



"We light up your life"

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

ANNUAL REPORT

— 2017/2018

www.tanESCO.co.tz

TABLE OF CONTENT

VISION, MISSION & CORE VALUES	i
LETTER OF TRANSMITTAL	ii
CHAIRMAN'S STATEMENT	1
MANAGING DIRECTOR'S REPORT	2-04
FINANCE OVERVIEW	5-10
POWER GENERATION OVERVIEW	11-15
TRANSMISSION OVERVIEW	16-22
SALES AND MARKETING OVERVIEW	23-25
PROJECTS DIRECTORATE OVERVIEW	26-28
NAO VISION AND MISSION STATEMENTS	30
COMPANY INFORMATION	31
REPORT OF THE DIRECTORS	32-51
STATEMENT OF DIRECTORS' RESPONSIBILITIES	52
DECLARATION OF THE HEAD OF FINANCE	53
REPORT OF THE CONTROLLER AND AUDITOR GENERAL	54-57
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT:	
<i>CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</i>	58
<i>CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION</i>	59-60
<i>CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY</i>	61-64
<i>CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS</i>	65-66
<i>NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS</i>	67-127



VISION, MISSION AND VALUES

Our vision is to be an efficient and commercially focused electricity utility supporting the development of Tanzania and to be the power house of East Africa.

Our mission is to generate, purchase, transmit, supply and sell electricity in the most effective, competitive and sustainable manner.

Our Company values are:

- **Ethical**
- **Excellence**
- **Receptiveness**
- **Gender equality**

To realize the Vision and Mission, TANESCO's business imperatives are:-

- Ensure financial viability through revenue improvement and reduction of energy losses.
- Increase customer satisfaction by putting in place processes that meet customer care needs.
- Employee's satisfaction through competitive package and good working environment.
- Support the National energy policy through appropriate company policies.
- Accelerate the pace of electrification for economic growth. Strive to increase generation capacity so as to avoid load shedding and power shortages.

LETTEL OF TRANSMITTAL

Hon. Dr. Medard M. Kalemani (MP),
Minister for Energy,
P.O. Box 40474,
Dodoma.

Honorable Minister,

In accordance with the Companies Act of 2002 (Act No. 12 of 2012) under which Tanzania Electric Supply Company Limited (TANESCO) is incorporated as limited liability Company, I have the honor to submit to you the Annual Report and Audited Accounts of TANESCO for the financial year ended 30th June 2018.

The report outlines the major activities and accomplishments of TANESCO during the year under review.

I submit.



Dr. Alexander Kyaruzi,
Chairman, TANESCO Board of Directors



Dr. Alexander L. Kyaruzi
CHAIRMAN

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of TANESCO, It's my pleasure to present TANESCO'S Annual Report for the period covering 1st July 2017 to 30th June 2018, period of 12 months.

Electricity has become an indispensable prerequisite for enhancing socio-economic activities and improving livelihood. Agricultural and industrial production processes become more efficient through the use of electricity. Households need electricity for many purposes, including cooking, lighting, refrigeration, study and home-based economic activities. Essential facilities, such as hospitals, require electricity for their equipment and machinery such as X-Ray, lighting, cooling, sterilizing, refrigeration etc.

TANESCO continues to invest for an improved business performance. The year under review was characterized by improved hydrology, which has resulted into reduced expenditures in energy and fuel purchases, which is also contributed by progress in construction of Kinyerezi II gas power plant where 167 MW out of expected 248 MW became operational. It is from this year when the use of IPTL (Independent Power Producer) ceased and dispatch of Nyakato Thermal Power Plant was no longer needed.

In order to reduce TANESCO's dependence on expensive energy sources which might keep affecting the company's financial position in future, the company concentrated on development of new less expensive energy projects especially natural gas and hydropower projects. It in this year when the preparations for construction of Rufiji Hydropower Project took place. This will enhance power availability for the country and profitability for TANESCO. Satisfactory progress was achieved in the Makambako to Songea 220kV Transmission Line project as an effort to reduce the use of expensive diesel fired isolate power plants. With these projects domestic industries will be promoted and be able to compete in international markets with reduced cost of electricity.

TANESCO puts more efforts on improving its financial performance by reducing the system loss, increasing billing collection rate from all the customers, replacement of conventional postpaid meters with prepaid (LUKU) meters, improve customer care and enhance the implementation of customer service chatter, lowering generation costs by prioritizing on cheaper sources in dispatching in National Grid. This, in turn, enabled TANESCO to have sufficient fund to implement different Generation and Transmission as well as urban and rural electrification programmes in various areas in the country.

