2019

All Standards and Interpretations will be adopted on their effective dates.

8. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

A. IFRS 16 *LEASES*

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.

The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

i. Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability.

No significant impact is expected for the Group's finance leases.

Based on the information currently available, the Group estimates that this standard will not have material impact on the financial statements.

ii. Leases in which the Group is a lessor

The Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

No significant impact is expected for leases in which the Group is a lessor.

iii. Transition

The Group plans to apply IFRS 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The Group also plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 July 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

8. NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

B. UNCERTAINTY OVER INCOME TAX TREATMENTS (*IFRIC 23)*

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. The key test is whether it is probable that the tax authority will accept the entity's chosen tax treatment. Effective for periods beginning on or after 1 January 2019.

No material impact is expected to the Group's and Corporation's financial statements on implementation of this interpretation when it becomes effective.

The following new or amended standards are not applicable to the entity business and will therefore have no impact on future financial statements.

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

9. USE OF JUDGMENTS AND ESTIMATES

In preparing these consolidated and separate financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's and Corporation's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

i. Key sources of estimation uncertainty

The preparation of the consolidated and separate financial statements requires that management makes estimates and assumptions that affect reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis considering the current and expected future market conditions.

The Group and Corporation are exposed to a number of underlying economic factors which affect the overall results, such as natural gas prices, foreign exchange rates and interest rates. In addition, Group's and Corporation's results are influenced by the level of production, which in the short term may be influenced by, for instance maintenance programmes or market bottleneck in the long term, the results are impacted by field development activities.

9. USE OF JUDGMENTS AND ESTIMATES (CONTINUED)

i. Key sources of estimation uncertainty (Continued)

The matters described below are considered to be the most important in understanding the key sources of estimation uncertainty that are involved in preparing these consolidated and separate financial statements and the uncertainties that could most significantly impact the amounts reported on the results of operations, financial position and cash flows.

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.

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

9. USE OF JUDGMENTS AND ESTIMATES (CONTINUED)

i. Key sources of estimation uncertainty (Continued)

b. Proved oil and gas reserves(continued)

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/reversal of impairment

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.

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.

9. USE OF JUDGMENTS AND ESTIMATES (CONTINUED)

i. Key sources of estimation uncertainty (Continued)

d. Asset retirement obligations (Continued)

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.

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 6 (f) above.

g. Measurement of fair values

A number of 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.

i. Key sources of estimation uncertainty (Continued)

g. Measurement of fair values (Continued)

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.

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.

The following table shows the carrying amounts and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy as described above:

	Carrying amount Tzs 'm	Fair value Tzs 'm	Level 1 Tzs 'm	Level 2 Tzs 'm	Level 3 Tzs 'm	Total Tzs 'm
FVOCI						
	-	-	-	-	-	-
	-	-	-	-	-	-

During the year there were no movements between the fair value levels.

10. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT

(a) Accounting classification and measurement of fair values (Continued)

Financial instruments at amortized cost

Consolidated	Carrying amounts 2019 Tzs 'm	Carrying amounts 2018 Tzs 'm
Financial assets not measured at fair value		
Trade and other receivables	514,476	543,954
Escrow funds	138,105	136,713
Cash and cash equivalents	144,337	49,312
Carried interest	266	-
	797,184	729,979
Financial liabilities not measured at fair value		
Borrowings	(3,181,742)	(3,100,864)
Trade and other payables*	(272,808)	(314,811)
Carried interest liability	-	(39,841)
	(3,454,550)	(3,455,516)

*these exclude VAT and payroll liabilities

Financial instruments at amortized cost

Separate	Carrying amounts 2019 Tzs 'm	Carrying amounts 2018 Tzs 'm
Financial assets not measured at fair value		
Trade and other receivables	519,276	543,956
Escrow funds	138,105	136,713
Cash and cash equivalents	138,502	49,310
Carried Interest	266	-
	796,149	729,979
Financial liabilities not measured at fair value		
Borrowings	(3,181,742)	(3,100,864)
Trade and other payables*	(273,545)	(321,298)
Carried Interest liability	-	(39,841)
	(3,455,287)	(3,462,003)

*these exclude VAT payable and payroll liabilities

The financial assets and liabilities on the table above are not measured at fair value; however due to their short term nature, their carrying amount are deemed to be reasonable approximation of the fair values. Borrowing and carried interest liability have interest or Imputed interest approximate to the market rates. Fair value of property plant and Equipment and investment property are disclosed in note 17 and 18 respectively.

10. FINANCIAL INSTRUMENTS -FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

(b) Financial risk management

The Group and Corporation have exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established Audit and risk management committee which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

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.

The Audit and risk management committee oversees how management monitors compliance with the Group's and Corporation's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group and Corporation. The Group's and Corporation's audit and risk management committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and risk management committee.

The Group's and Corporation's exposure to risk, its objectives, policies and processes for managing the risk and the methods used to measure it have been consistently applied in the years presented, unless otherwise stated.

This note presents information about the Group's exposure to each of the above risks, the Group's and Corporation's objectives, policies and processes for measuring and managing risk, and the Group's and Corporation's management of capital. Further quantitative disclosures are included throughout these financial statements.

i. Credit risk

Credit risk is the risk of financial loss to the Group and Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's and Corporation's trade and other receivables.

