REPORT OF THE CONTROLLER AND AUDITOR GENERAL

THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE

TANZANIA PETROLEUM DEVELOPMENT CORPORATION

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS AND COMPLIANCE AUDIT FOR THE YEAR ENDED 30 JUNE 2022

The Controller and Auditor General
National Audit Office

Audit House, 4 Ukaguzi Road
P.O. Box 950
41104 Tambukareli
Dodoma, Tanzania
Tel: 255 (026) 2161200
Fax: 255(026) 2321245
E-mail: ocag@nao.go.tz
Website: www.nao.go.tz

January 2023 **AR/PA/TPDC/2021/22**

About the National Audit Office

Mandate
The statutory mandate and responsibilities of the Controller and Auditor-General are provided for under Article 143 of the Constitution of the United Republic of Tanzania of 1977 and in Section 10 (1) of the Public Audit Act, Cap 418.

Vision
A credible and modern Supreme Audit Institution with high-quality audit services for enhancing public confidence.

Mission
To provide high-quality audit services through modernization of functions that enhances accountability and transparency in the management of public resources.

Motto: "Modernizing External Audit for Stronger Public Confidence"

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

i. Independence and objectivity
ii. Professional competence
iii. Integrity
iv. Creativity and Innovation
v. Results-Oriented
vi. Teamwork Spirit

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

TABLE OF CONTENTS

ABBREVIATIONS

AGG	Airborne Gravity Gradiometric
BCF	Billion Cubic Feet
BPS	Bulk Procurement System
CAG	Controller and Auditor General
CNG	Condensed Natural Gas
EIA	Environmental Impact Assessment
FTG	Full Tensor Gradiometric
FEED	Front End Engineering Design
GASCO	Gas Company (Tanzania) Limited
GoT	Government of Tanzania
GSA	Gas Sale Agreement
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
IOCs	International Oil Companies
Km	Kilometers
LNG	Liquefied Natural Gas
M&P	Maurel et Prom
MoE	Ministry of Energy
MMSCFD	Million Standard Cubic Feet per Day
MOU	Memorandum of Understanding
NBAA	National Board of Accountants and Auditors
NEMC	National Environmental Management Council
NNGI	National Natural Gas Infrastructure
NNGIP	National Natural Gas Infrastructure Project
OCI	Other Comprehensive Income
PAET	Pan African Energy Tanzania
PRE-FEED	Preliminary front end engineering design
PRS	Pressure Reduction Station
PSA	Production Sharing Agreement
PSSSF	Public Service Social Security Fund
SACCOS	Savings and Credit Corporative Society
Sq. Km	Square Kilometers
TANOIL	TANOIL Investment Limited
TANESCO	Tanzania Electric Supply Company Limited
TCF	Trillion Cubic Feet
TPDC	Tanzania Petroleum Development Corporation
TR	Treasury Registrar
TZ	Tanzania
TZS	Tanzanian Shillings
URT	United Republic of Tanzania
USD	United States Dollar
HGA	Host Government Agreement
NHIF	National Health Insurance Fund

1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Board Chairperson,
Tanzania Petroleum Development Corporation,
Tower A, Benjamin W. Mkapa,
Azikiwe/ Jamhuri Street,
P.O. Box 2774,
Dar es Salaam, Tanzania.

1.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Unqualified Opinion

I have audited the consolidated financial statements of Tanzania Petroleum Development Corporation and its Subsidiaries Gas Company (Tanzania) Limited and TANOIL Investment Limited (together "the Group"), which comprise the statement of financial position as at 30 June 2022, and the statement of profit or loss and other comprehensive income, statement of changes in net equity and statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Tanzania Petroleum Development Corporation as at 30 June 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

Key Audit Matters

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

Other Information

Management is responsible for the other information. The other information comprises the Report by Those Charged with Governance, statement of director's responsibility and Declaration by the Head of Finance but does not include the financial statements and my audit report thereon which I obtained prior to the date of this auditor's report.

My opinion on the consolidated financial statements does not cover the other information, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an 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 ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

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

In addition, Section 10 (2) of the Public Audit Act, Cap 418 requires me to satisfy myself that the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Section 48(3) of the Public Procurement Act, 2011 requires me to state in my annual audit report whether or not the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.

1.2 REPORT ON COMPLIANCE WITH LEGISLATIONS

1.2.1 Compliance with the Public Procurement laws

Subject matter: Compliance audit on procurement of works, goods and services

I performed a compliance audit on procurement of works, goods and services in the Tanzania Petroleum Development Corporation for the financial year ended 30 June 2022 as per the Public Procurement laws.

Conclusion

Based on the audit work performed, I state that, except for the matters described below, procurement of goods, works and services of Tanzania Petroleum Development Corporation is generally in compliance with the requirements of the Public Procurement laws.

Unsatisfactory implementation of tenders as per approved annual procurement plan

Review of implementation of the revised procurement plan for 2021/22 noted unsatisfactory performance of the annual procurement plan. Out of 128 planned tenders, a total of 52 tenders equivalent to 41% of the planned tenders were not initiated; 34 tenders, equivalent to 26% were under procurement process; two tenders, equal to 2% were cancelled, and only 40 tenders, equivalent to 31% of planned tenders were awarded.

1.2.2 Compliance with the Budget Act and other Budget Guidelines

Subject matter: Budget formulation and execution

I performed a compliance audit on budget formulation and execution in the Tanzania Petroleum Development Corporation for the financial year ended 30 June 2022 as per the Budget Act and other Budget Guidelines.

Conclusion

Based on the audit work performed, I state that except for the matter described below, Budget formulation and execution of Tanzania Petroleum Development Corporation is generally in compliance with the requirements of the Budget Act and other Budget Guidelines.

TANZANIA PETROLEUM DEVELOPMENT CORPORATION

Progress of budgeted development activities impacted due to less and late receipt of government subsidy for development expenditure

TPDC through 2021/22 annual plan and budget budgeted for government sourced revenue to finance development activities amounting to TZS 9.5 billion. Activities planned for this amount are on Liquefied Natural Gas (LNG) project, the East African Crude Oil Pipeline Project (EACOP) project, Petroleum subsector development project. As of June 2022, only TZS 4.49 billion was received between March and June 2022. Of the amount, TZS 800 million is for EACOP project, and the remaining balance relates to LNG project activities. There were no budgeted funds remitted to 4 development activities. The affected activities were; Hydrocarbon Exploration in Mnazi Bay North; Hydrocarbon Exploration in Eyasi Wembere; Natural Gas Distribution Project in Dar es Salaam; and the New TAZAMA white products pipeline project (contribution to Feasibility Study & ESIA).

Charles E. Kichere
Controller and Auditor General,
Dodoma, United Republic of Tanzania.
January 2023

CONTROLLER AND AUDITOR GENERAL

2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022

The members charged with governance submit their report together with consolidated and separate financial statements for the year ended 30 June 2022, 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 (together, the "Group") as at that date.

2.1 INCORPORATION

The Corporation was established under the Public Corporations Act No. 17 of 1969 through the Tanzania Petroleum Development Corporation (Establishment Order) Government Notice No.140 of 30 May 1969. In addition, the Petroleum Act, 2015, among other things, mandated TPDC to carry out specialized operations in the petroleum value chain using subsidiary companies. GASCO and TANOIL have been incorporated as limited liability companies and their shares are wholly owned by TPDC.

Gas Company (Tanzania) Limited, was incorporated on 13 August 1985. However, it remained dormant until 2014 when it was revived, TPDC designated the newly revived GASCO to carry out the aforementioned operations. GASCO began its operations in 2015.

TANOIL Investments Limited was initially incorporated as the Commercial Petroleum Company (COPEC) on 22 March 1999 to conduct oil business. Following the Government's decision towards liberalization of petroleum sub-sector with effect from 1 January 2000, COPEC remained dormant effectively from 31 December 1999. After consulting stakeholders, the name TANOIL was proposed, and it was then adopted by TPDC's management and later approved by TPDC's Board of Directors. The change of name from COPEC to TANOIL was officially registered at the Business Registrations and Licensing Agency on 1November 2017.

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

2.2 PRINCIPAL ACTIVITIES

Mandates of TPDC under the Petroleum Act and TPDC Establishment Order are summarised as follows:

a) To undertake Tanzania's commercial aspects of petroleum in the upstream, midstream and downstream operations;
b) To advise the Government on policy matters about the petroleum industry;
c) To participate in petroleum reconnaissance, exploration and development projects;
d) To carry out specialized operations in the petroleum value chain using its subsidiaries;
e) To handle the Government's commercial participating interests in the petroleum industry;
f) To manage the marketing of the country's share of petroleum received in kind;
g) To develop in-depth expertise in the petroleum industry;
h) To investigate and propose new upstream, midstream and downstream ventures at local and international levels;
i) To contract, hold equity or participate in oil services and supply chain franchises of other licenses; and
j) To perform any petroleum activities and related functions.

TPDC has exclusive rights over natural gas midstream and downstream value chain to:

a) Safeguard the national interest in the natural gas industry;
b) Participate in the development and strategic ownership of natural gas projects and businesses on behalf of the Government;

c) Carry out specialized operations in the natural gas value chain through its subsidiaries;
d) Aggregate natural gas, own and operate major gas infrastructures;
e) Promote investment in gas activities;
f) Acquire, analyze and disseminate information on issues relating to natural gas;
g) Own pipeline network from central gathering stations to wholesale distribution and end-user;
h) Plan and propose midstream and downstream ventures and participate in venture projects;
i) Implement gas master plan;
j) Promote local content in the natural gas value chain;
k) Hold land for key oil and natural gas projects; and
l) Perform any other functions as directed by the Government.

2.3 BUSINESS OBJECTIVES AND STRATEGIES

Vision statement

The Corporation vision is to be a world-class integrated National Oil Company competing nationally, regionally and globally.

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 maintain quality and safety standards to protect people, property and the environment.

General outlook

TPDC continued to undertake its mandated functions in the petroleum value chain. These include exploration, development and production of petroleum products and participating in mid and downstream oil and gas operations.

TPDC is implementing four flagship projects: the Eyasi-Wembere Petroleum Exploration Project, the Mnazi Bay North Petroleum Exploration Project; the Construction of the LNG Plant; and EACOP. As a license holder, TPDC participates in exploration activities with International Oil Companies in 13 PSAs.

The current gas reserve discovered offshore and onshore stood at 57.54 trillion cubic feet (TCF). The Offshore resources amount to 47.13 TCF, and the onshore is 10.41 TCF. About 45.13 TCF from the offshore discoveries will be developed to produce LNG for export and domestic use. Of the onshore discovered gas, only Songo Songo and Mnazi Bay fields are producing natural gas with a capacity to produce gas up to 225 mmscfd. The Ntorya and Mkuranga fields are in the process of securing development licenses.

The gas consumption in Tanzania has been increasing, with a current daily gas demand for power generation plants and other use being about 210 mmscfd. Natural gas contributes about 70% of the power generation mix in the National grid. Other natural gas customers include industries, institutions, households and vehicles.

TPDC through GASCO operates and maintains the NNGI which process, transport and distribute natural gas to end users. On the other hand, TPDC participates in Bulk fuel importation through the Bulk Procurement System under PBPA while TANOIL undertakes oil marketing activities.

TPDC is currently implementing upstream and midstream projects including national flagship projects in the National Five-Year Development Plan 2021/22 - 2025/26 (FYDP III). The National flagship projects include the exploration of hydrocarbon in Mnazi Bay North and Eyasi Wembere Blocks and the development of the Liquified Natural Gas (LNG) Project of the discovered natural gas from Blocks 1, 2, and 4 for export and domestic markets.

TPDC Upstream activities include the programs for drilling exploration and appraisal wells in Mnazi Bay North Block, and the acquisition of 2D seismic data in Eyasi-Wembere block. The focus is on exploration for oil at the Eyasi-Wembere block and natural gas at the Mnazi Bay North block.

The LNG project entails the liquefaction of discovered natural gas for export and domestic markets. Currently, the project is under the Host Government Agreement (HGA) negotiations stage between the Government of Tanzania (GoT) and Gas developers (Shell Exploration Petroleum Tanzania Limited of the Netherlands and Equinor of Norway). Upon signing of HGA documents presumably with condition precedence between Gas developers and the Government during negotiations, implementation of the Pre-FEED and FEED stages of the project will start. The Development Licence will be granted to TPDC upon submission of the final Development Plan by Gas developers and after completion of the FEED stage

TPDC together with IECs operates in twelve active exploration and production licenses in various Blocks. A total area of 54,764.5 sq. km, approximately 5.74% of the total area of the United Republic of Tanzania has licensed for hydrocarbon exploration. Operational PSAs include Blocks 1, 2, and 4 located in the offshore basins, and Ruvuma, Ruvu, Kilosa Kilombero, Songo Songo, Mnazibay, and Kiliwani-North PSAs are located in the onshore basins. The Rukwa South Block is no longer active following a case filed by the contractor. The matter was amicably settled and withdrawn.

2.4 FUTURE DEVELOPMENTS

TPDC will continue to undertake its mandated functions focusing on its core activities of exploration, development and production of petroleum in Tanzania to ensure a reliable and sustainable supply of oil and gas in Tanzania. Through this plan, TPDC expects to participate in Ntorya Field development with ARA Petroleum Tanzania Limited to deliver natural gas by 2024. Emphasis will also be put on exploration activities in TPDC blocks. These include Mnazi Bay North, Eyasi Wembere, West Songo Songo, Lake Tanganyika, and Block 4/1 B and C. TPDC will also position itself to participate in the LNG development project, which is under contract negotiations.