The year 2017/2018 results give us strength to meet challenges ahead such as increasing generation capacity to cope with rapidly increasing load using sustainable and cost effective sources, expansion of transmission system as well as increasing the pace of electrification, improving customer services, investing in power system to ensure quality and reliable supply, promoting participation in regional power pools which will ultimately lead into power trading among member countries so as to enable TANESCO to support Tanzania industrialization through reliable and affordable energy. The board will continue to provide the required vision and governance to guide the utility activities and achieve more success.

TANESCO employees are our greatest asset and therefore on behalf of the Board of Directors I would like to thank the management and staff for their diligent efforts and contribution to these achievements. The Board of Directors also wishes to acknowledge the support of the Government through the Ministry of Energy and all key stakeholders.

CHAIRMAN

MANAGING DIRECTOR'S REPORT



Dr. Tito E. Mwinuka
MANAGING DIRECTOR

Esteemed TANESCO stakeholders and general public, It is my pleasure to be part of energy industry, and I am looking forward to working with my management team on the opportunities that lie ahead. It is my pleasure and great honor to present TANESCO Annual Report for the period starting from 1st July 2017 to 30th June 2018.

PERFORMANCE OVERVIEW

I firmly believe that through a high performance culture, we will continue to find better ways of serving our customers by setting expectations, being honest about what we deliver, then consistently delivering on our promises. However, customer needs are evolving with much greater engagement, awareness, and a desire to manage their energy use.

As clearly pin pointed by the Board Chairman in his statement, the year was marked with great initiatives to move away from relying purchase of expensive power from Independent Power Producers (IPPs). This has resulted into full utilization of TANESCO Owned hydro and thermal plants, including as well as additional 167MW out of 240MW of Kinyerezi II gas power plant into the National grid. This has enormously improved our financial situation through an improved generation capacity.

In the year over review, the Government through the Ministry of Energy, undertook a major historic and bold decision of advertising a tender for construction of 2115MW Rufiji Hydro power plant project at Stiegler's Gorge in Rufiji River. TANESCO experts fully participated in all the preparations including review of the feasibility studies and preparation of tender documents before the tender was advertised.

In the year under review, the company managed to fund its operational activities without Government subsidy. More initiatives are currently in place to move to a profit making company while supporting country's social and economic growth through reliable and affordable electricity of which we strongly believe will attract and spur more domestic and foreign investments and hence fuel the industrialization process.

KEY PERFORMANCE INDICATORS

Despite the great investment made to curb existing challenges TANESCO managed to attain most of its Key Performance Areas (KPA's). Among the key area identified were

- Revenue improvement
- Power loss reduction
- Customer care improvement
- Cost effective power generation
- Reliability of power supply
- Safety assurance
- Business efficiency
- Customer base expansion
- Liquidity improvement
- Stock control and financial discipline

PERFORMANCE OPTIMIZATION

Everyone in our Company should see performance optimization as part of the day job – constantly working efficiently and doing things better. If we are to succeed, we must maintain and further strengthen the Company's high performance culture.

INFORMATION TECHNOLOGY

In realizing the importance of technology in today's digital world, TANESCO has facilitated several ICT Programmes to speedup management decisions based on reliable and timely information system urgently. This supports our business objectives and helps provide efficiency and effective service delivery to our customers. In this year we have engaged on number of projects implemented with both short and longtime impacts in improvement of ICT Quality of service delivery,

Various improvements and upgrades of SDM (Services Delivery Management), LUKU System, iScala Version 3, HRMS (Human Resources Management), COY FORMS, TAPROS have been done to cater for various new functionalities to support users' needs and business efficiency.

In the year under review, TANESCO has integrated Bills payments with Government electronic Payment Gateway (GePG) for revenue collection to comply with government directives for Prepaid (LUKU) and Post-paid Bills. Currently All collections are done through the GePG. TANESCO has integrated with various banks for revenue collection through GePG, the following banks CRDB, NMB, NBC, TPB, and STANBIC, also TANESCO has integrated with Mobile Network Operators (MNO's) for Mobile Money Bills Payments such as MPESA, Airtel Money, TIGO Pesa, Halopesa, T-PESA.