10. FINANCIAL INSTRUMENTS -FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (Continued)

i. Credit risk (Continued)

Credit risk arises from cash at bank and trade and other receivables. The major customer is TANESCO, a related party. The Corporation works with Ministry of Energy, Treasury Registrar office (TR) and TANESCO to ensure gas sales proceeds are paid timeously. The Group and Corporation have policies in place to ensure that debts are recoverable within 30 days after the invoice is issued to customers. The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Consolidated		Separate	
	2019	2018	2019	2018
	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm
Cash and cash equivalents	144,419	49,312	138,502	49,310
Trade receivables	510,278	543,954	510,278	543,956
Other receivables	4,198	802	9,889	802
Escrow funds	138,105	136,713	138,105	136,713
	797,000	730,781	795,883	730,781

No collateral is held for any of the above assets. Analysis of trade and other receivables is provided in Note 26. At 30 June 2019, the aging of trade receivables that were not impaired was as follows:

	Consolidated		Separate	
	2019	2018	2019	2018
	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm
Neither past due nor impaired	77,311	77,654	77,311	77,654
Past due but not impaired:				
- by up to 30 days	27,086	27,995	27,086	27,995
- by 31 to 60 days	26,670	37,765	26,670	37,765
- by 61 to 90 days	70,734	46,405	70,734	46,405
- Over 91 days	308,477	354,137	308,477	354,137
Total unimpaired	510,278	543,956	510,278	543,956
Impaired	36,773	33,134	36,773	33,134
Gross debtors	547,051	577,090	547,051	577,090

10. FINANCIAL INSTRUMENTS -FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

(a) Financial risk management (Continued)

i. Credit risk (Continued)

The movement in the allowance for impairment in respect of trade receivables during the year is as follows:

	Consolidated	Separate
	Tzs 'm	Tzs 'm
Balance at 1 July 2017	32,327	32,327
Utilization during the year	-	-
Impairment loss recognized during the year	807	807
Balance at 30 June 2018	33,134	33,134
Balance at 1 July 2018	33,134	33,134
Utilisation during the year	(3,024)	(3,024)
Impact of IFRS 9 recognised in equity	2,596	-
Impairment loss recognized during the year	4,067	6,663
Balance at 30 June 2019	36,773	36,773

Cash and cash equivalents

The Group held cash and cash equivalents of Tzs 144,337 million (Corporation: Tzs 138,502 million) at 30 June 2019 (30 June 2018: Tzs 49,312 million for Group and Tzs 49,310 for Corporation) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks of good reputation.

Concentration risk

The Group and Corporation provides credit sales to customers in the ordinary course of business. Management does not anticipate any adverse effects on its consolidated and separate financial position resulting from this credit risk. As of 30 June 2019 and 2018, TPDC had amounts due from one customer totalling approximately Tzs 339,695 million and Tzs 374,815 million respectively representing 65% and 69%, respectively of its total trade receivable. This customer also accounted for approximately Tzs 275,920 million and Tzs 301,390 in revenue, representing 68% and 82% of total sales for TPDC for the years ended 30 June 2019 and 2018, respectively. Subsequent to the year end to the date of this report collection from this customer amounted to Tzs 188,071 million.

ii. 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.

10. FINANCIAL INSTRUMENTS -FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (Continued)

ii. Liquidity risk (Continued)

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.

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.

Consolidated	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 30 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

Separate	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 30 June 2019						
Borrowings	3,181,742	3,181,742	425,507	86,635	174,595	2,495,005
Trade and other payables	279,237	279,237	279,237	-	-	-
	3,460,979	3,460,979	704,744	86,635	174,595	2,495,005

10. FINANCIAL INSTRUMENTS -FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (Continued)

ii. Liquidity risk (Continued)

Consolidated	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 30 June 2018						
Borrowings	3,100,874	3,100,874	423,917	136,690	706,982	1,833,285
Carried interest liability	39,841	39,841	39,841	-	-	-
Trade and other payables	314,811	314,811	314,811	-	-	-
	3,455,526	3,455,526	778,569	136,690	706,982	1,833,285

Separate	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 30 June 2018						
Borrowings	3,100,874	3,100,874	423,917	136,690	706,982	1,833,285
Carried interest liability	39,841	39,841	39,841	-	-	-
Trade and other payables	321,298	321,298	321,298	-	-	-
	3,462,013	3,462,013	785,056	136,690	706,982	1,833,285

iii. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates etc. will affect the Group's and Corporation's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing returns.

10. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (Continued)

iv. Market risk (Continued)

Foreign exchange risk

Foreign exchange risk arise from commercial transaction as the Group and Corporation transact in US Dollar (USD) for significant portion of its transactions. The Group is exposed to foreign exchange risk arising from currency exposures due to exchange rate fluctuations, primarily with respect to the USD.

Generally borrowings, major trade payables and carried interest liability are denominated in currency (USD) that matches the cash flows generated by the underlying operations of the Group.

The summary of quantitative data about Group's exposure to currency risks as reported to management of the Corporation on its risk management policy is as follow:

Equivalent amounts in shillings (in millions)

Consolidated	2019	2018
Balances denominated in USD	Tzs 'm	Tzs 'm
Trade and other receivables	547,274	531,460
Cash and cash equivalents	4,681	28,164
Escrow funds	138,105	136,713
Borrowings	(3,181,742)	(3,100,864)
Carried interest receivable/ (liability)	266	(39,841)
Trade and other payables	(111,103)	(207,116)
Net exposure	(2,602,519)	(2,651,484)

Separate	2019	2018
Balances denominated in USD	Tzs 'm	Tzs 'm
Trade and other receivables	547,274	531,460
Cash and cash equivalents	2,455	28,164
Escrow funds	138,105	136,713
Borrowings	(3,181,742)	(3,100,864)
Carried interest liability	266	(39,841)
Trade and other payables	(111,103)	(207,116)
Net exposure	2,604,745	(2,651,484)

The following significant exchange rates applied during the year (Tzs values for 1 USD);

	Average rate		Reporting rate	
	2019	2018	2019	2018
Tzs/USD	2,278.20	2,237.75	2,289.51	2,266.43

10. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (Continued)

iii. Market risk (Continued)

Foreign exchange risk

Sensitivity analysis

The table below shows the Group's and Corporation's sensitivity to foreign exchange rates on its US dollar financial instruments excluding obligations which do not present a material exposure. The Group and Corporation have considered movements in these currencies over the last three years and has concluded that a 10% movement in rates is a reasonable benchmark.

Consolidated	Strengthening		Weakening	
	Profit or loss	Equity*	Profit or loss	Equity*
30 June 2019				
USD - 10% movement (loss)/gain	(260,252)	(182,176)	260,252	182,176
30 June 2018				
USD - 10% movement (loss)/gain	(265,148)	(185,604)	265,148	185,604

Separate	Strengthening		Weakening	
	Profit or loss	Equity*	Profit or loss	Equity*
30 June 2019				
USD - 10% movement (loss)/gain	(260,475)	(182,333)	260,475	182,333
30 June 2018				
USD - 10% movement (loss)/gain	(265,148)	(185,604)	265,148	185,604

*Figures are presented net of tax.