On the mid and downstream operations, TPDC, through GASCO, will continue to operate and maintain NNGI to ensure gas is processed, transmitted and distributed to end users. While on the other hand, efforts will be put into constructing natural gas distribution infrastructure projects through pipelines and CNG to support domestic gas utilization for power generation, industrial, institution, household and CNGV use. The distribution infrastructures will be built in Mtwara, Lindi, Pwani, and Dar es Salaam.

On the oil trading and marketing, TPDC expects to continue undertaking oil marketing operations through TANOIL while also participating in Bulk importation of fuel through the Bulk Procurement System under PBPA and participating in the EACOP project.

It is expected that the growth of TPDC activities and operations will enhance revenue generation for the Corporation and the Country, create significant savings in foreign exchange, protect the environment by reducing carbon footprints and deforestation, and simultaneously create employment for local Tanzanians. This raises the need for a critical assessment of TPDC's long-term strategic choices to seize the opportunities arising from the growth while operating commercially as a NOC.

FUTURE DEVELOPMENTS (CONTINUED)

To do this, TPDC plan to prepare a new strategic plan to reflect the increase in operations and meet expectations of operating commercially and contribute to economic growth.

It is worth noting that the key to the success of the Corporation rests on human resources. TPDC will continue to significantly emphasize the recruitment of the best human resources available, developing, motivating, incentivizing and retaining them, and establishing an institutional set up suitable for the ongoing commercial activities and the new strategic directions. Below is the current status of key projects and their future plans categorised based on the stage of production.

A) Upstream Operations

I. Exploration Activities

The Corporation completed the modelling of 3D Airborne Gravity Gradiometry (AGG) data for the Eyasi-Wembere Block. TPDC procured the Amplified Imaging LLC of USA consultant to carry out a geochemical survey for the Eyasi Wembere. TPDC concluded the undertaking of Environmental and Social Impact Assessment (ESIA) studies for 2D seismic data acquisition in the Block. Furthermore, TPDC is planning to acquire the 2D seismic data during the 2022/23 financial year.

A Drilling Management Consultant (DMC) for Mnazi Bay North Block completed Geological, Geophysical, Engineering, and other related data, revisited the planned well(s) to be drilled, and designed an exploration well. The drilling of an exploration well is expected to take place in the financial year 2022/23.

The Corporation intends tore-apply for the exploration license for Blocks 4/1B. Block 4/1B, was reserved for TPDC in 2016. The EIA for seismic data acquisition for the block has been upgraded. Once the exploration License will be granted, TPDC will look for a strategic partner.

The Corporation completed the geological fieldwork in Mandawa North Basin and reviewed the Petro-physical studies of the SS10 Well (nearby well), Geological prognosis, and preliminary well-planning in the West Songo Songo (WSS) Block. Further, the EIA Certificate was secured for seismic data acquisition and exploration well drilling in the Block. Further, TPDC intends to revisit geological and geophysical data together with a Consultant, EREX PETROCONSULTANTS CO. LTD from Egypt who has recently been procured to reassess the prospectivity of the block and will prepare a drilling plan. TPDC has already applied for an exploration license over the West Songo Songo (WSS) Block.

II. LNG Development

The Government Negotiation Team (GNT) continued with discussions on the development of the LNG project, including deliberations on the Host Government Agreement (HGA), Amendment of Blocks 1&4 and Block 2 PSAs, and the Project Law. Among the issues raised during negotiations was the reserve amount from Blocks 1, 2, and 4 for the LNG project and the domestic market. During the 2021/22 financial year, the gas developers verified the Gas Initial In place (GIIP) and the Recoverable amount of reserves through the procured 3rd Party resource verification companies.

ERCE a UK-based company and an independent oil and gas resource verifier was procured by Equinor as a 3rd Party auditor to conduct reserves verification for Block 2. ERCE completed the exercise by July 2021 and provided a mean recoverable resource of 19.75TcF. On the other hand, shell contracted McDaniel, a Canadian-based company to verify the resource for block 1&4 which was submitted as the base case by December 2021. Base case results show Recoverable Reserve for block 1 is 5.2TcF and block 4 is 6.4TcF. This indicates Blocks 1&4 Recoverable Reserve is 11.6TcF as finally submitted in January 2022. On June 11, 2022, the Government, TPDC, Shell, Equinor initialled the Letter of Understanding regarding the Host Government Agreement relating to the Tanzania Gas and LNG Project.

FUTURE DEVELOPMENTS (CONTINUED)

On 11 January 2021, the GoT on one hand and Shell & Equinor companies on the other side signed a Memorandum of Understanding (MoU) with the intention of pushing forward the collaboration in the midstream of the Tanzania Gas and LNG Project.

In April 2021, the Government engaged the Ministry of Energy to conclude the HGA negotiations, which started in 2016. Upon its completion, the implementation of the Tanzania Gas and LNG project will start. To this end, the Government engaged its Government Negotiation team (GNT) to make a thorough study on the viability of the project. Further, TPDC on behalf of the GNT, engaged in a two-year contract with Baker Botts and its counterparts Gafney Cline of UK and Appex Attorney (local company) on 25th January 2022 to provide advisory services on Legal, technical, as well as commercial aspects of the LNG project to TPDC and GNT on the ongoing HGA negotiations.

On the other ends, TPDC renewed its data subscription to the service provider who provides access to information for the cost-benchmarking which is an important tool for making a comparative analysis of LNG project and upstream costs.

B) Mid and Downstream Operations

The Corporation implements mid and downstream operations in the aspects of oil and natural gas as described below:

B1: Downstream Natural Gas Operations

During the period under review, the total amount of gas dispatched to power plants was 32,661.00 MMSCF. Also, a total of 7,990.00 MMSCF of gas was supplied to industrial customers in Dar es Salaam (Coca-Cola), Pwani (Goodwill Ceramics, Lodhia Steel, Knauf Gypsum and Raddy Fibre) and Mtwara (Dangote). A total of 3.06 MMSCF was supplied to household customers in Dar es Salaam and institutional customers for cooking which include UDSM Cafeteria 1, Mtwara Technical Secondary School (MTSS), Mtwara Teachers College (MTC), Mtwara Technical Teachers College (MTTC) and the Lilungu Prison in Mtwara.

Further, TPDC continues to implement natural gas distribution projects in four (4) Regions of Mtwara, Lindi, Pwani and Dar es Salaam. Household customers were connected in Mtwara, Lindi and Dar es Salaam, and in the Pwani Region, three industries which are Balochistan Group of Industries, LN Future, and Raddy Fiber were connected to the natural gas supply network for various gas industrial uses.

In Mtwara Region, construction of a natural gas distribution network connecting 300 households through a Phase II Project was completed and also a survey of new network to connect 358 household customers through a Phase III Project was completed. Detailed engineering designs and cost estimates for Phase III were prepared. Implementation of Phase III awaits funding.

In Lindi Region, construction of a natural gas distribution network of connecting 200 households at Mnazi Mmoja Area through a Phase I Project was completed and also a survey of infill to connect additional 451 households through a Phase II Project was completed. Detailed engineering designs and cost estimates for 451 houses were prepared. The plan of implementation of Phase II Project is through REA funding. In the period, a process of acquiring a contractor for constructing a 10 Km pipeline from BVS3 to Mnazi Mmoja reached an advanced stage.

FUTURE DEVELOPMENTS (CONTINUED)

In Pwani Region, a projects of connecting three industrial customers to the gas supply network, i.e. Balochistan Group of Industries, LN Futures Building Materials, and Raddy Fibers were completed, and a survey of a network of connecting 529 household customers in Mkuranga through a Phase I Project was also completed. Detailed engineering designs and cost estimates for households were prepared. The plan of implementation of connecting households is through REA funding.

In the Dar es Salaam Region, construction of a natural gas distribution network for connecting 670 households in Sinza, Police Barracks, and at the University of Dar es Salaam quarters was completed. A process of acquiring a contractor for constructing a 12.4 Km pipeline from Mwenge to Mbezi Beach reached an advanced stage. Detailed engineering designs and cost estimates for 4 CNG stations were finalised and a process to acquire contractors for the stations were initiated. Four (4) Gas Sales Agreement (GSA) were concluded with Muhimbili National Hospital, Kairuki Pharmaceutical Industries, Raddy Fiber, and GSM. ESIA studies in Mtwara, Lindi, Pwani, and Dar es Salaam were finalised, paving way to expanding gas distribution projects to various end users such as industries and households/Schools/Hospitals etc.

B2: Downstream Oil Trading Operations

During the period under review the following activities were achieved:

i. Bulk Oil Importation Operations

In October 2021, the Corporation resumed bulk oil business through Bulk Procurement System (BPS) tenders organised by Petroleum Bulk Procurement Agency (PBPA). In a span of 9 months (between October 2021 and June 2022), the Corporation imported more than 400,000 Metric Tons of diesel through tenders won for the supply of December 2021, April and June 2022.

ii. The East African Crude Oil Pipeline Project (EACOP)

The implementation phase for the East African Crude Oil Pipeline Project (EACOP) began after signing of the Host Government Agreement in May 2021. The overcharging mandate for shareholders of the EACOP Ltd to execute the Project was the Shareholders Agreement which was inked by Shareholders on 4 November 2021. TPDC is among four shareholders of the EACOP Ltd with an equity interest of 15%. Other shareholders are; Total Energies Holding EACOP SAS (62%), NPC Ltd (15%) and CEPME Ltd (8%) whom together with TPDC declared Final Investment Decision (FID) for the Project on 1 February 2022. .

Further, during the financial year 2021/22, TPDC and EACOP Company signed the Land Lease Agreements for the 14 priority areas and handed over the lands to EACOP Ltd for project early works to commence. Currently, TPDC in collaboration with EACOP are undertaking the Entitlement Briefing and Compensation Agreements Signing for the 9,122 affected persons across all eight project regions. Project construction phase has commenced at the Thermal Insulation Plant Site located Sojo-Nzega, Early Civil Works at the Main Camps number 9, 11, 15 and Chongoleani Marine Storage Terminal were at initial stages of resource mobilization.

During the financial year 2021/22 TPDC paid part of its EACOP equity share total amount USD 95.43mil which is 31% of the total required equity contribution of USD 308 million. The amount of USD 308 million is 15% of the total equity of the EACOP project. TPDC will continue to honour its equity contribution as per Shareholders Agreement.

FUTURE DEVELOPMENTS (CONTINUED)

iii. Oil Marketing

TPDC through its subsidiary company TANOIL Investments Limited secured registration and permits to operate as an Oil Marketing Company (OMC). By the end of June 2022 the company recorded total imports of 261,630,695 litres of both products including 116,195,379 litres of petrol and 145,435,316 litres of diesel. During the year TANOIL was able to secure 2% market share within the country as per EWURA Petroleum sector performance report. The plan for the next financial year is to enable TANOIL expand oil marketing operations through increase of oil cargo importation, increase distribution network and inter into transit business hence enhancement of sales volumes

iv. Strategic Petroleum Reserve (SPR)

The Corporation has acquired lands for the construction of Strategic Petroleum Reserve in Zuzu-Dodoma and Chongoleani-Tanga regions as a means towards establishment of the SPR. During the financial year, the land survey process for Tank farm development projects in Chongoleani Tanga and Zuzu Dodoma was completed. The plan for the next financial year is to rehabilitate tank No 8 situated within TIPER premises and to apply for title deeds of the acquired plots.

B3: Midstream Natural Gas Operations

The Corporation owns natural gas processing plants and pipelines which are operated and maintained by its subsidiary company (GASCO). The plant facilities are located at Madimba (Mtwara region) and Songo Songo (Lindi region) with the capacity of processing 210 MMSCFD (3trains) and 140 MMSCFD (2 trains) respectively. The pipeline infrastructures consist of a 36", 24" and 16" -pipelines with the length of 551km from Mtwara and Songo Songo to Dar es Salaam designed to transport 784 MMSCFD of natural gas and up to 1,002MMSCFD with introduction of compression facility. Additionally, GASCO operates a number of other medium and low pressure pipeline networks and the associated facilities used to transport natural gas to power, industrial, domestic and CNG customers in Dar es Salaam, Mtwara, Lindi and Coast regions.

Assurance of gas availability for downstream customers is the foremost function of GASCO on behalf of TPDC. During the year under review, prudent operations and maintenance of the infrastructures were conducted and the NNGI was maintained at 100% availability. A total volume of 43,287.47 MMSCF of natural gas was received for processing, whereby Madimba plant received 30,891.64 MMSCF from the Mnazi bay gas field while the Songo Songo plant received 12,395.83 MMSCF from the Songo Songo gas field. The total quantity of 43,027.01 MMSCF was exported through the pipeline to customers. The Madimba and Songo Songo processing plants exported total gas volumes amounting to 30,778.01 MMSCF and 12,249.00 MMSCF respectively. In addition, a sum of 2,640 tons of condensate were produced from both Madimba and Songo Songo processing plants.