However, a Wide Area Network (WAN) improvement has been also achieved in most Regions and Districts by upgrading some links from copper and VSAT links to fiber and microwave including configuration of automatic failover in order to improve network performance and reliability. New Local Area Networks (LAN) have been installed to new district and regional Offices. Dilapidated Local Area Network (LAN) installations in various regions were also upgraded in the period under review.

REFURBISHMENT OF TRANSMISSION AND DISTRIBUTION SYSTEM

TANESCO's Transmission network with its associated metering, dispatch and communication facilities has been improving with time after regular initiatives of maintenance and investment on construction and installation of new infrastructures and equipment to curb grid outages and ensure electricity reliability over the year concern.

The distribution network also encounters the problem of system instability, power outages and power overloading in both the distribution lines and distribution substations.

However, in line with existing situation, a number of projects for construction of new lines, upgrade, expansion and maintenance of Transmission and Distribution lines has been planned and as of recent a number of projects have been completed with many other are in implementation stage countrywide to ensure stability and efficiency in electricity supply. These projects include construction of 250 km 200 kV transmission line from Makambako to Songea, 80km 132kV transmission line from Mtwara to Lindi and their associated substations. Also, reinforcement of transmission and distribution facilities in Arusha and Kilimanjaro regions were completed in the year under review.

OUR PEOPLE

The initiatives and achievements I have described are testament to the hard work of our people. I believe that developing the skills and capabilities of our employees is crucial to our success, so I am really pleased that we have trained our people across the country in areas of technical, safety, leadership and personal effectiveness. Also TANESCO continued to work closely with (TUICO) Trade Union Branch leadership to attain industrial harmony and eliminate possible areas of labor conflicts.

PUBLIC AND CUSTOMER EDUCATION

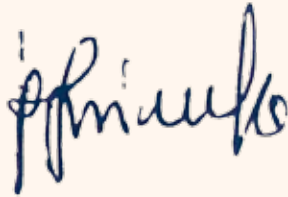
TANESCO Management has realized that education to customers and the general public on utility activities is of vital importance. Through education people can assist TANESCO in some problems we are facing such as vandalism of transformers and cables, illegal power connection, misuse of water sources in the around and in catchment area of hydropower plants and mushrooming of Vishoka. This requires intensive public and media campaigns.

REGIONAL POWER COORDINATION

TANESCO, as the leading power utility in Tanzania, is actively engaged in regional power pools that are Southern African power pool (SAPP) and East African Power Pool (EAPP). The sky is the limit for power business in all Eastern and southern African countries including Tanzania, as minority population has access to electricity. Through coordinated approach, abundant resources in the region be developed for the benefit of member states.

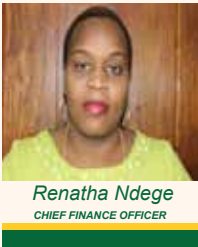
PROSPECTS

The management remains confident that with continued Government support to finance strategic projects, improved efficiency and hardworking of our staff, efficient utilization of financial resources, support from our customers and general public we shall be able to turn around the company in all aspects. Despite a number of challenges we a facing, we are keen to continue making TANESCO an engine for Tanzania's industrial development line with established 2025 millennium goals.



MANAGING DIRECTOR

FINANCIAL PERFORMANCE OVERVIEW



The financial performance for the period of twelve months (12) ending 30th June 2018 has experienced a slight improvement in hydrological condition that reduced dependence of expensive thermal energy purchase costs from Independent and Emergency Power Producers. Consequently, the annual power generation mix including IPPs and EPPs was in the ratio of 31% to 69% for hydro and thermal generation respectively while for 2015/16 financial year 34% to 66% was recorded for hydro and thermal generation respectively (including IPPs and EPPs).

During this reporting period, the Company continued to service 408 syndicated loans which were secured in 2009. The Company repaid TZS 70.6 billion and interest amount of TZS 25.7 billion for facility A and B syndicated loan.

Also the Company paid an interest amounted of TZS 2.6 billion for TIB Bridge facility while no interest has been paid for on lending Standard Banks and on lending IDA 30 years. Also no principal repayment was made for these loans.

Table below gives a summary of loans serviced by the Company for the period ending 30th June 2018.