Cash flow and fair value interest rate risk

As the Group and Corporation have no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

The Group's and Corporation's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group and Corporation to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

10. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (Continued)

iii. Market risk (Continued)

Profile

At the reporting date, the interest rate profile of the Group's and Corporation's interest-bearing financial instruments was as follows:

	Consolidated		Separate	
	Carrying amount		Carrying amount	
	2019	2018	2019	2018
	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm
Fixed rate instruments				
Financial assets	-	-	-	-
Financial liabilities				
- Borrowings	(2,370,384)	(2,261,432)	(2,370,384)	(2,261,432)
	(2,370,384)	(2,261,432)	(2,370,384)	(2,261,432)
Variable rate instruments				
Financial assets				
-Carried interest	266	-	266	-
Financial liabilities				
-Borrowings	(811,358)	(839,432)	(811,358)	(839,432)
-Carried interest liability	-	(39,841)	-	(39,841)
	(811,092)	(879,273)	(811,092)	(879,273)

Fair value sensitivity analysis for fixed rate instruments

The Group and Corporation do not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points interest rates at the reporting date would have increased (decreased) profit or loss by the amounts below. This analysis assumes that all other variables in particular foreign currency rates, remain constant.

	Consolidated		Separate	
	Profit or loss		Profit or loss	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm
2019				
Variable rate instruments	(8.11)	8.11	(8.11)	8.11
2018				
Variable rate instruments	(8.79)	8.79	(8.79)	8.79

10. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (Continued)

iii. Market risk (continued)

The Group and Corporation have elected not to hedge interest risk and there would therefore be no impact on equity.

Capital risk management

The Group's and Corporation's objectives when managing capital are aimed at safeguarding its ability to continue as a going concern in order to provide returns for the shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents net of restricted deposits/funds. Total capital is calculated as equity plus net debt.

The gearing ratios at 30 June 2019 were as follows:

	Consolidated		Separate	
	2019	2018	2019	2018
	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm
Total borrowings	3,181,742	3,100,864	3,181,742	3,100,864
Less: cash and cash equivalents	(144,419)	(49,312)	(138,502)	(49,310)
Net debt	3,037,323	3,051,552	3,042,240	3,051,554
Total equity	(354,833)	(375,136)	(354,782)	(375,123)
Gearing ratio	1:13:1	1.14:1	1:13:1	1.14:1

11. REVENUE

	Consolidated		Separate	
	2019	2018	2019	2018
	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm
Net PSA revenue - Songo Songo	29,718	19,899	29,718	19,899
PSA revenue - Mnazi Bay	30,459	26,926	30,459	26,926
Sale of natural gas	322,324	301,390	322,324	301,390
Sale of protected gas	22,000	21,262	22,000	21,262
Sale of Data	1,009	-	1,009	-
Construction revenue	392	-	-	-
	405,902	369,477	405,510	369,477

11. REVENUE (CONTINUED)

The following table provides information about receivables and contract liabilities from contracts with customers.

	Consolidated		Separate	
	2019	2018	2019	2018
	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm
Receivables, which are included in 'trade and other receivables'	547,051	577,088	547,051	577,090
Contract liabilities	(687)	(1,931)	(687)	(1,931)
	546,364	575,157	546,364	575,159

The contract liability primarily relates to a pre-financing agreement between Goodwill and TPDC for the construction of a distribution pipeline and connection infrastructure to Goodwill. Goodwill constructed pipeline transporting natural gas from the Tanzanian main gas transmission system to the delivery point on behalf of TPDC (owned, maintained and operated by TPDC).

12. COST OF SALES

	Consolidated		Separate	
	2019	2018	2019	2018
	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm
Purchase of natural gas	200,376	186,326	200,376	186,326
Pipeline and plants maintenance	174	29,068	26,665	29,068
Depreciation of gas processing plant & pipeline	81,135	81,157	81,135	81,157
Depletion of natural gas properties	5,824	3,916	5,824	3,916
PSA carried expenses	4,845	4,340	4,845	4,340
	292,354	304,807	318,845	304,807

13. OTHER INCOME

	Consolidated		Separate	
	2019	2018	2019	2018
	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm
Training fees from contractors	4,800	4,754	4,800	4,754
Licence fees from contractors	1,541	843	1,541	843
Sale of condensate	1,962	7,320	1,962	7,320
Government revenue grant	14,377	12,093	10,564	12,093
Gas project income	24	263	24	263
Interest income	40	40	40	40
House rent	59	85	59	85
Miscellaneous income	6,750	80	1,572	80
Tender fees	56	-	45	-
Tariffs	22,286	-	22,286	-

Amortisation of capital grants	290	494	290	494
	52,185	25,972	43,183	25,972

14. OPERATING EXPENSES

	Consolidated		Separate	
	2019	2018	2019	2018
	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm
Staff costs**	12,280	11,812	8,467	11,812
Depreciation	3,357	3,106	3,346	3,106
Legal expenses	54	21	53	21
Transport and travel expenses	3,688	812	1,948	812
Audit fees	1,027	512	987	512
Insurance	3,457	2,444	(2,505)	2,444
Bank charges and commission	60	98	45	98
Foreign exchange differences	4,916	(7,635)	3,991	(7,635)
Tax assessment reversal	(25,980)	-	(25,980)	-
Other expenses	43,516	12,568	20,268	12,708
Amortisation of intangible	193	853	163	853
	46,568	24,591	10,783	24,731

**Staff costs include social security contribution amounting to Tzs 1.16 billion (2018: Tzs 1.17 billion)

	Consolidated		Separate	
Depreciation on property, plant and equipment charged to:	2019 Tzs 'm	2018 Tzs 'm	2019 Tzs 'm	2018 Tzs 'm
a. Cost of sales	81,163	81,157	81,134	81,157
b. Operating expenses	3,357	3,106	3,346	3,106
Total depreciation charge (Note 17)	84,520	84,263	84,480	84,263