2.5 FINANCIAL PERFORMANCE FOR THE YEAR

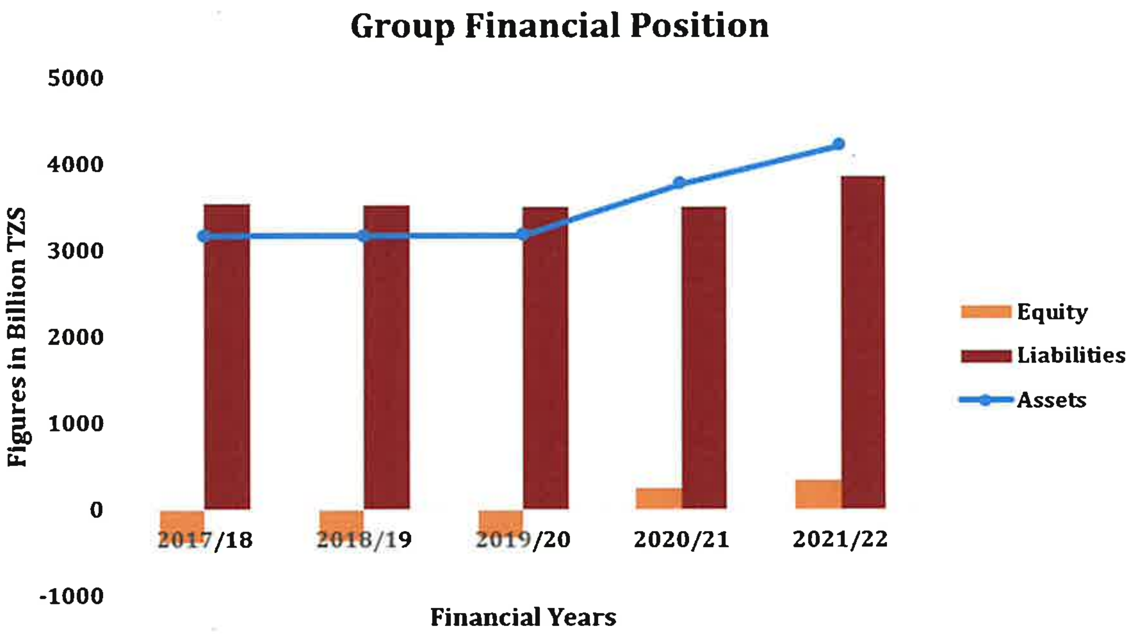
Generally, there have been significant improvement in the Group Financial Performance for the year ended 30 June 2022 compared to the previous year. During the financial year 2021/2022, the Group's total revenue increased by TZS 1.23 trillion to reach TZS 1.77 trillion compared to TZS 551.38 billion recorded in 2021.The significant improvement in revenue performance was mainly due to oil trading operations and gas demand from the anchor customer TANESCO and gas connection to new customers. During the financial year 2021/2022 revenue generated from sales of natural gas was TZS 549.21 billion compared to TZS 475.12 billion recorded in previous year. Also, revenue accrued from oil business increased from TZS 23.83 billion recorded during the year 2020/2021 to TZS 1.17 trillion accounted for during the year 2021/2022. The Group's total revenue was increased due to TPDC resumption to the bulk oil business through Bulk Procurement System (BPS) and TANOIL expansion of oil marketing business.

The Group's net profit for the financial year 2021/2022 is TZS 97.78 billion while in 2020/2021 the group recorded a net profit of TZS 22.91 billion. The recorded net profit of the group comprises net profits generated by the Corporation and its subsidiaries. During the year 2021/2022, separate financial statements show the Corporation recorded a net profit of TZS 105.24 billion (2021: TZS 23.27 billion) while the subsidiaries TANOIL has a net loss of TZS 7.94 billion (2021: a loss of TZS 166.27 million) and GASCO has a net profit of TZS 277 million (2021: a loss of TZS 458 million). The chart below depicts the Group's profitability trend from financial year 2017/2018 to 2021/2022.

The Group's total assets as of 30 June, 2022 stood at TZS 4.21 trillion compared to TZS 3.77 trillion recorded in 2021. The increase in assets has been attributed by the increase in investment in EACOP amounting to TZS 220.67 billion. Also, trade and other receivables rose by TZS 438.16 billion from TZS 661.14 billion in 2021 to TZS 1.1 trillion in 2022.

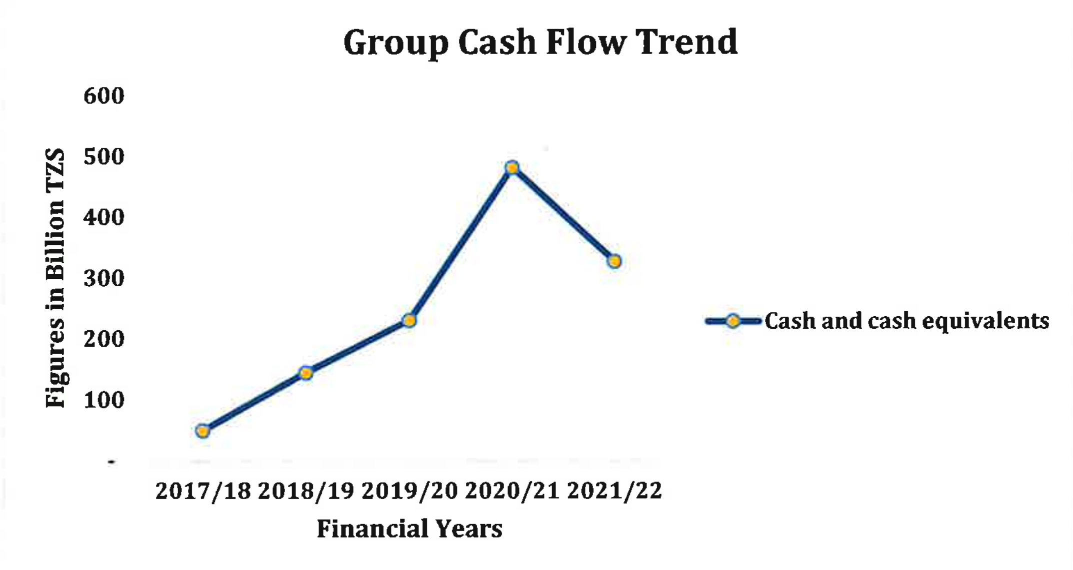
FINANCIAL PERFORMANCE FOR THE YEAR (CONTINUED)

At the end of the financial year 30 June 2022, total equity and reserves was TZS 352.22 billion compared to TZS 257.14 billion reported in the financial year 2021, mainly due to profit generated during the year. The total liabilities for the period stood at TZS 3.86 trillion compared to TZS 3.52 trillion reported in the previous year. The increase is largely due to accrued loan interest and unpaid bulk oil purchase invoices pending to maturity of the letter of credit (LC) in the subsequent months. The chart below shows the Group's financial position trend from financial year 2017/2018 to 2021/2022.



The Group's closed with cash and cash equivalents amounting to TZS 327.8 billion compared to TZS 481.93 reported in the year 2020/2021, a decrease of TZS 154.13 billion. The decrease of cash balance resulted from the funds transferred to EACOP from TPDC as equity contribution to EACOP. The Group's cash flow mainly depends on cash generated from operating activities. During the year, the Group's cash flow from operating activities was TZS 61.98 billion while cash out-flow for investing activities and financing activities was TZS 206.36 billion and TZS 9.75 billion respectively. The available cash balance at the end is committed to settle capital expenditure related to development projects including LNG, EACOP, Mnazi Bay North exploration project, Eyasi Wembere and Gas distribution project. The graph below shows the Group's Cash flow trend from financial year 2017/2018 to 2021/2022.

FINANCIAL PERFORMANCE FOR THE YEAR (CONTINUED)



The table below highlights key financial performance indicators for the financial year 2021/2022.

S/N	Description	2021/ 2022	2020/ 2021	2019/2020
	Liquidity Ratios			
1	Current ratio	1.29	1.67	0.85
2	Quick ratio	1.20	1.55	0.85
	Profitability Ratios			
3	Revenue Growth (%)	222%	21%	12%
4	Gross Profit Margin (%)	11%	27%	28%
5	Operating Expense Ratio	5%	11%	12%
6	Net Profit Margin	5%	4%	6%
	Leverage Ratios			
7	Debt to Assets ratio	0.92	0.93	1.09
8	Debt to Equity ratio	10.96	13.68	10.5

FINANCIAL PERFORMANCE FOR THE YEAR (CONTINUED)

From the above table the key financial ratios are interpreted as follows;

i. Liquidity Ratios.
The above ratio measures the ability of the company to meet its short-term obligations when fall due. During the year ended 30 June 2022 the ability of the Group to meet its short-term obligations was favourable since both current and quick ratios are above 1.

ii. Profitability Ratios.
The ratio indicates how the company can generate profit out of its business activities. The information shows that for three consecutive years the Group has experienced significant revenue growth and able to make profit. However, the gross profit margin for the period has declined compared to the previous year mainly due to the increase in cost of sales for the oil business against the revenue generated.

iii Leverage Ratios.

The ratio indicates how the company's assets are financed by equity and debt. The above ratios show that the Group assets are largely financed by debt. The debt includes the loan on-lent by the Government to TPDC to finance the construction of the National Natural Gas Infrastructure. However, in early September 2022 the Government approved the conversion of the loan to equity amounting to USD 1.194 billion. The conversion of the loan to equity will result to the corporation assets being largely financed by equity.

Dividend

During the year the Group declared and paid a dividend of TZS 2.7 billion (2021: declared and paid a dividend of TZS 6.9 billion) to the Government, through the Office of Treasury Registrar.

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 62,844 million to the oil and gas fund maintained at the Central Bank of Tanzania (2021: TZS 58,411 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.

Other key achievements

During the year under review, the Corporation attained the following key achievements:

i. Completed modelling of 3D AGG for Eyasi-Wembere Block.

ii. Initialled the key terms of the Host Government Agreement on 11 June 2022 for the LNG Project. Final HGA is anticipated to be concluded by December 2022.

iii. Completion of 3rd Party Resource Verification for blocks 1, & 4 by Shell and Block 2 by Equinor.

iv. Concluded four (4) Gas Sales Agreement (GSA) with Muhimbili National Hospital, Kairuki Pharmaceutical Industries, Raddy Fiber, and GSM;

v. Constructed 8.65 km distribution network, hence making a total of 24.95km (8.6km trunk line 16.35km distribution line) gas distribution network with the capacity to connect 3,000 households in Mtwara;

vi. Constructed 16.2 km distribution network with the capacity to connect over 5,000 households in Lindi;

FINANCIAL PERFORMANCE FOR THE YEAR (CONTINUED)

vii. Constructed an additional of 16.5km distribution network, making a total of 23.365 km gas network with the capacity to connect over 10,000 households in Dar es Salaam;

viii. Conducted Fourteen (14) CSR programs in Mtwara, Tabora, Kilimanjaro, Mara, Njombe, Lindi, Pwani and Dar es Salaam;

ix. The Government of Tanzania (GoT) and the IOCs successfully signed the Heads of Agreement for LNG project.

2.6 CORPORATE GOVERNANCE

The Board of Directors

The Board is responsible for formulating internal policies, procedures, rules, and facilitating timely service delivery and ensuring prudent management of resources under the policies and procedures in place. The Board also takes overall responsibility for the Corporation, including responsibility for identifying key risk areas, monitoring investment decisions, 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.

On 20 May 2022 the President of the United Republic of Tanzania appointed Hon. Ambassador Ombeni Y. Sefue, Retired Chief Secretary of the United Republic of Tanzania as a new Board Chairman. Consequently, on 10 June 2022, the Minister of Energy, appointed eight members to the Board of Directors.

The Board delegates the day-to-day management of the business to the Managing Director assisted by the senior management team. The Managing Director holds an executive position in the Corporation. Senior Management members are invited to attend Board meetings. They facilitate effective control of all 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 Board of Directors of the Corporation as at 30 June 2022 are:

Name	Gender	Position	Nationality	Discipline
H.E. Amb. Ombeni Yohana Sefue	M	Chairman	Tanzanian	Diplomat
H.E. Amb. Peter Allan Kallaghe	M	Member	Tanzanian	Diplomat
Adv.Protase R. Ishengoma	M	Member	Tanzanian	Legal Practitioner
Dr Natu El-maamry Mwamba	F	Member	Tanzanian	Economist
Mr. Mpambika William Chiume	M	Member	Tanzanian	Oil and Gas Consultant
Mr. Dismas Alphonce Fuko	M	Member	Tanzanian	Project Financial Modelling Consultant
Mr. Mussa Mohamed Makame	M	Member	Tanzanian	Financial Modelling Consultant
Mr. Paul Deo Makanza	M	Member	Tanzanian	Corporate Finance Expert
Ms. Ruth Henry Zaipuna	F	Member	Tanzanian	Certified Public Accountant

CORPORATE GOVERNANCE (CONTINUED)

The Board has formulated four committees, comprising members from the Board of Directors, 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 scheduled to meet at least once in every quarter. The four Board's committees are as described below:

i. Audit, Risk and Compliance Committee

The primary purpose of the Audit Risk and Compliance Committee is to provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations.
The Committee will deliberate and recommend to the Board all issues relating to:

a) Audit matters,
b) Financial matters, PSA and Contract Administration
c) Risk matters,
d) Compliance matters,
e) Procurement matters, and
f) Governance and related matters directed by the Committee

Members of the Audit, Risk, and Compliance Committee comprise of the following directors:

S/N	Name	Position
1	Dismas A. Fuko	Chairperson
2	Ruth H. Zaipuna	Member
3	Mussa M. Makame	Member
4	Peter Lucas Mwambuja	Member

ii. Nomination and Compensation Committee

The Nomination and Remuneration Committee has the delegated authority of the Board in respect of the functions and powers vested to the Committee. The role of the Committee is to assist the Board in fulfilling its responsibility to the shareholder to ensure that nominations and remunerations policies and practices are designed to support strategy and promote long-term sustainable success, reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements, and executive remuneration is aligned to company purpose and values and linked to the delivery of the long-term strategy. In particular, the Committee shall provide advice to the Board on all matters, including executive development, recruitment, setting the policy for the remuneration, promotion, determining targets for performance-related and determining the individual remuneration package, and where appropriate, salary, bonuses, pensions, incentive payments and all administrative matters.