Loan (Figures in Shs' m)	Balance as at 1 st July 2017	Addition	Fair value adjustment	Interest	Exchange gains/ losses	Discount unwinding	Principal paid	Interest paid	Balance as at 30 th June 2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm
On Lending Standard Bank	274,468	-	-	17,222	6,120	-	-	-	297,809
On Lending IDA -30 years Syndicated loan 408A billion facility	93,458	-	-	2,351	4,075	5,679	-	-	105,562
Syndicated Loan 408B billion Facility	183,295	-	-	16,148	-	-	(47,891)	(21,625)	129,555
TIB Bridge facility	125,720	-	-	3,420	10,038	-	(22,672)	(4,076)	92,354
	34,499	-	-	5,167	-	-	-	(2,562)	37,103
	711,440	-	-	44,308	20,233	5,679	(70,563)	28,263	662,383

FINANCIAL RESULTS

During the reporting period the Company incurred a loss of TZS 118,449 before tax, which compared to the loss of TZS 270,464 million before tax incurred in 2014/15 financial year.

The decrease in loss was contributed by the following factors;

- a) During the period, the Group reported the Revenue of TZS 1,436,153 million compared to TZS 1,415,314 million in the year 2017, as the result of increase in new customer connection.
- b) Cost of sales of the Group has decreased to TZS 1,460,090 million compared to TZS 1,537,037 reported in 2017. Decrease in cost of sales result in decrease in gross loss by TZS 97,786 million. Most of isolated plan that uses fuel to generate electricity has been at standby that is why cost of sales decreased significantly.
- c) During the period, the Group recognize gain on sales of electricity by Songas amounting to TZS 28,137 million.
- d) Impact of depreciation of shilling against the foreign currency has decreased. During the period, the Company incurred foreign exchange loss on borrowing amounting to TZS 8,808 million as compared to fair valuation of foreign currency denominated transactions amounting to TZS 13,618 in 2017.

Accordingly, several efforts have been put by management to manage appropriately key cost drivers. The generation plan has been controlled to ensure cheaper sources are given priority in dispatching to the national grid. Operating costs have been kept low without affecting performance. TANESCO's income statement for the period ending 30th June 2018 representing the Company financial performance is shown below;

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30th JUNE 2018

	Note	Consolidated		Separate	
		30 th June 2018	30 th June 2017	30 th June 2018	30 th Jun 2017
		TZS 'm	TZS 'm	TZS 'm	TZS 'm
Revenue	9	1,436,153	1,415,314	1,436,153	1,415,314
Cost of sales	10	(1,460,090)	(1,537,037)	(1,459,921)	(1,537,037)
Gross (loss)/profit		(23,937)	(121,723)	(23,768)	(121,723)
Other income	11	202,826	140,844	202,148	140,526
Operating expenses	12	(201,028)	(168,762)	(197,683)	(164,446)
Operating (loss)/profit		(22,139)	(149,641)	(19,303)	(145,642)
Interest income on bank deposits	13(b)	551	904	551	904
Finance cost	13(a)	(96,060)	(121,008)	(96,060)	(121,008)
Net finance cost		(95,509)	(120,104)	(95,509)	(120,104)
Share of loss in associate	21	(802)	(719)	-	-
Loss before tax		(118,449)	(270,464)	(114,811)	(265,746)
Income tax credit/(charge)	14	5,933	5,167	5,940	5,170
Loss for the year		(112,516)	(265,297)	(108,871)	(260,576)
Other comprehensive income		-	-	-	-
Total comprehensive (loss)/profit for the year		(112,516)	(265,297)	(108,871)	(260,576)

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30th JUNE 2018 (continued)