15. FINANCE COST

Interest expense- borrowings	85,739	90,364	80,952	90,364
Interest expense- carried interest	564	2,118	564	2,118
Exchange loss on carried interest	-	2,416	-	2,416
Exchange loss on loan revaluation	31,541	49,372	31,541	49,372
Penalty waived - TIB Loan	(1,400)	-	(1,400)	-
ARO accretion	330	332	330	332
	116,774	143,202	116,774	143,202

16. TAXATION

	Consolidated		Separate	
	2019	2018	2019	2018
	Tzs'm	Tzs'm	Tzs'm	Tzs'm
Corporate tax expense	116	11,739	-	11,739
Alternative Minimum Tax	2,028		2,028	-
Corporate tax from PAET	6,431	-	6,431	-
Prior year over-provision	(15,502)	-	(15,502)	-
Deferred income tax charge	22	-	-	-
	(6,905)	11,739	(7,043)	11,739
The tax on the Corporation's result before tax differs from the amount that would arise using the basic tax rate as follows:				
Profit/ (loss) before tax	15,922	(64,543)	15,971	(64,683)
Tax credit calculated at a tax rate of 30% (2018: 30%)	4,777	(19,363)	4,791	(19,405)
Expenditure permanently disallowed	285	505	406	505
Deferred income tax movement not recognised (Note 24)	7,756	23,882	7,756	23,882
Share of profit of equity accounted investee	(5,168)	(4,445)	(5,168)	(4,445)
Interest and fines	3	-	-	-
Corporate tax from PAET	(6,431)	-	(6,431)	-
Non-taxable income	(7.794)	(581)	(7,794)	(539)
Reversal of prior years' provision	15,502	12,926	15,502	12,926
Tax effect on non-qualifying assets	9	-	9	-
Alternative Minimum Tax	(2.028)	(1,185)	(2,028)	(1,185)
	6,905	11,739	7,043	11,739

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

17. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Land	Buildings	Motor vehicles	Furniture, fittings and equipment	Computer hardware	Gas pipeline**	Gas processing plant	Capital Work In Progress	Total
Cost/revaluation	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm	Tzs'm	TZS 'm	Tzs 'm
Balance at 1 July 2017	107,805	21,122	3,583	11,384	1,201	1,900,420	369,008	760	2,415,283
Additions	-	-	-	741	178	-	-	1,909	2,828
Disposal	-	-	(31)	-	-	-	-	-	(31)
Write off to expenses	-	-	-	-	-	-	-	(395)	(395)
Balance at 30 June 2018	107,805	21,122	3,552	12,125	1,379	1,900,420	369,008	2,274	2,417,685
Balance at 1 July 2018	107,805	21,122	3,552	12,125	1,379	1,900,420	369,008	2,274	2,417,685
Additions	134	-	-	319	1,741	-	-	9,160	11,354
Disposal	-	-	-	-	-	-	-	-	-
Write off to expenses	-	-	-	-	-	-	-	-	-
Reclass	-	-	-	(1,083)	3,294	(70,066)	67,855	-	-
Balance at 30 June 2019	107,939	21,122	3,552	11,361	6,414	1,830,354	436,863	11,434	2,429,039
Accumulated depreciation and impairment losses									
Balance at 1 July 2017	-	614	459	1,001	1,069	59,000	21,865	-	84,008
Depreciation	-	422	459	1,916	310	59,291	21,865	-	84,263
Disposal	-	-	(7)	-	-	-	-	-	(7)
Balance at 30 June 2018	-	1,036	911	2,917	1,379	118,291	43,730	-	168,264
Balance at 1 July 2018	-	1,036	911	2,917	1,379	118,291	43,730	-	168,264
Depreciation	-	422	459	1,124	1,380	59,291	21,846	-	84,522
Disposal	-	-	-	-	-	-	-	-	-
Balance at 30 June 2019	-	1,458	1,370	4,041	2,759	177,582	65,576	-	252,784
Carrying Amounts;									
At 30 June 2018	107,805	20,086	2,641	9,208	-	1,782,129	325,278	2,274	2,249,421
At 30 June 2019	107,939	19,664	2,182	7,320	3,655	1,652,772	371,332	11,434	2,176,255

** Reclassification of valve stations, land and buildings related to gas pipeline have been reclassified to their respective asset classes.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Separate	Land	Buildings	Motor vehicles	Furniture, fittings and equipment	Computer hardware	Gas pipeline**	Gas processing plant	Capital Work In Progress	Total
Cost/revaluation	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm	Tzs'm	TZS 'm	Tzs 'm
Balance at 1 July 2017	107,805	21,122	3,583	11,384	1,201	1,900,420	369,008	760	2,415,283
Additions	-	-	-	741	178	-	-	1,909	2,828
Disposal	-	-	(31)	-	-	-	-	-	(31)
Write off to expenses	-	-	-	-	-	-	-	(395)	(395)
Balance at 30 June 2018	107,805	21,122	3,552	12,125	1,379	1,900,420	369,008	2,274	2,417,685
Balance at 1 July 2018	107,805	21,122	3,552	12,125	1,379	1,900,420	369,008	2,274	2,417,685
Additions	134	-	-	159	1,292	-	-	9,160	10,745
Disposal	-	-	-	-	-	-	-	-	-
Write off to expenses	-	-	-	-	-	-	-	-	-
Reclass	-	-	-	(1,083)	3,294	(70,066)	67,855	-	-
Balance at 30 June 2019	107,939	21,122	3,552	11,201	5,965	1,830,384	436,863	11,434	2,428,430
Accumulated depreciation and impairment losses									
Balance at 1 July 2017	-	614	459	1,001	1,069	59,000	21,865	-	84,008
Depreciation	-	422	459	1,916	310	59,291	21,865	-	84,263
Disposal	-	-	(7)	-	-	-	-	-	(7)
Balance at 30 June 2018	-	1,036	911	2,917	1,379	118,291	43,730	-	168,264
Balance at 1 July 2018	-	1,036	911	2,917	1,379	118,291	43,730	-	168,264
Depreciation	-	422	459	1,114	1,350	59,251	21,843	-	84,480
Disposal	-	-	-	-	-	-	-	-	-
Balance at 30 June 2019	-	1,458	1,370	4,031	2,729	177,542	65,573	-	252,744
Carrying Amounts;									
At 30 June 2018	107,805	20,086	2,641	9,208	-	1,782,129	325,278	2,274	2,249,421
At 30 June 2019	107,939	19,664	2,182	7,170	3,236	1,652,842	371,290	11,434	2,175,686

** Reclassification of valve stations, land and buildings related to gas pipeline have been reclassified to their respective asset classes.