Members of the Nomination and Compensation Committee comprise of the following directors:

S/N	Name	Position
1	Dr. Natu E. Mwamba	Chairperson
2	William W. Chiume	Member
3	Amb. Peter A. Kallaghe	Member

CORPORATE GOVERNANCE (CONTINUED)

iii. Investment and Business Development Committee

The primary responsibility of the Committee is to oversee the commercial vision on behalf of the Board and report the results of their activities to the Board. The Committee shall deliberate and recommend to the Board issues relating to:

a) Planning and budget matters;
b) Investment matters
c) Local Content matters
d) Marketing matters
e) Monitoring and delivery
f) ICT and Statistics, and
g) Corporate and public relations and related directed by the Committee

Members of the Investment and Business Development Committee are as follows:

S/N	Name	Position
1	Paul D. Makanza	Chairperson
2	Protas R. Ishengoma	Member
3	Dr Tatu E. Mwamba	Member
4	William W. Chiume	Member

iv. Safety, Environment and Sustainability Committee

The Safety, Environment and Sustainability Committee is responsible for assisting the Board in fulfilling its oversight responsibilities on health, safety, environment and sustainability issues. Specifically, it will monitor and assess the adequacy and effectiveness of internal controls and compliance with Environment, Health, Safety and Social (EHSS) Standards and International Petroleum Industry Standards. Further, the Committee shall be responsible for ensuring that the day-to-day corporation activities build and support the long-term sustainability of the core business. Members of the Safety, Environment and Sustainability Committee are:

S/N	Name	Position
1	Protas R. Ishengoma	Chairperson
2	Paul D. Makanza	Member
3	Amb. Peter A. Kallaghe	Member

As reported earlier, the Board Chairman was appointed on 20 May 2022 and other members of the Board were appointed on 10 June 2022. Hence, during the year 2021/2022 there was no Board's and committees meetings conducted.

CORPORATE GOVERNANCE (CONTINUED)

Management

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

Directorates

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

Units

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

The Management team as of 30 June 2022 comprises of the following members;

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

2.7 CAPITAL STRUCTURE

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

SHARE CAPITAL	2022 TZS 'm	2021 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

	2022 TZS 'm	2021 TZS 'm
At start of year	**444,100**	184,139
Received during the year	-	259,961
At end of year	**444,100**	444,100

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

RISK MANAGEMENT OBJECTIVES AND POLICIES

All employees are required to observe risks inherent at the workplace. Risk assessment responsibility rests with the Management. In principle, the ultimately responsibility of risk management rest with the board. The Corporation employs a reasonable risk management process which 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 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 here 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 debtors. These overdue sales are mainly attributable to major natural gas off-takers including TANESCO, Songas (T) Limited and Pan African Energy (T) Limited. This situation continued to cause cash flow strains affecting Corporation investments and daily operations; reducing the Corporation's capacity to meet its 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 and its key stakeholders including the Ministry of Energy (MoE), to improve collections of debts. This is managed by establishing a monthly debt repayment schedule to be adhered by both parties.

2.8 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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. This is managed by TPDC continuing connecting more gas customers to the infrastructure so as to increase gas utilization. However, after the reporting date the Government approved the conversion of the loan to equity, hence the credit default risk will be mitigated.

iii. Fundraising Risk

Lack of sufficient funds to finance operating and investing activities continued to be a challenge to the Group.

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 Government financial support and exploring viable partnerships with suitable investors.

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 a material adverse impact on our earnings, cash flows and financial condition. Although most of the cash flows 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 as well as fast tracking the process of converting the NNGI loan into equity in consultation with TR and MoFP.

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 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 has been recently developed. However, prolonged service disruption could lead to possible legal action against TPDC by customers, higher overhead cost and damage TPDC's credibility and reputation. To maintain readiness against such risk, the Corporation has set aside funds in the financial year 2022/23 budget, to develop BCM policies, procedures and systems.

RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

vi. Reputational Risks

The Corporation operates and transact in a dynamic business environment, in which there is an increasing focus of sanction placed on oil and gas companies. This call for the Corporation to make considerable scrutiny efforts when entering business partnerships with IOCs. To manage this risk, the Corporation ensures that all potential partners and suppliers comply with the anti-bribery policy. Also, the Corporation exercise a due diligence to uncover hidden ownership structures which may pose a reputational damage to the Corporation.

vii. 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 increasing operational hindrances. As part of mitigation measures, the Group legal team undertake regular review of the laws and regulations to ensure legal and regulatory compliance. In addition, the legal team is responsible to engage other stakeholders to amend provisions of the laws and regulations that hinder TPDC to perform its organisational mandate effectively and efficiently.

2.9 INTERNAL CONTROLS

The significant features of internal control systems include, but not limited to, preparation of annual plan and budget, regular monitoring of budget implementation, control of transactions processing; and documented polices, regulations, procedures and guidelines. The level of effectiveness and adequacy of internal controls is regularly tested by Internal Auditors through implementation of the annual risk based internal audit plan. Furthermore, there is a formal risk management framework which is based on ISO 31000:2018. The framework supports the proactive approach to manage risks and optimize opportunities.

i. Internal Auditing

Internal auditing is independent in line with the International Professional Practices Framework (IPPF) 2017. It is staffed with different professionals including accountants, geologists and procurement and supplies experts. The skill-mix supports the conduct of the audit processes, including the audit of the entire oil and gas value chain (upstream, midstream and downstream operations). At start of the year, Internal Audit Unit prepares the annual audit plan after considering business and process risks. The frequency of the audit is decided by risk ratings of processes. The risk-based audit plan is carried out and periodically reviewed to include areas that have assumed significant risk in line with the emerging industry trends and the growth of the company. The conduct of the audit is in line with the International Professional Practices Framework (IPPF) 2017.

ii. Audit, Risk and Compliance Committee

This is the Oversight Committee of the Board which comprises of Independent Directors. The Committee performs quarterly review of audit reports, significant audit findings, adequacy of internal controls and monitors implementation of audit recommendations (internal and external). The Committee has an approved charter, which stipulates, among others, the authority, duties and responsibilities.

2.10 SOLVENCY

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

2.11 RESOURCES

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

i. Human Capital

During the year ended 30 June 2022, TPDC had 414 qualified human capital in relevant and different disciplines whereby 317 are male and 97 are female. TPDC increases number of employees in line with increase of operations. TPDC has a stable training and development program for enhancing staff capacities through short- and long-term training programs particularly in the fields of oil and gas. Further details on employee's welfare are included under note 10.

ii. 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.

iii. 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 one of the two TPDC subsidiary companies.

iv. Properties

Land

The Corporation owns lands located in various strategic areas for investment purposes. Lands owned include those in Kilwa Masoko and Likong'o in Lindi Region, Kibirizi, Tanga, Bangwe and Mwanga in Kigoma. Other areas where the Corporation owns lands include Makambako in Njombe; Mpanda; Uyole, Mbeya; Isaka, Shinyanga; Makurunge and Msata, Coastal region and Kigamboni Bitumen site and Mlalakuwa plots in Dar es Salaam.

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, in the Dar es Salaam region. Some more properties are in Lindi and Mtwara regions. Other properties include Petrol stations in Makuyuni, Singida, Tarime, Musoma, Geita and Segera areas.

GAS DISCOVERIES AND RESERVES

Gas discoveries

Following a number of discoveries in onshore and offshore blocks, the total natural discoveries in Tanzania has reached 57.54 trillion cubic feet (TCF). The discoveries are expected to rise further as a result of the ongoing exploration activities in the Country. For the period under review, there were two onshore gas producing fields located at Mnazi bay and Songo Songo Island. TPDC has participating interest in the Mnazi bay field and plans to exercise its right to participate in the Songo Songo gas field.

Gas reserves

i. 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 2021 at P50 confidence level is 509.496 billion cubic feet (BCF). On the other hand, the gas reserves for Mnazi Bay as assessed by independent consultants in December 2021 at P50 confidence level is 425.1 BCF. The summaries of recoverable gas reserves for the two fields as per assessment conducted in December 2021 are as follows:

Confidence Level	Songo Songo Billion Cubic Feet	Mnazi Bay Billion Cubic Feet
P 10	588.684	671.9
P 50	509.496	425.1
P 90	429.978	221.7

As of June 2022, total volumes of gas produced from Songosongo and Mnazi bay Fields are 511BCF and 170BCF respectively.

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 and 10 TCF are from offshore and onshore respectively.

ii. 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 as described in section 1.11 above.

2.12 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 a prompt and informed communication system. Some of the key stakeholders involve the following:

i. Government Ministries, Departments and Agencies (MDA's)
ii. The Media
iii. Academic and Research Institutions
iv. Civil Societies
v. Development Partners
vi. Investors
vii. Politicians
viii. Local Communities in areas where oil & gas activities are being conducted
ix. Various suppliers who provides goods and services to the Corporation
x. Natural gas users i.e. power producers, industries, automobiles, institutions and households; and
xi. The public.

Services offered by the Corporation include; exploration and production of oil and gas, sales of natural gas, sales of exploration data, provision of government advice on the petroleum sector, sales of petroleum white products, construction of infrastructure - both processing and transportation and selling of condensate.

TPDC meets the expectations of it's stakeholders by providing quality products and timely delivery of services. Employees at all times, while performing their duties serve and interact with stakeholders honestly, diligently, fairly and with mutual respect. In order to attain stakeholder's expectation TPDC set standards based on employee's attitude and behaviour, and quality of services to be delivery. These standards mainly focus on Relationship with Corporation Customers, Fairness, Equality, Clarity, Accuracy of Information, and Responsiveness.

EMPLOYEES' WELFARE

i. 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 2022, a total of TZS 1.97 billion was spent to cover for short and long courses both local and abroad as compared to TZS 3.17 billion spent in the year ended 30 June 2021. Training expenses are disclosed as part of other expenses within Note 10.

ii. 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.

EMPLOYEES' WELFARE (CONTINUED)

iii. 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, 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.

iv. Employees' Benefit Plans

During the year, the Corporation paid TZS 1.31 billion (2021: TZS 1.14 billion) as contributions to publicly administered Pension plans (i.e. Public Service Social Security Fund (PSSSF) and National Social Security Fund (NSSF). See Note 10 to the financial statements for further details.

v. 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.

vi. 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 observe principles of gender matters like in employment opportunities, sexual harassment, etc. Gender Policy is included in the staff regulations which is currently under review. During the year ended 30 June 2022, TPDC had 414 employees of which 317 (77%) were male and 97 (23%) were female.

vii. HIV/AIDS awareness programme

The Corporation has HIV/AIDS awareness program and measures with an objective to provide an all-encompassing management of HIV/AIDS at the workplace to ensure business continuity. In the year 2021/2022, TPDC conducted an awareness program to the Management and its staff to bring awareness to the employees on HIV/AIDS related issues.

2.13 RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in Note 31 to the financial statements.

2.14 CORPORATE SOCIAL RESPONSIBILITY

The Corporation upholds good Corporate Social Responsibility (CSR) practices. It identifies itself with the community within which it operates and cultivates harmonious relationships to acquire social license to operate with all such communities. The Corporation's CSR practices during the year ended 30 June 2022 covered areas including public health, education, sports and good governance and amounted to TZS 260,914,500 as per details in the table below. These are included under Note 9 as part of other expenses.