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Items of property, plant and equipment were revalued on 30 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 unobservable, consequently, Directors have 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, the Directors 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 30 June 2019.

18. NATURAL GAS PROPERTIES

	Consolidated Tzs 'm	Separate Tzs 'm
Cost as 1 July 2017	64,104	64,104
Additions	1,981	1,981
Balance as at 30 June 2018	66,085	66,085
Cost as 1 July 2018	66,085	66,085
Additions	844	844
Balance at 30 June 2019	66,929	66,929
Depletion and impairment		
Balance at 1 July 2017	791	791
Charge for the year	3,916	3,916
Balance at 30 June 2018	4,707	4,707
Balance at 1 July 2018	4,707	4,707
Charge for the year	5,824	5,824
Balance at 30 June 2019	10,531	10,531
Net book value:		
At 30 June 2018	61,378	61,378
At 30 June 2019	56,398	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. In addition, the valuation of the Group and Corporation's reserves is in excess of the net book value of natural gas assets.

19. INVESTMENT PROPERTIES

	Consolidated		Separate	
	2019	2018	2019	2018
	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm
Balance at 1 July				
- Petrol stations	1,682	1,682	1,682	1,682
Change in fair value	-	-	-	-
Balance at 30 June	1,682	1,682	1,682	1,682

Investment property comprises a number of petrol stations which have been leased out to private operators. The Group and Corporation's policy require that subsequent to initial recognition, investment properties to be stated at fair value, which reflects market conditions at the reporting date, as stated in Note 6(j). Directors have assessed the fair value of investment property and concluded that they reflect the market conditions as at reporting date.

The fair value measurement for all of the investment properties has been categorised as level 3 fair value based on inputs to the valuation technique used.

20. INTANGIBLE ASSETS

Consolidated	Exploration Software Tzs 'm	Accounts Software Tzs 'm	FTG* Project Tzs 'm	Total Tzs 'm
Balance at 01 July 2017	2,926	614	13,056	16,596
Additions	-	28	-	28
Balance at 30 June 2018	2,926	642	13,056	16,624
Balance at 01 July 2018	2,926	642	13,056	16,624
Additions	-	17	-	17
Balance at 30 June 2019	2,926	659	13,056	16,641
Accumulated amortisation and impairment losses				
Balance at 01 July 2017	2,242	91	-	2,333
Amortisation	684	169	-	853
Balance at 30 June 2018	2,926	260	-	3,186
Balance at 01 July 2018	2,926	260	-	3,186
Amortization	-	163	-	163
Balance at 30 June 2019	2,926	423	-	3,348
Carrying amounts				
At 30 June2018	-	382	13,056	13,438
At 30 June 2019	-	236	13,056	13,292

*This relates to costs incurred to collect seismic data that is sold to customers.

20. INTANGIBLE ASSETS (CONTINUED)

Separate	Exploration Software Tzs 'm	Accounts Software Tzs 'm	FTG* Project Tzs 'm	Total Tzs 'm
Balance at 01 July 2017	2,926	614	13,056	16,596
Additions	-	28	-	28
Balance at 30 June 2018	2,926	642	13,056	16,624
Balance at 01 July 2018	2,926	642	13,056	16,624
Additions	-	17	-	17
Balance at 30 June 2019	2,926	659	13,056	16,641
Accumulated amortisation and impairment losses				
Balance at 01 July 2017	2,242	91	-	2,333
Amortisation	684	169	-	853
Balance at 30 June 2018	2,926	260	-	3,186
Balance at 01 July 2018	2,926	260	-	3,186
Amortization	-	163	-	163
Balance at 30 June 2019	2,926	423	-	3,349
Carrying amounts				
At 30 June2018	-	382	13,056	13,438
At 30 June 2019	-	236	13,056	13,292

*This relates to costs incurred to collect seismic data that is sold to customers.

21. INVESTMENT IN SUBSIDIARY

Consolidated	2019 Tzs 'm	2018 Tzs 'm
Investment in subsidiary	-	-
	-	-

Separate		
Investment in TANOIL*	5,000	5,000
Investment in GASCO**	1,500	1,500
	6,500	6,500

21. INVESTMENT IN SUBSIDIARY (CONTINUED)

*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.

22. INVESTMENT IN ASSOCIATE

On 31 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 30 June 2019, this is consistent with prior years.

	2019	2018
Percentage ownership interest	28.69%	28.69%
	USD 'm	USD 'm
Non-current assets	122	133
Current assets	80	86
Non-current liabilities	(70)	(93)
Current liabilities	(46)	(51)
Net assets (100%)	86	75
Group's share of net assets (28.69%)	24.67	21.5
Foreign exchange rate	2,289.51	2,266.43
Group's share of net assets in associate (Tzs'm)	56,482	48,728
Foreign exchange differences (Tzs'm)	1,062	518
Carrying amount of interest in associate at 30 June (Tzs'm)	57,544	49,246
Revenue	103.19	97.86
Profit from continuing operations	26.25	23.08
Groups share of net profit	7.53	6.62
Exchange rate	2,278.20	2,237.75
Group's share of total comprehensive income (28.69%) (Tzs'm)	17,155	14,815

22. INVESTMENT IN ASSOCIATE (CONTINUED)

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

	Consolidated		Separate	
	2019	2018	2019	2018
	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm
Carrying amount of interest in associate	49,246	51,836	49,246	51,836
Share of profit from continuing operations	17,155	14,815	17,155	14,815
Dividends received	(8,857)	(17,405)	(8,857)	(17,405)
	57,544	49,246	57,544	49,246

23. OTHER INVESTMENTS

	Consolidated		Separate	
	2019	2018	2019	2018
	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)
Add: Fair value changes	-	-	-	-
	-	-	-	-

*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.