No.	Intervention Areas	Program/Project supported.	Beneficiaries	Program/project Cost (TZS)
1.	Good governance	Contribution to the building of Namunda Village Office	Namunda village office, Mtwara.	3,920,000
2.	Good Governance	Contribution for the 5th Annual Economic Empowerment Forum 2021	NEEC	20,000,000
3.	Health	To contribute to the celebration of Nutrition Week in Tabora Region.	RC Office Tabora	5,000,000
4.	Education	Contribution for cements and roofing sheets for School building at Igunga District	Igunga District	25,750,000
5.	Health	Contribution for construction of Mngoji Dispensary	Mtwara DC, Mtwara	29,588,500
6.	Education	Contributing to the renovation of two classrooms at Kibangu Primary School	Kibangu P/S, Dar es Salaam	15,000,000
7.	Good Governance	Contribution for construction of Police Station to Kibiti District.	Kibiti,Pwani	39,156,000
8.	Good Governance	Renovation of Road - Ndindimo Village.	Woyege trust fund, Kilimanjaro	40,000,000
9.	Education	CSR contribution to purchase beds for students.	Ngoreme secondary school,Mara.	30,000,000
10.	Good Governance	Contribution for Officiating Nation torch relays in 2022	RC Njombe	20,000,000
11.	Good Governance	Contribution to National Museum of Tanzania for birth commemoration of Late Julius Kambarage Nyerere at the 100 anniversary.	National Museum of Tanzania	20,000,000
12.	Good Governance	Public education sponsorship for annual TBC stakeholder	TBC	10,000,000
13.	Good Governance	Contribution to NEEC for conducting the National local content forum	NEEC, Dar es Salaam	2,000,000
14.	Sport	Paying National Sport Council to obtain approval for Marathon.	NSC	500,000
	Total Amount			**260,914,500**

2.15 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, [CAP.418 R.E 2021]. However, in accordance with section 33 (1) of the same Act, PricewaterhouseCoopers and National Audit Office have jointly carried out the audit of Tanzania Petroleum Development Corporation for the year ended 30 June 2022.

On behalf of the Board of Directors

H.E. Amb. Ombeni Y. Sefue	**Dr. James P. Mataragio**
Chairman	**Managing Director**
Date: 04.01.2023	Date: 3.01.2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2022

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 2022, and the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards (IFRS) and the manner required by Public Corporations Act, 1992.

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

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

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

Approval of Financial Statements

The consolidated and separate financial statements of Tanzania Petroleum Development Corporation and its subsidiaries, as identified in the first paragraph, were approved by the Board of Directors and signed on its behalf by:

H.E. Amb. Ombeni Y. Sefue
Chairman
Date: 04.01.2023

Mataragio

Dr. James P. Mataragio
Managing Director
Date: 3.01.2023

DECLARATION OF HEAD OF FINANCE FOR THE YEAR ENDED 30 JUNE 2022

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 the true and fair view position of the entity in accordance with international accounting standards and statutory reporting requirements. Full legal responsibility for financial statements rests with the Senior Management as under Management's Responsibilities statement on an earlier page.

I, **Francis Misana Mwakapalila,** 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 2022 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
NBAA Membership No.: ACPA (T) 1400
Date: 03 Jan 2023

TANZANIA PETROLEUM DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF FINANCAL POSITION AS AT JUNE 2022

		Group		Corporation	
	Note	2022	2021	2022	2021
Assets		TZS 'm'	TZS 'm'	TZS 'm'	TZS 'm'
Non-current assets					
Property, plant and equipment	13	**2,267,052**	2,344,337	**2,265,257**	2,342,522
Natural gas properties	14	**42,734**	46,894	**42,734**	46,894
Investment properties	15	**4,184**	1,716	**4,184**	1,716
Intangible assets	16	**14,627**	13,538	**14,391**	13,538
Investment in subsidiaries	24	-	-	**83,114**	36,887
Investment in other companies	25	**281,243**	69,187	**281,243**	69,187
Escrow funds	22	**138,991**	138,673	**138,991**	138,673
		2,748,831	2,614,345	**2,829,914**	2,649,417
Current assets					
Inventories	17	**35,719**	17,144	**922**	1,156
Trade and other receivables	27	**1,099,300**	661,144	**1,069,752**	654,985
Cash and cash equivalents	21	**327,797**	481,927	**297,169**	467,849
		1,462,816	1,160,215	**1,367,843**	1,123,990
Total assets		**4,211,647**	3,774,560	**4,197,757**	3,773,407
Equity and Liabilities					
Equity					
Share capital	24	**2,208**	2,208	**2,208**	2,208
Equity contribution from GoT	28(a)	**444,100**	444,100	**444,100**	444,100
Revaluation reserve	28(b)	**452,042**	452,042	**452,614**	452,614
Retained earnings		**(546,130)**	(641,213)	**(538,323)**	(640,860)
Total equity		**352,220**	257,137	**360,599**	258,062
Liabilities					
Non-current liabilities					
Deferred tax liability	20	**30**	106	-	-
Borrowings	19	**2,688,702**	2,784,563	**2,688,702**	2,784,563
Government grant	23	**38,333**	36,101	**38,333**	36,101
Asset retirement obligation	18	**1,864**	2,573	**1,864**	2,573
		2,728,929	2,823,343	**2,728,899**	2,823,237
Current liabilities					
Borrowings	19	**691,405**	526,463	**691,405**	526,463
Cash call commitments	34	**1,026**	1,018	**1,026**	1,018
Trade and other payables	29	**432,347**	164,603	**410,106**	162,777
Income tax payable	19	**5,720**	1,996	**5,721**	1,850
		1,130,498	694,080	**1,108,258**	692,107
Total liabilities		**3,859,427**	3,517,423	**3,837,157**	3,515,345
Total equity and liabilities		**4,211,647**	3,774,560	**4,197,757**	3,773,407

The financial statements on page 32 to 75 were approved by the Board of Directors and signed on its behalf by; -

H.E. Amb. Ombeni Y. Sefue
Chairman
Date: 04. 01. 2023

Dr. James P. Mataragio
Managing Director
Date: 3.01.2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

		Group		Corporation	
		2022	2021	2022	2021
	Note	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Revenue	5	**1,777,938**	551,378	**1,194,054**	527,547
Cost of sales	8	**(1,578,596)**	(402,521)	**(1,026,276)**	(399,092)
Gross profit		**199,342**	148,857	**167,778**	128,455
Other income	6	**44,500**	25,197	**44,307**	25,197
Gain from fair valuation of investment properties		-	33	-	33
Provision for bad debt	27	**23,926**	(15,429)	**23,926**	(15,429)
Operating expenses	9	**(87,222)**	(61,088)	**(47,965)**	(40,400)
Operating profit		**180,546**	97,570	**188,046**	97,856
Finance cost	7	**(75,729)**	(77,166)	**(75,729)**	(77,166)
Share of profit from associate	25	**10,167**	13,151	**10,167**	13,151
Profit before tax		**114,984**	33,555	**122,484**	33,841
Income tax (expenses)/credit	12	**(17,201)**	(10,640)	**(17,249)**	(10,570)
Profit for the year		**97,783**	22,915	**105,235**	23,271
Other comprehensive income:					
Gain from fair valuation of Property, Plant and Equipment		-	312,328	-	312,900
Total comprehensive income for the year		**97,783**	335,243	**105,235**	336,171

TANZANIA PETROLEUM DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

GROUP	Share capital	Equity contribution government	Revaluation reserve	Retained earnings	Total
	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Year ended 30 June 2022					
As at 1 July 2021	2,208	444,100	452,042	(641,213)	257,137
Transactions with owners;					
Dividend paid	-	-	-	(2,700)	(2,700)
Adjustments	-	-	-	-	-
Profit for the year	-	-	-	97,783	97,783
As at year end 30 June 2022	**2,208**	**444,100**	**452,042**	**(546,130)**	**352,220**
Year ended 30 June 2021					
As at 1 July 2020	2,208	184,140	139,714	(657,229)	(331,167)
Transactions with owners;					
Dividend paid	-	-	-	(6,898)	(6,898)
Additions	-	259,960	-	-	259,960
Revaluation Gain	-	-	312,328	-	312,328
Comprehensive income;					
Profit for the year	-	-	-	22,915	22,915
At year end 30 June 2021	**2,208**	**444,100**	**452,042**	**(641,212)**	**257,138**

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

CORPORATION	Share capital TZS 'm	Equity contribution government TZS 'm	Revaluation reserve TZS 'm	Retained earnings TZS 'm	Total TZS 'm
Year ended 30 June 2022					
As at 1 July 2021	2,208	444,100	452,614	(640,858)	(258,064)
Transactions with owners;					
Dividend paid	-	-	-	(2,700)	(2,700)
Adjustment due to Revaluation & change in useful life	-	-	-	-	-
Profit for the year	-	-	-	105,235	105,235
As at year end 30 June 2022	**2,208**	**444,100**	**452,614**	**(538,323)**	**360,599**
Year ended 30 June 2021					
As at 1 July 2020	2,208	184,140	139,714	(657,232)	(331,172)
Transactions with owners;					
Dividend paid	-	-	-	(6,898)	(6,898)
Additions	-	259,960	-	-	259,960
Revaluation Gain	-	-	312,900	-	312,900
Comprehensive income;					
Profit for the year	-	-	-	23,272	23,272
At year end 30 June 2021	**2,208**	**444,100**	**452,614**	**(640,858)**	**258,064**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

		Group		Corporation	
	Note	2022 TZS 'm	2021 TZS 'm	2022 TZS 'm	2021 TZS 'm
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operating activities	30	**65,788**	30,964	**94,797**	53,578
Interest paid	7	-	145	-	145
Income tax paid	20	**(3,807)**	(11,179)	**(3,707)**	(11,163)
Net cash flows from operating activities		**61,981**	19,930	**91,090**	42,560
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	13	**(4,125)**	(10,599)	**(3,652)**	(9,874)
Acquisition of intangible assets	16	**(95)**	(411)	-	(411)
Dividend income received	26	**18,783**	6,263	**18,783**	6,263
Additions to natural gas properties	14	**(318)**	(79)	**(318)**	(79)
Additional investment in subsidiary	25	-	-	**(46,227)**	(30,387)
Investment in EACOP		**(220,672)**	-	**(220,672)**	-
Proceeds from disposal of property, plant and equipment		**70**	-	**70**	-
Net cash used in investing activities		**(206,357)**	(4,826)	**(252,016)**	(34,488)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings (principal)	19	**(7,054)**	(17,808)	**(7,054)**	(17,808)
Government grant received	23	-	897	-	897
Government Contribution	28	-	259,961	-	259,961
Dividends paid		**(2,700)**	(6,898)	**(2,700)**	(6,898)
Net cash used in financing activities		**(9,754)**	236,152	**(9,754)**	236,152
Net decrease in cash and cash equivalents		**(154,130)**	251,256	**(170,680)**	244,224
Movement in cash and cash equivalents					
At beginning of the year		**481,927**	230,671	**467,849**	223,625
Decrease during the year exclusive of realised gain on foreign exchanges		**(154,764)**	251,071	**(171,314)**	244,039
Realised gain on foreign exchanges		**634**	185	**634**	185
Cash and cash equivalents at end of year	21	**327,797**	481,927	**297,169**	467,849

NOTES

1. GENERAL INFORMATION

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 2022 comprise the Corporation and its subsidiaries GASCO and TANOIL (together referred to as the "Group"). The Corporation owns 100% of the ordinary share capital of GASCO and TANOIL.

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

PSSSF Building Kambarage Tower,
8th Floor,
Jakaya Kikwete Road,
P.O Box 1191,
Dodoma, Tanzania.

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

2. GOING CONCERN

As at the year end, the Group and the Corporation reported accumulated losses amount to TZS 546,130 million (2021: Accumulated losses of TZS 641,212 million).

The consolidated financial statements have been prepared on the going concern basis based on the assumption that the Government will continue to provide financial support as and when necessary. The Government has consistently shown its commitment to provide financial support to the Group and Corporation through revenue grants to finance part of the operating costs, capital contributions to finance capital projects, granting of government loans and/or securing of loans on behalf of the Group and Corporation. The Management is of the opinion that the Government acknowledges the Group's and Corporation's financial difficulties, and it will not recall its on-lent loan that the Group and Corporation have defaulted in paying interest. However, on 06 September 2022 the Government resolved to convert the loan into Government equity hence solving the issue of accrued loan interests.

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

NOTES

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

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

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

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

b) 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 amortized cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortized 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 recognized in profit or loss in the period in which they arise. Foreign currency differences relating to trading activities are recognized under operating expenses.

c) 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 is accounted for at cost in the separate financial statements.

(ii) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) 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) Changes in accounting policy and disclosures

There have been no new standards or amendments that became effective during the year with material impact to the Group.

NOTES

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Number	Effective date	Executive summary
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.
Amendment to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2023 (Published Jan 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment.
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published May 2021)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Management has applied significant estimates and assumptions under the following areas:

a. 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.

b. Property, plant & equipment

Critical estimates are made by the management in determining fair value of property, plant and equipment as well as depreciation rates. The rates used are set out in Note 12.

c. 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.

NOTES

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

d. Expected oil and gas reserves

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

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

e. Impairment of non-financial assets

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

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 estimate.

NOTES

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

f. 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.

5. REVENUE

Revenues from sales of natural gas is at a point in time when natural gas is delivered at the delivery point. This is on end of each month when the meter readings have been done and co-signed by both parties (TPDC and customer) net of discount and taxes.

Natural gas, protected gas and other merchandise

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

PSA Revenue

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

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

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

Oil business revenue

Revenue from sales of oil and related products is recognized upon the satisfaction of performance obligations, which occurs when control transfers to the customer. Control of the products is determined to be transferred to the customer when the title of oil and related products passes to the customer, which typically takes place when product is physically transferred into a vessel, pipe or other delivery mechanism. Where applicable the transaction price is allocated to the individual performance obligations of a contract based on their relative stand-alone selling prices

NOTES

5. REVENUE (CONTINUED)

	Group		Corporation	
	2021/22	2020/21	2021/22	2020/21
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
PSA revenue	61,828	52,060	61,828	52,060
Sale of natural gas	525,950	455,761	525,950	455,761
Sale of protected gas	23,255	19,359	23,255	19,359
Sale of data	2	367	2	367
Sale of fuel (petrol & diesel)	1,166,497	23,831	583,019	-
Construction Revenue	406	-	-	-
	1,777,938	551,378	1,194,054	527,547

6. OTHER INCOME

Other income comprises of income other than those derived from principal activities.