24. 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 (*see Note 30-Loans and borrowings*). 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.

24. ESCROW FUNDS (CONTINUED)

The escrow funds represents amounts deposited into the escrow accounts.

The balance of USD 60,320,710 (Tzs 138,105 million) as at 30 June 2019 (2018: USD 60,320,710 (Tzs 136,713 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.

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

	Consolidated		Separate	
	2019	2018	2019	2018
	Tzs' m	Tzs' m	Tzs' m	Tzs' m
Escrow funds	138,105	136,713	138,105	136,713
	138,105	136,713	138,105	136,713

25. 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:

	At start of year Tzs 'm	Movement Tzs 'm	At end of year Tzs 'm
Year ended 30 June 2019			
Consolidated			
Deferred income tax liabilities			
Accelerated capital deductions	120,881	13,749	134,630
Revaluations	59,856	-	59,856
	180,737	13,749	194,486
Deferred income tax assets			
Tax loss carried forward	(188,587)	(190,870)	(379,457)
Provisions	(192,988)	169,386	(23,602)
	(381,575)	(21,484)	(403,059)
Net deferred tax asset	(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)

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

	At start of year Tzs 'm	Movement Tzs 'm	At end of year Tzs 'm
Year ended 30 June 2019			
Separate			
Deferred income tax liabilities			
Accelerated capital deductions	120,881	13,727	134,608
Revaluations	59,856	-	59,856
	180,737	13,727	194,464
Deferred income tax assets			
Tax loss carried forward	(188,587)	(190,870)	(379,457)
Provisions	(192,988)	169,386	(23,602)
	(381,575)	(21,484)	(403,059)
Net deferred tax asset	(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)	(7,757)	(208,595)

	At start of year Tzs 'm	Movement Tzs 'm	At end of year Tzs 'm
Year ended 30 June 2018			
Consolidated			
Deferred income tax liabilities			
Accelerated capital deductions	103,584	17,297	120,881
Revaluations	59,856	-	59,856
	163,440	17,297	180,737
Deferred income tax assets			
Tax loss carried forward	(162,761)	(25,826)	(188,587)
Provisions	(177,635)	(15,353)	(192,988)
	(340,396)	(41,179)	(381,575)
Net deferred tax asset	(176,956)	(23,882)	(200,838)
Deferred tax asset not recognized	(203,973)	(23,882)	(227,855)
Deferred tax liability recognized	27,017	-	27,017
Net deferred tax asset	(176,956)	(23,882)	(200,838)

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

	At start of year Tzs 'm	Movement Tzs 'm	At end of year Tzs 'm
Year ended 30 June 2018			
Separate			
Deferred income tax liabilities			
Accelerated capital deductions	103,584	17,297	120,881
Revaluations	59,856	-	59,856
	163,440	17,297	180,737
Deferred income tax assets			
Tax loss carried forward	(162,761)	(25,826)	(188,587)
Provisions	(177,635)	(15,353)	(192,988)
	(340,396)	(41,179)	(381,575)
Net deferred tax asset	(176,956)	(23,882)	(200,838)
Deferred tax asset not recognized	(203,973)	(23,882)	(227,855)
Deferred tax liability recognized	27,017	-	27,017
Net deferred tax asset	(176,956)	(23,882)	(200,838)

26. INVENTORIES

	Consolidated		Separate	
	2019 Tzs 'm	2018 Tzs 'm	2019 Tzs 'm	2018 Tzs 'm
Stationery & supplies	113	1,040	113	1,040
Condensate	786	1,425	786	1,425
Inventory- GASCO	4,060	-	-	-
	4,959	2,465	899	2,465

No inventory item was reduced as a result of write down to net realisable value as assigned cost at reporting date was lower than expected market value.

27. TRADE AND OTHER RECEIVABLES

	Consolidated		Separate	
	2019	2018	2019	2018
	Tzs'm	Tzs'm	Tzs'm	Tzs'm
Trade receivables				
Trade receivables	383,611	423,578	383,611	423,578
Other trade receivables	163,440	153,510	163,440	153,512
	547,051	577,088	547,051	577,090
Provision for trade receivables (impairment)	(36,773)	(33,134)	(36,773)	(33,134)
Net trade receivables	510,278	543,954	510,278	543,956
Other receivables				
Prepayments	61,999	61,602	61,999	61,602
Other debtors	4,198	802	8,998	802
	66,197	62,404	70,998	62,404
Provision for other receivables (impairment)	-	(257)	-	(257)
Net other receivables	66,197	62,147	70,998	62,147
Net total debtors	576,475	606,101	581,275	606,103

The Group exposure to credit and market risks and impairment losses related to trade receivable are disclosed in Note 9 (b).

28. CASH AND CASH EQUIVALENTS

	Consolidated		Separate	
	2019	2018	2019	2018
	Tzs'm	Tzs'm	Tzs'm	Tzs'm
Bank balance -USD	4,674	28,164	2,455	28,164
Bank balance -TZS	139,745	21,148	136,047	21,146
	144,337	49,312	138,502	49,310

29. CAPITAL AND RESERVES

(a) SHARE CAPITAL

	2019 Tzs'm	2018 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

The issued and paid up share capital was financed through conversion of retained earnings and funds extended to the Corporation as capital and development grants in 1988. The shares are held by the Treasury Registrar on behalf of the Government of Tanzania.

(b) EQUITY CONTRIBUTION FROM GOVERNMENT

The equity contribution from Government as at 30 June 2019 represents net cash received from the Government of Tanzania as capital contribution to the petroleum/gas projects for TPDC.