	Group		Corporation	
	2021/22	2020/21	2021/22	2020/21
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Training fees from contractors	2,438	707	2438	707
Licence fees from contractors	950	539	950	539
Sale of condensate	2,838	1,143	2,838	1,143
Government revenue grant	17,799	19,346	17,799	19,346
Interest income	-	24	-	24
Rent from petrol stations	11	7	11	7
House rent	59	50	59	50
Miscellaneous income	14,790	2,381	14,762	2,381
Land lease	3,085	-	3,085	-
Tender fees	204	18	204	18
Tariffs	1,891	-	1,891	-
Reversal of excess ARO	-	736	-	736
Amortization of capital grants	237	246	237	246
Gain or Loss on asset disposal	33		33	
Other miscellaneous income - TANOIL	165	-	-	-
	44,500	25,197	44,307	25,197

7. FINANCE COST

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

Group and Corporation	2022	2021
	TZS 'm	TZS 'm
Interest expense on borrowings	68,393	73,441
Exchange loss on loan revaluation	7,623	3,444
ARO accretion	(287)	281
	75,729	77,166

NOTES

8. COST OF SALES

	Group		Corporation	
	2021/22	2020/21	2021/22	2020/21
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Purchase of natural gas	325,856	285,198	325,856	285,198
Purchase of Fuel (Petrol & Diesel)	1,164,118	24,105	585,155	-
Pipeline and plants maintenance	289	1,433	26,932	22,109
Depreciation of pipeline and plants	78,830	81,586	78,830	81,586
Depletion of natural resources	3,780	4,791	3,780	4,791
PSA expenses	5,723	5,408	5,723	5,408
	1,578,596	402,521	1,026,276	399,092

9. OPERATING EXPENSES

	Group		Corporation	
	2021/22	2020/21	2021/22	2020/21
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Staff costs (Note 10)	27,616	22,945	15,062	12,309
Depreciation (Note 11)	2,060	3,317	1,713	2,892
Legal expenses	33	402	-	402
Transport and travel expenses	7,407	5,244	5,721	3,705
Audit fees	138	812	138	812
Insurance	3,054	3,362	3,040	3,346
Bank charges and commission	60	54	39	39
Foreign exchange (gain)/loss	(1,085)	(361)	(1,036)	(264)
Tax assessment	2,029	3,280	2,029	3,280
Other expenses	46,762	21,882	22,111	13,728
Amortisation of intangible	(852)	151	(852)	151
	87,222	61,088	47,965	40,400

10. STAFF COST

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 members of Public Service Social Security Fund (PSSSF) which is a defined contribution plan. The Group and employees both contribute a total of 20% of the employees' gross salaries to the pension funds.

	Group		Corporation	
	2021/22	2020/21	2021/22	2020/21
Salaries and wages	9,576	8,013	9,576	8,013
Pension	1,311	1,148	1,311	1,148
Other staff costs	16,729	13,784	4,175	3,148
	27,616	22,945	15,062	12,309

NOTES

11. DEPRECIATION

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

	Group		Corporation	
	2021/22	2020/21	2021/22	2020/21
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Cost of sales (Depreciation Charge)	**78,830**	81,586	**78,830**	81,586
Operating expenses (Depreciation Charge)	**1,993**	3,316	**1,713**	2,892
Total depreciation charge (Note 13)	**80,823**	84,902	**80,543**	84,478

12. INCOME TAX EXPENSES

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.

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.

	Group		Corporation	
	2020/21	2019/20	**2020/21**	2019/20
	TZS 'm	TZS 'm	TZS 'm	TZS
Current tax - current period	**17,201**	10,640	**17,249**	10,570
Current tax - prior period	-	-	-	-
Deferred tax - current period	-	-	-	-
Deferred tax - prior period	-	-	-	-
Alternative minimum tax	-	-	-	-
	17,201	10,640	**17,249**	10,570

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

	2021/22 TZS 'm	2020/21 TZS 'm	2021/22 TZS 'm	2020/21 TZS 'm
Profit before tax	**114,985**	33,555	**122,484**	33,841
Tax calculated at a tax rate of 30%	**34,495**	**10,067**	**36,745**	**10,152**
Expenditure permanently disallowed	**(485)**	1,843	**2,890**	1,690
Deferred income tax asset not recognised	**(23,430)**	(6,045)	**(29,007)**	-
Share of profit of equity accounted investee	**(3,050)**	(3,945)	**(3,050)**	(3,945)
Interest and fines	-	-	-	-
Corporate tax from PAET	**9,671**	8,720	**9,671**	8,720
Under provision of prior year deferred tax	-	-	-	(6,047)
	17,201	**10,640**	**17,249**	10,570

13. 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 de-recognition 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.

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Valuation

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

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

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

Items of property, plant and equipment were revalued on 30 June 2021 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, Management has classified the fair value measurement as level 3. There has been no change in valuation technique. The highest and best use does not differ from the actual. During the year, Management performed an assessment of the fair value of property, plant and equipment and are of the opinion that the value of the property, plant and equipment reasonably approximates their fair value as at 30 June 2022.

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	25%
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.

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.

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP

	Land TZS 'm	Buildings TZS 'm	Motor vehicles TZS 'm	Furniture, fittings and equipment TZS 'm	Computer hardware TZS 'm	Gas pipeline TZS 'm	Gas processing plant TZS 'm	WIP TZS 'm	Total TZS 'm
Year ended 30 June 2022									
Opening net book amount	**183,159**	**30,511**	**4,090**	**7,993**	**1,019**	**1,690,412**	**420,846**	**6,307**	**2,344,337**
Additions	598	-	230	759	142	61	-	2,503	**4,293**
Transfers	-	-	-	-	-	1,539	-	(1,539)	-
ARO Adjustment	6	-	2	(383)	-	235	-	(578)	**(716)**
Disposals	-	-	(39)	-	-	-	-	-	**(39)**
Depreciation charge	-	(421)	(532)	(768)	(271)	(57,788)	(21,042)	-	**(80,823)**
Closing net book amount	**183,763**	**30,090**	**3,751**	**7,601**	**890**	**1,634,459**	**399,804**	**6,693**	**2,267,052**
As of 30 June 2022,									
Cost/fair value	183,763	30,511	4,281	8,752	1,161	1,691,257	420,846	6,693	**2,347,265**
Accumulated depreciation	-	(421)	(530)	(1,151)	(271)	(56,798)	(21,042)	-	**(80,213)**
Net book amount	**183,763**	**30,090**	**3,751**	**7,601**	**890**	**1,634,459**	**399,804**	**6,693**	**2,267,052**
Year ended 30 June 2021									
Opening net book amount	**160,533**	**28,822**	**2,158**	**8,298**	**2,080**	**1,550,180**	**349,490**	**5,774**	**2,107,335**
Additions	4,800	-	2,545	493	122	-	-	2,639	**10,599**
Revaluation surplus	17,826	2,303	135	505	(383)	197,952	94,231	(231)	**312,338**
Reclassification	-	-	-	-	-	1,875	-	(1,875)	-
Release of ARO	-	-	-	-	-	-	(1,032)	-	**(1,032)**
Depreciation charge	-	(614)	(748)	(1,303)	(800)	(59,595)	(21,843)	-	**(84,903)**
Closing net book amount	**183,159**	**30,511**	**4,090**	**7,993**	**1,019**	**1,690,412**	**420,846**	**6,307**	**2,344,337**
As of 30 June 2021,									
Cost	183,159	33,006	6,702	13,708	7,193	1,987,418	530,062	6,307	**2,767,555**
Accumulated depreciation	-	(2495)	(2,612)	(5,715)	(6,174)	(297,006)	(109,216)	-	**(423,218)**
Net book amount	**183,159**	**30,511**	**4,090**	**7,993**	**1,019**	**1,690,412**	**420,846**	**6,307**	**2,344,337**

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

CORPORATION	Land TZS 'm	Buildings TZS 'm	Motor vehicles TZS 'm	Furniture, fittings and equipment TZS 'm	Computer hardware TZS 'm	Gas pipeline TZS 'm	Gas processing plant TZS 'm	WIP TZS 'm	Total TZS 'm
Year ended 30 June 2022									
Opening net book amount	183,159	30,511	3,570	7,191	525	1,690,413	420,847	6,306	2,342,523
Additions	533	-	226	641	71	61	-	2,503	4,035
Transfers	-	-	-	-	-	1,539	-	(1,539)	-
ARO Adjustment	6	-	1	(382)	-	234	(1)	(577)	(719)
Disposals	-	-	(39)	-	-	-	-	-	(39)
Depreciation charge	-	(421)	(467)	(682)	(143)	(57,788)	(21,042)	-	(80,543)
Closing net book amount	**183,698**	**30,090**	**3,291**	**6,768**	**453**	**1,634,459**	**399,804**	**6,693**	**2,265,257**
At 30 June 2022									
Cost/fair value	183,698	30,511	3,756	7,833	596	1,691,257	420,846	6,693	2,345,190
Accumulated depreciation	-	(421)	(465)	(1,065)	(143)	(56,798)	(21,042)	-	(79,933)
Net book amount	**183,698**	**30,090**	**3,291**	**6,768**	**453**	**1,634,459**	**399,804**	**6,693**	**2,265,257**
Year ended 30 June 2021									
Opening net book amount	160,533	28,822	1,752	7,311	1,626	1,550,180	349,490	5,544	2,105,258
Additions	4,800	-	2,130	263	44	-	-	2,637	9,874
Revaluation surplus	17,826	2,303	346	798	(514)	197,909	94,232	-	312,900
Reclassification	-	-	-	-	-	1,875	-	(1,875)	-
Release of ARO	-	-	-	-	-	-	(1,032)	-	(1,032)
Depreciation charge	-	(614)	(658)	(1,181)	(631)	(59,551)	(21,843)	-	(84,478)
Closing net book amount	**183,159**	**30,511**	**3,570**	**7,191**	**525**	**1,690,413**	**420,847**	**6,306**	**2,342,522**
At 30 June 2021									
Cost	183,159	33,006	6,029	12,693	6,345	1,987,376	531,095	6,306	2,766,009
Accumulated depreciation	-	(2,495)	(2,459)	(5,502)	(5,820)	(296,963)	(110,248)	-	(423,487)
Net book amount	**183,159**	**30,511**	**3,570**	**7,191**	**525**	**1,690,413**	**420,847**	**6,306**	**2,342,522**

14. NATURAL GAS PROPERTIES

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

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

Depletion

The net carrying amount of natural gas properties is depleted using the unit of production method by reference to the ratio of production in the year to the related proven and probable reserves, considering 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 considering 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 de-recognition 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 de-recognition.

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.

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 part of natural gas properties 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.

14. NATURAL GAS PROPERTIES (CONTINUED)

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.

Group and Corporation

	2021/22	2020/21
	TZS 'm	TZS 'm
Opening balance	**46,894**	51,630
Addition	**319**	79
ARO Impairment	**(699)**	-
Depletion	**(3,780)**	(4,815)
Closing balance	**42,734**	46,894

15. 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.

15. INVESTMENT PROPERTIES (CONTINUED)

Group and Corporation

	2021/22 TZS 'm	2020/21 TZS 'm
Opening balance	1,716	1,683
Addition during the year	2,468	-
Closing balance	-	33
	4,184	1,716

16. 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.

During the financial year ending 30 June 2022, the corporation has reviewed the remaining uses full life of intangible asset as provided by the Public Assets Management Guideline Revised Edition, 2019.During review it was noted that intangible asset amounting to TZS 3.19 billion were fully depreciated with zero carrying value, since the assets were still in use, hence the remaining useful life were added to each software depending on the condition of such software and the reviewed accumulated amortization amounted to TZS 1.38, and TZS 1.80 billion accumulated amortization were corrected. The change in usefully life of intangible asset has been accounted for as a change in an accounting estimate in accordance with IAS 8.

The amortization expense on intangible assets is recognized in the profit or loss. Gains or losses arising from de-recognition 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.