	Consolidated		Separate	
	2019 Tzs 'm	2018 Tzs 'm	2019 Tzs 'm	2018 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 139.7 billion relates to the revaluation of property, plant and equipment (2018: Tzs 139.7 billion)

30. 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;

30. CARRIED INTEREST (ASSET)/ LIABILITY (CONTINUED)

	Consolidated 2019 Tzs'm	Consolidated 2018 Tzs'm	Separate 2019 Tzs'm	Separate 2018 Tzs'm
Cash call commitments (recoverable)/ payable	(266)	23,645	(266)	23,645
Interest payable	-	16,196	-	16,196
	(266)	39,841	(266)	39,841
Represented as:				
Current	(266)	39,841	(266)	39,841
Non-current	-	-	-	-
	(266)	39,841	(266)	39,841

31. BORROWINGS

	Consolidated 2019 Tzs'm	Consolidated 2018 Tzs'm	Separate 2019 Tzs'm	Separate 2018 Tzs'm
Loans	3,181,742	3,100,864	3,181,742	3,100,864
Less: Current portion	(425,507)	(423,917)	(425,507)	(423,917)
Non-current	2,756,235	2,676,947	2,756,235	2,676,947

As at 30 June 2019

Consolidated and Separate (Amounts in Tzs'm)	Ref	Balance as at 1 July 2018	Addition	Interest	Exchange losses	Principal and interest paid	Penalty on default	Balance as at 30 June 2019
Preferential buyer's credit - Exim	(a)	2,261,432	-	45,649	23,301	-	-	2,330,382
Buyer's credit - Exim	(b)	768,040	-	35,304	8,014	-	-	811,358
TIB Loan	(c)	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

As at 30 June 2018

Consolidated and Separate (Amounts in Tzs'm)	Ref	Balance as at 1 July 2016	Addition	Interest	Exchange losses	Principal and interest paid	Interest paid	Balance as at 30 June 2018
Preferential buyer's credit -Exim	(a)	2,180,592	-	44,787	36,054	-	-	2,261,433
Buyer's credit - Exim	(b)	717,819	-	38,054	12,167	-	-	768,040

TIB loan	(c)	62,717	-	2,705	889	-	5,080	71,391
		2,961,128	-	85,546	49,110	-	5,080	3,100,864

31. BORROWINGS (CONTINUED)

TERMS AND CONDITION

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 21 January and 21 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 21 January and 21 July. The loan had a grace period of 22 months from the first day of disbursement, 24 July 2013. The loan is to be repaid in 132 months from the end of the grace period.

The loan is repaid by the Government.

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 millionThe 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. Under the new arrangement the outstanding amount is to be paid in 36 monthly instalments from December 2018 to June 2019.

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.

32. GOVERNMENT GRANT

Consolidated	Balance at 1 July	Additions	Amortisation	Balance at 30 June
2018				
(i) Benjamin William Mkapa tower A	4,278	-	(244)	4,034
(ii) Ministry of energy - World Bank	1,468	-	(250)	1,218
(iii) Likong'o grant	25,000	-	-	25,000
	30,746	-	(494)	30,252
2019				
(i) Benjamin William Mkapa tower A	4,034	-	(92)	3,942
(ii) Ministry of energy - World Bank	1,218	-	(198)	1,020
(iii) Likong'o grant	25,000	-	-	25,000
	30,252	-	(290)	29,962
Separate				
2018				
(i) Benjamin William Mkapa tower A	4,278	-	(244)	4,034
(ii) Ministry of energy - World Bank	1,468	-	(250)	1,218
(iii) Likong'o grant	25,000	-	-	25,000
	30,746	-	(494)	30,252
2019				
(i) Benjamin William Mkapa tower A	4,107	-	(92)	3,942
(ii) Ministry of energy - World Bank	1,219	-	(198)	1,020
(iii) Likong'o grant	25,000	-	-	25,000
	30,326	-	(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.

33. ASSET RETIREMENT OBLIGATION

The Group has AROs primarily related to Mnazi bay gas fields, Natural gas processing plants and gas pipeline. The accounting policy for asset retirement obligation is disclosed in Note 6(m).

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:

	Consolidated		Separate	
	2019	2018	2019	2018
	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm
Opening balance	3,434	3,102	3,434	3,102
New provision	-	-	-	-
Accretion expense	330	332	330	332
	3,764	3,434	3,764	3,434

The ARO relates to the following assets:

	Consolidated		Separate	
	2019	2018	2019	2018
	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm
Mnazi Bay gas fields	2,189	1,999	2,189	1,999
Natural gas processing plants and pipeline	1,575	1,435	1,575	1,435
	3,764	3,434	3,764	3,434

As disclosed in Note 38, no provision has been made for decommissioning costs of plant and other assets at Songo Songo gas producing site.

34. TRADE AND OTHER PAYABLES

	Consolidated		Separate	
	2019	2018	2019	2018
	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm
Trade payables due to related parties (Note 39)	114,700	103,031	115,563	109,531
Other trade payables	106,623	118,165	106,623	118,165
	221,323	221,196	222,186	227,696
Other payables:				
Accruals	51,358	93,615	51,359	93,602
VAT Payable	3,972	4,917	3,960	4,917
Payroll liabilities	1,735	1,882	1,735	1,882
	278,388	321,610	279,240	328,097

35. OPERATING LEASES

(a) Group and Corporation as a lessee

The Group and Corporation lease a number of buildings under operating leases. The leases typically run for a period of three years, with the option to renew the leases after that date. Lease payments are renegotiated every three years to reflect market rentals. The leases for buildings were entered as combined leases of land and buildings. The Group and Corporation determined that the land and building elements of the rented buildings are operating leases. The rent paid to the landlord is adjusted to market rentals at regular intervals, and the Group and Corporation do not have an interest in the residual value of the land and buildings. As a result, it was determined that substantially all the risks and rewards of the land and buildings are with the landlord.

i. Future minimum lease payments

As at 30 June 2019, the future minimum lease payments under non-cancellable leases were payable as follows:

	Consolidated		Separate	
	2019	2018	2019	2018
	Tzs'm	Tzs'm	Tzs'm	Tzs'm
Less than one year	123	123	123	123
Between one and five years	369	492	369	492
Beyond five years		-		-
	492	615	492	615

ii. Amounts recognised in profit or loss

Lease expense	73	123	73	123

35. OPERATING LEASES (CONTINUED)

(b) Group and Corporation as a lessor

The group leases out its investment properties (see Note 18)

i. Future minimum lease payments

As at 30 June 2019, the future minimum lease payments under non-cancellable leases were receivable as follows:

	Consolidated		Separate	
	2019	2018	2019	2018
	Tzs'm	Tzs'm	Tzs'm	Tzs'm
Less than one year	401	401	401	401
Between one and five years	-	-	-	-
Beyond five years	-	-	-	-
	401	401	401	401

ii. Amounts recognised in profit or loss

During 2019, rentals of Tzs 59 million (2018: Tzs 85 million) were included in "other operating income" (see Note 13).