16. INTANGIBLE ASSETS (CONTINUED)

The Group's and Corporation's intangible assets is made up of; -

GROUP	Exploration Software TZS 'm	Accounts software TZS 'm	FTG project TZS 'm	Total TZS 'm
Year ended 30 June 2022				
Opening balance	395	87	13,056	13,538
Addition	-	95	-	95
Adjustment due to change in useful life	1,803	209	-	2,012
Amortization	(863)	(155)	-	(1,018)
Closing balance	**1,335**	**236**	**13,056**	**14,627**
As at 30 June 2022				
Cost	2,898	1,264	13,056	17,218
Accumulated amortization	(1,563)	(1,028)	-	(2,591)
Closing balance	**1,335**	**236**	**13,056**	**14,627**
Year ended 30 June 2021				
Opening balance	-	222	13,056	13,278
Addition	411	92	-	503
Amortization	(16)	(227)	-	(243)
Closing balance	**395**	**87**	**13,056**	**13,538**
As at 30 June 2021				
Cost	3,337	947	13,056	17,340
Accumulated amortization	(2,942)	(860)	-	(3,802)
Closing balance	**395**	**87**	**13,056**	**13,538**

16. INTANGIBLE ASSETS (CONTINUED)

	Exploration Software	Accounts software	FTG project	Total
CORPORATE	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Year ended 30 June 2022				
Opening balance	395	87	13,056	13,538
Addition	-		-	
Adjustment due to change in useful life	1,803			1,803
Amortization	(863)	(87)	-	(950)
Closing balance	**1,335**	**-**	**13,056**	**14,391**
As at 30 June 2022				
Cost	2,898	911	13,056	16,865
Accumulated amortization	(1,563)	(911)	-	(2,474)
Closing balance	**1,335**	**-**	**13,056**	**14,391**
Year ended 30 June 2021				
Opening balance	-	222	13,056	13,278
Addition	411		-	411
Amortization	(16)	(135)	-	(151)
Closing balance	**395**	**87**	**13,056**	**13,538**
As at 30 June 2021				
Cost	3,337	947	13,056	17,340
Accumulated amortization	(2,942)	(860)	-	(3,802)
Closing balance	**395**	**87**	**13,056**	**13,538**

17. 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.

	Group		Corporation	
	2021/22	2020/21	**2021/22**	2020/21
	TZS 'm	TZS 'm	**TZS 'm**	TZS 'm
Consumables	**12,294**	11,950	**587**	1,052
Condensate	**335**	104	**335**	104
Petroleum (Petrol & Diesel)	**23,090**	5,090	**-**	-
	35,719	17,144	**922**	1,156

18. ASSET RETIREMENT OBLIGATIONS (ARO)

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

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.

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

18. ASSET RETIREMENT OBLIGATIONS (ARO) (CONTINUED)

Group and Corporation	**2021/22**	2020/21
	TZS 'm	TZS 'm
Opening balance	**2,573**	4,127
Provision	**-**	-
Release of provision	**(422)**	(1,835)
Accretion	**(287)**	281
	1,864	2,573
This relates to the following assets;-		
Mnazi bay Gas field-ARO LIABILITY (ii)	**1,294**	677
Natural gas processing plants and pipelines-ARO LIABILITY	**570**	1,896
	1,864	2,573

During the year, Management updated the Mnazi Bay gas field decommissioning estimated cost based on the 2021 expert assessment report. The report shows the total decommissioning cost of USD 7,711,746 which is 26% decrease compared with the assessment of 2016 which was USD 9,723,707. Furthermore, USD to TZS exchange rate has been changed to reflect the latest market conditions. This resulted to the recorded release of excess provision.

19. BORROWINGS

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.

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

	Opening balance TZS 'm	Interest TZS 'm	Exchange loss TZS 'm	Principal and interest repayment TZS 'm	Waiver on penalty TZS 'm	Closing Balance TZS 'm
As at 30 June 2022						
Preferential buyer's credit (a)	2,428,269	40,640	5,667	-	-	2,474,576
Buyer's credit -Exim (b)	875,830	27,624	2,077	-	-	905,531
TIB Loan (c)	6,927	130	(3)	(7,054)	-	-
	3,311,026	**68,394**	**7,741**	**(7,054)**	**-**	**3,380,107**
As at 30 June 2021						
Preferential buyer's credit (a)	2,382,841	42,904	2,524	-	-	2,428,269
Buyer's credit (b)	845,584	29,345	901	-	-	875,830
TIB Loan (c)	23,522	1,194	19	(17,808)	-	6,927
	3,251,947	**73,443**	**3,444**	**(17,808)**	**-**	**3,311,026**

19. BORROWINGS (CONTINUED)

Group and Corporation	2021/22 TZS 'm	2020/21 TZS 'm
Non-current	**2,688,702**	2,784,563
Current	**691,405**	526,463
Total	**3,380,107**	3,311,026

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 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.

The loans were on-lent by the Government to the Corporation as per On-lending Agreements signed in April 2013 between the Government and TPDC.

However, in early September 2022, the Government was requested to authorize conversion of the entire loan amounts to equity so as to enhance the Government capital in TPDC. In this regard, the Government approved the request to convert the loans on-lent to TPDC to become a Government equity. The respective accounting entries to re-classify the loans to equity will be done once TPDC gets official notification on the resolved Government decision.

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

The loan has the following securities;

- Specific assignment over the TPDC entitlements of Cost Gas and Profit Gas Mnazi Bay GSA receivables which shall rank second to the Mnazi Bay Concession Partners' claims prior to settlement of the outstanding TPDC payables and thereafter shall rank first till the liquidation of the loan; and
- Pledge/assignment of the TPDC's shares in the Mnazi Bay Concession standing at 20% participating interests. As at the date of entering the agreement the participating interest was estimated to be TZS 61.55 billion.

During the year ended 30 June 2022, TPDC managed to make final instalment payment of the loan amount to TIB Development Bank Limited.

20. CURRENT AND DEFERRED INCOME TAX

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%.

	Group		Corporation	
	2021/22	2020/21	**2021/22**	2020/21
	TZS 'm	TZS 'm	**TZS 'm**	TZS 'm
Opening balance	**1,996**	2,582	**1,850**	2,443
Current year tax charge	**17,201**	10,640	**17,249**	10,570
Tax paid:				
- Adjustments	**1**			
- Ordinary tax payments	**(3,807)**	(2,506)	**(3,707)**	(2,443)
- Payments of Corporate tax PSA (PAET)	**(9,671)**	(8,720)	**(9,671)**	(8,720)
	5,720	1,996	**5,721**	1,850

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.

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.

20. CURRENT AND DEFERRED INCOME TAX (CONTINUED)

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

	At start of year TZS 'm	Movement TZS 'm	Prior year under provision	At en of yea TZS 'n
Group				
Year ended 30 June 2022				
Accelerated capital deductions	136,555	7,403	-	143,95
Tax loss carried forward	(174,563)	18,562	(9)	(156,010
Provisions	(234,510)	4,940	-	(229,570
Potential Deferred tax asset not recognised	**(272,518)**	**30,905**	**(9)**	**(241,622**
Year ended 30 June 2021				
Accelerated capital deductions	142,630	7,230	(13,305)	136,55
Revaluations	59,873	-	(59,873)	
Tax loss carried forward	(176,633)	4,316	(2,246)	(174,563
Provisions	(230,731)	(5,498)	1,719	(234,510
Potential Deferred tax asset not recognised	**(204,861)**	**6,048**	**(73,705)**	**(272,518**

	At start of year TZS 'm	Movement TZS 'm	Prior year under provision	At en of yea TZS 'n
Corporation				
Year ended 30 June 2022				
Accelerated capital deductions	136,555	7,404	0	143,95
Tax loss carried forward	(174,563)	16,597	(9)	(157,975
Provisions	(234,510)	5,016	0	(229,494
Potential Deferred tax asset not recognised	**(272,518)**	**29,017**	**(9)**	**(243,511**

20. CURRENT AND DEFERRED INCOME TAX (CONTINUED)

Year ended 30 June 2021				
Accelerated capital deductions	142,630	7,230	(13,305)	136,55!
Revaluations	59,873	-	(59,873)	
Tax loss carried forward	(176,633)	4,316	(2,246)	-174,56:
Provisions	(230,731)	(5,498)	1,719	-234,51(
Potential Deferred tax asset not recognised	**(204,861)**	**6,048**	**(73,705)**	**(272,518**

Deferred income tax liability

Group	**2021/22**	2020/21
	TZS 'm	TZS 'm
Opening balance	**106**	59
Prior year under provision	**36**	
Charge for the year	**(112)**	47
	30	106
This relates to the following:		
Temporary differences	**1**	77
Provisions	**29**	29
	30	106

21. 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.

	Group		Corporation	
	2021/22	2020/21	**2021/22**	2020/21
	TZS 'm	TZS 'm	**TZS 'm**	TZS 'm
Cash at bank	**327,797**	481,927	**297,169**	467,849

22. ESCROW FUNDS

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

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

The escrow funds represent amounts deposited into the escrow accounts.

The balance of USD 60,320,710 (TZS 138 billion) as at 30 June 2022 (2021: USD 60,320,710 (TZS 138 billion)) 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;

Group and Corporation:	2021/22	2020/21
	TZS 'm	TZS 'm
Opening Balance	138,673	138,527
Foreign Gain/Loss	318	146
Escrow funds	138,991	138,673

The movement of TZS 318 million during the year was caused by revaluation of foreign currency at the end of the year.

23. 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.

23. GOVERNMENT GRANT AND ASSISTANCE (CONTINUED)

Group and Corporation	Opening balance	Additions	Amortization	Closing balance
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
As at 30 June 2022				
Benjamin W. Mkapa Tower (i)	**3,652**	**-**	**(94)**	**3,558**
Ministry of Energy - World Bank (ii)	**1,412**	**-**	**(2)**	**1,410**
Likong'o (iii)	**25,000**	**-**	**-**	**25,000**
Government grant- EACOP		**2,468**		**2,468**
Government grant - land compensation	**5,662**	**-**	**-**	**5,662**
Furniture (iv)	**246**	**-**	**(25)**	**221**
Forklift (iv)	**130**	**-**	**(116)**	**14**
	36,102	**2,468**	**(237)**	**38,333**
As at 30 June 2021				
Benjamin W. Mkapa Tower (i)	3,784	-	(132)	3,652
Ministry of Energy - World Bank (ii)	860	634	(82)	1,412
Likong'o (iii)	25,000	-	-	25,000
Government grant - land compensation	5,662	-	-	5,662
Furniture (iv)	-	263	(18)	246
Forklift (iv)	144	-	(14)	130
	35,450	897	(246)	36,102

Terms and conditions:

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

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

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

(iv) The Group received a forklift as a grant from Shell for use in exploration and development activities during the year ending 30 June 2020. Also the group received Furniture from Equinor Tanzania AS for use in its routine activities during the year ending 30 June 2021.

24. 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.

24. SHARE CAPITAL (CONTINUED)

	2021/22 TZS'm	2020/21 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 TZS 1,000,000 each	2,208	2,208

25. INVESTMENT IN SUBSIDIARY

Group

	2021/22 TZS 'm	2020/21 TZS 'm
Investment in subsidiary	-	-
Corporation		
Investment in TANOIL*	81,614	35,387
Investment in GASCO**	1,500	1,500
	83,114	36,887

*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.

During the year, The Corporation made an additional investment amount to TZS 46,227 million to enable the company to operate efficiently in the oil business.

**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.

26. INVESTMENT IN ASSOCIATE

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.

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 profit was taken were for the period ended 30 June 2022 this is consistent with prior years.

26. INVESTMENT IN ASSOCIATE (SONGAS) AND EACOP

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

Corporation:

	2021/22 TZS 'm	2020/21 TZS 'm
Carrying amount of interest	69,187	62,299
Share of profit	10,167	13,151
Investment in EACOP	220,672	-
Dividend received	(18,783)	(6,263)
Investment in associates	281,243	69,187

TPDC acquired 30,000 shares in SONGAS Limited which is equivalent to 28.69% of the share capital of SONGAS Limited. This investment had a 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 the consolidated financial statements.

Furthermore, TPDC is among four shareholders of the EACOP Ltd with an equity interest of 15%. Other shareholders are; Total Energies Holding EACOP SAS (62%), NPC Ltd (15%) and CEPME Ltd (8%) whom together with TPDC declared Final Investment Decision (FID) for the Project on 1st February 2022. TPDC has started to meet its cash call; during the year a sum of TZS 220,672 million has been paid being part payment of capital contribution to the company.

Percentage ownership interest	2021/22 28.69%	2020/21 28.69%
	USD 'm	USD 'm
Non-current assets	82	91
Current assets	60	82
Non-current liabilities	(26)	(24)
Current liabilities	(35)	(48)
Net assets (100%)	81	101
Group's share of net assets (28.69%)	23	29
Foreign exchange rate	2,304	2,299
Group's share of net assets in associate (TZS 'm)	53,405	67,041
Foreign exchange differences (TZS 'm)	7,167	2,146
Carrying amount of interest in associate at 30 June (TZS 'm)	60,572	69,187
Revenue	90	93
Profit from continuing operations	15	20
Groups share of net profit	4	6
Exchange rate	2,298	2,298
Group's share of total comprehensive income (28.69%) (TZS 'm)	10,167	13,151

26. OTHER INVESTMENTS

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.

	Group		Corporation	
	2021/22	2020/21	2021/22	2020/21
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Equity security available for sale	1,500	1,500	1,500	1,500
Less: Accumulated impairment loss	(1,500)	(1,500)	(1,500)	(1,500)
Closing balance	-	-	-	-

27. TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

	Group		Corporation	
	2021/22	2020/21	2021/22	2020/21
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Trade receivables	238,090	176,627	191,464	172,072
Less: Provision for bad debt	(44,837)	(68,763)	(44,837)	(68,763)
Net trade receivables	193,253	107,864	146,627	103,309
Prepayments**	71,636	70,469	71,636	63,096
Due from related parties	620,989	471,944	642,847	488,100
VAT receivable	3,837	2,264	-	-
Staff receivables	1,702	977	1,348	510
Other receivables	208,099	7,842	207,510	186
Less: Provision for bad debt - others	(216)	(216)	(216)	(216)
	1,099,300	661,144	1,069,752	654,985

**The prepayments consist of a sum of TZS 1.9 billion in respect of insurance prepaid to National Insurance Corporation during the year and also USD 27.18 million advanced by TPDC to Maurel & Prom as an interim guarantee to secure gas purchases from Mnazi bay gas field. The Gas Sales Agreement (GSA) signed in Sept. 2014 between TPDC and Other Mnazi bay partners (Sellers) requires the buyer (TPDC) to provide payment security (guarantee) to secure gas purchases from the field. The guarantee shall be drawn by Sellers in case of buyer's default in settling invoices within the due dates.