36. CASH GENERATED FROM OPERATIONS

		Consolidated		Separate	
		2019	2018	2019	2018
	Note	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm
Operating activities					
Profit/ (loss) before tax		18 494	(64,543)	18 494	(64,683)
Adjustments for:					
Depreciation -fixed assets	16	84,520	84,263	84,480	85,263
Penalty on default waived	15	(1,400)	-	(1,400)	-
Depletion expense	17	5,824	3,916	5,824	3,916
Gain on disposal of assets		-	(246)	-	(246)
CWIP write off	14	-	395	-	395
Interest expense	15	85,739	92,814	85,233	92,814
Amortisation of intangible asset	19	163	853	163	853
Amortisation of grants	31	(290)	(494)	(290)	(494)
Share of profit of equity-accounted investees, net of tax	21	(17,159)	(14,815)	(17,225)	(14,815)
Impairment loss on receivables	27	4,068	807	-	807
Reversal of impairment	27	(3,024)	-	(3,024)	-
Carried interest	30	(40,107)	-	(40,107)	-
Net unrealized forex losses	15	31,541	49,686	30,149	49,686
		168,369	152,636	168,229	152,496
Changes in:					
- inventories		(2,493)	2,816	1,566	2,816
- trade and other receivables		28,582	(210,297)	23,784	(210,299)
- trade and other payables		(43,197)	77,175	(48,860)	77,315
Cash generated from operations		151,261	22,330	144,719	22,328

37. COMMITMENTS

During the year ended 30 June 2019 the Group and Corporation continued with the implementation of the project for connection of the NNGI to Ubungo-Mikocheni Pipeline and Connection of new customers including Coca-cola Kwanza Ltd and BIDCO companies to the gas supply network. Sinoma International Engineering Co. Ltd is the EPC Contractor for this project. The commitment amount for this project as at 30 June 2019 is Tzs 2,760 Million.

Other capital commitments

Apart from the above mentioned commitment, the Group and Corporation had also 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 commitment amount for this project as at 30 June 2019 is TZS 780 million.

38. CONTINGENCIES- ASSETS AND LIABILITIES

The following are contingent liabilities with respect to Group and Corporation affairs for the year ended 30 June 2019;

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.

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.

38. 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) 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.

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.

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 and sunk costs at TZS 9.66 Billion thus making total estimated cost at TZS 62.83 Billion.

38. CONTINGENCIES- ASSETS AND LIABILITIES (CONTINUED)

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.

39. 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.

The following transactions were carried out with related parties;

	Consolidated		Separate	
	2019	2018	2019	2018
	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm
Transactions:				
Sales of goods and services				
Associate - SONGAS Limited	22,000	21,417	22,000	21,262
TANOIL Investment Limited	-	-	2,116	-
Government entity - TANESCO	324,615	277,390	324,615	277,608
	346,615	298,870	348,731	298,870
Sales of goods and services				
GASCO-(Construction gas connection)	318,845	-	318,845	-
GASCO-(Operation and maintenance)	26,665	-	26,665	-
	345,510	-	345,510	-
Other				
Government - Interest incurred on on-lent borrowings	80,952	82,578	80,952	82,578
TIB borrowing - Interest incurred	3,387	7,786	3,387	7,786
Associate - Dividend received	8,845	17,405	8,845	17,405
Grants received from government				
- revenue grants	14,377	12,093	14,377	12,093

The Group and Corporation also contributed to social security fund authorities as disclosed in note 14.

39. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	Consolidated		Separate	
	2019	2018	2019	2018
	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm
Outstanding balances (due from related parties)				
Receivables and amounts owed by related parties				
Associate - SONGAS Limited	40,425	48,763	40,425	48,763
Subsidiary- (GASCO)	-	-	8,651	-
Government entity -TANESCO	338,663	374,815	338,663	374,815
	379,088	423,578	387,739	423,578
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	20,101	21,923	20,101	21,923
License fees payable to MEM	2,606	2,606	2,606	2,606
Gas sales due to Government	92,856	-	92,856	-
	115,563	24,529	122,063	31,029
Borrowings				
TIB Loan (Note 30 (c))	40,002	71,392	40,002	71,392
Government on-lent borrowings (Note 30 (a) and (b))	3,141,739	3,029,472	3,141,739	3,029,472
	3,181,741	3,100,864	3,181,741	3,100,864

Directors and key management personnel remuneration

Consolidated	Salary and post-retirement benefits		Fees and Sitting allowances		Social security costs (defined contribution scheme)	
	2019	2018	2019	2018	2019	2018
	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm	Tzs 'm
Key management	1,818	548	521	197	102	82
Directors	-	-	209	127	-	-
Total	1,818	548	730	324	102	82

Separate

Key management	823	548	325	197	82	82
Directors	-	-	138	127	-	-
Total	823	548	463	324	82	82

See also Note 28(b) for other related party transactions.

40. SUBSEQUENT EVENTS

The Group and Corporation entered into a gas sale agreement with Dangote Cement Tanzania limited in August 2018 for supply of natural gas.

In August 2018 the Group and Corporation applied for tax amnesty from the Tanzania Revenue Authority (TRA) and received a waiver of interest and penalty amounting to 36,767 million on previous tax liabilities.

The Directors are 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.