Since the security could not be obtained timely, parties mutually agreed to allow for an interim arrangement where TPDC advanced a sum of USD 27.18 into M&P account in Aug. 2015.

The movement of provision for bad debts is made of the following:

27. TRADE AND OTHER RECEIVABLES (CONTINUED)

Group and Corporation:

	2021/22 TZS 'm	2020/21 TZS 'm
At start of year	68,763	53,334
Additional provision during the year	(23,926)	15,429
Release of prior year provision	-	-
Closing balance	44,837	68,763

28. CAPITAL AND RESERVES

(a) Equity contribution from the Government

The equity contribution from the Government as at 30 June 2022 represents net cash received from the Government of Tanzania as capital contribution to the petroleum/gas projects for TPDC.

Group and Corporation:

	Corporation 2021/22 TZS 'm	2020/21 TZS 'm
At start of year	444,100	184,139
Received during the year	-	259,961
At end of year	444,100	444,100

(b) Revaluation reserve

	Group 2021/22 TZS 'm	2020/21 TZS 'm	Corporation 2021/22 TZS 'm	2020/21 TZS 'm
At start of year	452,042	139,714	452,614	139,714
Adjustment during the year	-	312,328	-	312,900
At end of year	452,042	452,042	452,614	452,614

29. TRADE AND OTHER PAYABLES

	Group 2021/22 TZS 'm	2020/21 TZS 'm	Corporation 2021/22 TZS 'm	2020/21 TZS 'm
Trade payable due to related parties	54,769	62,494	57,745	68,994
Trade Payable due to Oil Business	276,931	-	253,931	-
Other Trade payables	73,468	72,000	71,251	63,672
Accruals	27,085	24,384	27,085	24,384
VAT payables	(3,013)	2,012	(3,013)	2,009
Payroll liabilities	3,107	3,713	3,107	3,718
	432,347	164,603	410,106	162,777

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

30. CASH GENERATED FROM OPERATING ACTIVITIES

DIRECT METHOD		Group		Corporation	
		2021/22	2020/21	2021/22	2020/21
	Note	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Operating activities					
Cash collected from customers		**1,361,893**	442,801	**820,015**	450,773
Government revenue grant	6	**17,799**	19,346	**17,799**	19,346
Cash paid to suppliers		**(1,280,565)**	(402,832)	**(695,300)**	(376,715)
Staff cost	9	**(27,616)**	(22,943)	**(15,062)**	(12,309)
Pipeline and plants O&M	8	**-**	-	**(26,932)**	(22,109)
PSA operation cost	8	**(5,723)**	(5,408)	**(5,723)**	(5,408)
Cash generated from operations		**65,788**	**30,964**	**94,797**	**53,578**

31. RELATED PARTY TRANSACTIONS

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

	Group		Corporation	
	2021/22	2020/21	2021/22	2020/21
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Sales of goods and services				
Associate - SONGAS Limited	**23,255**	19,359	**23,255**	19,359
Government entity - TANESCO	**435,662**	335,912	**435,662**	335,912
TANOIL - (BPS Fuel)	**-**	-	**21,607**	-
	458,917	355,271	**480,524**	355,271
Purchases of goods and services				
GASCO - (Operation and maintenance)	**-**	-	**26,934**	22,109
Other				
Government - Interest incurred on on-lent borrowings	**68,265**	72,250	**68,265**	72,250
TIB borrowing - Interest incurred	**130**	1,194	**130**	1,194
Associate - Dividend received	**18,783**	6,263	**18,783**	6,263
Dividend payment	**2,700**	6,898	**2,700**	6,898
Capital Contribution	**-**	-	**46,227**	35,387
	89,878	86,605	**136,105**	121,992

31. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Group		Corporation	
	2021/22 TZS 'm	2020/21 TZS 'm	2021/22 TZS 'm	2020/21 TZS 'm
Outstanding balances (due from related parties)				
Receivables and amounts owed by related parties				
Associate - SONGAS Limited	48,600	59,622	48,600	59,622
Subsidiary - (GASCO)	-	-	24,396	15,422
Subsidiary - (TANOIL)	-	-	3,498	733
Government entity - TANESCO	566,354	412,322	566,354	412,322
	614,954	471,944	642,848	488,099
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 and Profit gas payable to the Government	51,245	11,206	51,245	11,206
	51,245	11,206	57,745	17,706
Borrowings				
TIB Loan	-	6,926	-	6,926
Government on-lent borrowings	3,380,107	3,304,100	3,380,107	3,304,100
	3,431,352	3,322,232	3,437,852	3,328,732

31. RELATED PARTY TRANSACTIONS (CONTINUED)

Directors and key management personnel remuneration.

Group	Salary and post-retirement benefits		Fees and Sitting allowances		Social security benefits	
	2022 TZS 'm	2021 TZS 'm	2022 TZS 'm	2021 TZS'm	2022 TZS 'm	2021 TZS 'm
Key management	2,324	1,890	738	754	67	65
Directors	-	-	-	-	-	-
Total	2,324	1,890	738	754	67	65

Corporation	Salary and post-retirement benefits		Fees and Sitting allowances		Social security benefits	
	2022 TZS 'm	2021 TZS 'm	2022 TZS 'm	2021 TZS'm	2022 TZS 'm	2021 TZS 'm
Key management	969	969	403	403	35	35
Directors	-	-	-	-	-	-
Total	969	969	403	403	35	35

32. CAPITAL COMMITMENTS

As at 30 June 2022 the group had a total commitment of TZS 340 billion to implement various development projects and related activities.

33. CONTINGENCIES - ASSETS AND LIABILITIES

The following are contingent liabilities with respect to Group and Corporation affairs for the year ended 30 June 2022;

(ii) Existing litigations

During the year under review the Group had a total of six (6) cases in various courts and tribunals at different stages of hearing. The Group is the defendant/respondent in six cases. Potential exposure from all cases is TZS 352,969 million. Where the outcome of the cases will be against the Group it may have significant financial impact on its operations. The Management of the Group has made a provision of TZS 4,825 million on the pending cases.

(iii) Tax related matters

As at year end 30 June 2022 the Group had disputed tax matters with the Tanzania Revenue Authority (TRA) with respect to Value Added Tax (VAT) and corporate income tax for the years of income 2014 - 2017 and 2018-2019. The disputed amount as at 30 June 2022 was TZS 1,301 million.

34. CASH CALL COMMITMENTS

The balances as at year end are shown below;

Group and corporation:	Corporation 2021/22 TZS 'm	2020/21 TZS 'm
Cash call commitments payable	1,026	1,018

Cash call commitments represents amounts payable to/ recoverable from other partners in the Mnazi bay PSA in respect of the Corporation's 20% participating interest. 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 whole contract expenses other than exploration expenses of joint operations in all development areas.

35. SUBSEQUENT EVENTS

In early September 2022 the Government approved the conversion of the loan to equity amounting to USD 1.194 billion which is non-adjustable event for the year under review.

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

36. FINANCIAL RISK MANAGEMENT

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

(a) Market risk

(i) Foreign currency exchange risk

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

At 30 June 2022, if the functional currency had strengthened/weakened by 5% against the US dollar with all other variables held constant, post-tax loss for the year would have been; -

Group:

TZS 93 million (2021 TZS 145 million) lower/higher, mainly as a result in translation of US dollar denominated current assets and borrowings.

Corporation:

TZS 95 million (2021: TZS 145 million) lower/higher, mainly as a result in translation of US dollar denominated current assets and borrowings.

(i) Price risk

The Group is exposed to price risk due to fluctuations of prices for petroleum products in the global market.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Interest rate risk

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

At 30 June 2022, if interest rates on US dollar denominated borrowings had been 10% higher/lower with all other variables held constant, post-tax loss for the year would have been TZS 10,322 million (2021: TZS 19,492 million) lower/higher, mainly as a result of higher/lower interest expense on borrowings. The Group's borrowings equal to the Corporation's borrowings since the subsidiaries are not debt-financed.

b) Credit risk

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

Exposure:

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

	Group		Corporation	
	2021/22 TZS 'm	2020/21 TZS 'm	2021/22 TZS 'm	2020/21 TZS 'm
Cash at bank	**327,797**	481,927	**297,169**	467,849
Trade receivables	**808,206**	107,864	**765,078**	103,309
Other receivables (excl. prepayments and VAT)	**209,586**	553,280	**208,642**	551,676
	1,345,589	1,143,071	**1,270,889**	1,122,834

Risk Management:

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

Impairment of financial assets:

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

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

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

Trade and other receivables

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables based on the country's economy and tourism trends in the foreseeable future.

On that basis, the loss allowance as at 30 June, 2021 was determined as follows for trade receivables.

Aging / Details	**Outstanding balance TZS 'm**	**Loss allowance rate**	**Loss allowance TZS 'm**
Current	22,553	8.64%	1,948
From 1 to 30 days	9,459	24.74%	2,340
From 31 to 90 days	-	-	-
From 91 to 180 days	23,887	29.90%	7,142
From 180 days	18,636	100%	18,636
Default category	-	-	-
Specific customers*	10,351	100%	10,351
Government entities	**597,290**	**0.74%**	**4,420**
Total	**682,176**		**44,837**

*specific customers relate to unreconciled difference in Ndovu confirmation.

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

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

	Group	Corporation
	TZS 'm	TZS 'm
Balance at 1 July 2020	53,334	53,334
Utilization during the year	-	-
Impairment loss recognized during the year	15,429	15,429
Balance at 30 June 2021	**68,763**	**68,763**
Balance at 1 July 2021	68,763	68,763
Impairment loss recognized during the year		
Reversal of impairment loss	(23,926)	(23,926)
Balance at 30 June 2022	**44,837**	**44,837**

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

Bank balances

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

	Group 2021/22 TZS 'm	Group 2020/21 TZS 'm	Corporation 2021/22 TZS 'm	Corporation 2020/21 TZS 'm
CRDB Bank	71,117	118	56,441	118
Citibank	1,099	837	1,099	837
NMB Bank	16,010	14,140	58	61
Bank of Tanzania	239,571	466,832	239,571	466,832
	327,797	481,927	**297,169**	467,848

c) Liquidity risk

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

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

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

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

Group	**Carrying amount** TZS 'm	**Contractual cash flows** TZS 'm	**Up to and Less than 1 year** TZS 'm	**Between 1 and up to 2 years** TZS 'm	**Between 2 and up to 5 years** TZS 'm	**Over 5 years** TZS 'm
Non-derivative financial liabilities						
At 30 June 2022						
Borrowings	**3,380,107**	**3,380,107**	**276,207**	**484,127**	**637,548**	**1,982,225**
Trade and other payables	**432,347**	**432,347**	**432,347**	**-**	**-**	**-**
	3,812,454	**3,826,454**	**708,554**	**484,127**	**637,548**	**1,982,225**
At 30 June 2021						
Borrowings	3,311,026	3,311,026	266,207	469,127	637,548	1,938,143
Trade and other payables	164,603	163,979	163,979	-	-	-
	3,475,629	3,475,005	430,186	469,127	637,548	1,938,143

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

Corporation	Carrying amount TZS 'm	Contractual cash flows TZS 'm	Up to and Less than 1 year TZS 'm	Between 1 and up to 2 years TZS 'm	Between 2 and up to 5 years TZS 'm	Over 5 years TZS 'm
Non-derivative financial liabilities						
At 30 June 2022						
Borrowings	**3,380,107**	**3,380,107**	**276,207**	**484,127**	**637,548**	**1,982,225**
Trade and other payables	**410,106**	**410,106**	**410,106**	**-**	**-**	**-**
	3,790,213	**3,790,213**	**686,313**	**484,127**	**637,548**	**1,982,225**
At 30 June 2021						
Borrowings	3,311,026	3,311,026	266,207	469,127	637,548	1,938,143
Trade and other payables	162,148	162,148	162,148	-	-	-
	3,473,174	3,473,174	428,355	469,127	637,548	1,938,143

d) Capital risk management

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

Gearing ratio is calculated as net external borrowings divided by total capital. Net external borrowings are calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net external borrowings. The gearing ratios at 30 June 2022 and 30 June 2021 were as follows:

	Group		Corporation	
	2021/22 TZS 'm	2020/21 TZS 'm	**2021/22 TZS 'm**	2020/21 TZS 'm
Total borrowings	**3,380,110**	3,251,947	**3,380,110**	3,251,947
Less: cash and cash equivalents	**(327,797)**	(230,670)	**(297,169)**	(223,626)
Net debt	**3,052,313**	3,021,277	**3,082,941**	3,028,321
Total equity	**(352,500)**	(331,153)	**(361,088)**	(331,171)
Total capital	**2,699,813**	2,690,124	**2,721,853**	2,697,150
Gearing ratio	**113%**	112%	**113%**	112%