	Note	Consolidated		Separate	
		30 th June 2018	30 th June 2017	30 th June 2018	30 th June 2017
		TZS 'm	TZS 'm	TZS 'm	TZS 'm
Non-current assets					
Property, plant and equipment	16	6,260,216	6,416,160	6,258,198	6,414,365
Capital work in progress	17	1,833,176	1,474,090	1,826,641	1,474,090
Intangible asset	18	526	618	490	618
Investment property	19	181	227	181	227
Investment in subsidiary	20	-	-	16,346	2,000
Investment in associate	21	202	93	2,724	1,813
Other investments	22	1,056	1,056	1,056	1,056
Capacity charges prepayment	23	27,237	31,723	27,237	31,723
Restricted cash	27(b)	32,499	10,404	32,499	10,404
		8,155,093	7,934,371	8,165,372	7,936,296
Current assets					
Inventories	25	13,020	10,909	13,020	10,909
Trade and other receivables	26	234,288	239,338	234,816	245,740
Prepayments		62,551	65,827	62,551	65,827
Withholding tax recoverable		356	2,097	356	2,097
Restricted cash	27(b)	13,353	58,958	13,353	58,958
Bank balances and cash	27(a)	285,263	113,702	262,339	113,504
		608,831	490,831	586,435	497,035
Total assets		8,763,924	8,425,202	8,751,807	8,433,331
Capital and reserves					
Share capital	28(a)	986,717	986,717	986,717	986,717
Advance towards share capital	28(b)	751,518	716,713	751,518	716,713
Accumulated losses		(2,303,827)	(2,191,306)	(2,290,685)	(2,181,814)
Reserves		2,301,040	2,301,040	2,301,040	2,301,040
Total equity		1,735,448	1,813,164	1,748,590	1,822,656
Non-current liabilities					
Deferred tax liability	24	1,102,435	1,102,846	1,102,435	1,102,846
Grants	29	2,892,213	2,574,158	2,870,310	2,573,235
Borrowings – Non-current portion	30	716,895	767,623	716,895	767,623
Consumer deposits	33	16,429	21,245	16,429	21,245
Deferred income		949	-	-	-
Other employment benefits	31	26,404	22,847	26,404	22,847
		4,755,325	4,488,720	4,732,473	4,487,798

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30th JUNE 2018 (continued)

	<u>Note</u>	<u>Consolidated</u>		<u>Separate</u>	
		<u>30th June</u>	<u>30th June</u>	<u>30th June</u>	<u>30th June</u>
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
		<u>TZS 'm</u>	<u>TZS 'm</u>	<u>TZS 'm</u>	<u>TZS 'm</u>
Current liabilities					
Trade and other payables	32	1,261,826	1,224,476	1,259,432	1,224,038
Borrowings – Current portion	30	903,296	793,009	903,296	793,009
Provisions	36	98,035	94,695	98,035	94,695
Income tax payable	35	9,992	11,139	9,981	11,136
		<u>2,273,149</u>	<u>2,123,318</u>	<u>2,270,744</u>	<u>2,122,878</u>
Total liabilities		<u>7,028,474</u>	<u>6,612,038</u>	<u>7,003,217</u>	<u>6,610,675</u>
Total equity and liabilities		<u>8,763,922</u>	<u>8,425,203</u>	<u>8,751,807</u>	<u>8,433,332</u>

**CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2018**

	Note	CONSOLIDATED		SEPARATE	
		30 th June	30 th June	30 th June	30 th June
		2018	2017	2018	2017
		TZS 'm	TZS 'm	TZS 'm	TZS 'm
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operating activities	34	345,921	328,813	352,565	329,079
Interest paid		(28,263)	(51,123)	(28,263)	(51,123)
Tax paid		(4,311)	(328)	(4,311)	(328)
Net cash from operating activities		313,347	277,362	319,991	277,628
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to capital work in progress		(592,023)	(822,887)	(585,489)	(822,887)
Transfer to subsidiary Property & Equipment		-	(957)	-	-
Acquisition of Property, Plant & Equipment		(558)	-	-	-
Acquisition of subsidiary		(14,346)	(1,000)	(14,346)	(1,000)
Addition of intangible		(36)	-	-	-
Acquisition of other investment		(910)	(460)	(910)	(460)
Net cash used in investing activities		(607,873)	(825,304)	(600,746)	(824,347)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings	30	94,764	181,874	94,764	181,874
Loan repayments	30	(71,307)	(115,734)	(71,307)	(115,734)
Change in restricted cash	27	23,510	3,359	23,510	3,359
Proceeds from grants	29	394,292	430,534	372,141	430,451
Proceeds towards share capital		24,827	32,102	10,481	31,102
Net cash generated from financing activities		466,087	532,136	429,590	531,053
Net increase in cash and cash equivalents		171,561	(15,806)	148,835	(15,666)
Movement in cash and cash equivalents					
Cash and cash equivalents at beginning of year		113,703	129,509	113,504	129,170
		CONSOLIDATED		SEPARATE	
	Note	30 th June	30 th June	30 th June	30 th June
		2018	2017	2018	2017
		TZS 'm	TZS 'm	TZS 'm	TZS 'm
Increase during the year		171,561	(15,807)	148,835	(15,666)
Cash and cash equivalents at end of year	27	285,263	113,702	262,339	113,504

POWER GENERATION PERFORMANCE IN 2017/18



ENG. Pakaya Mtamakaya
DEPUTY MANAGING DIRECTOR
GENERATION

The installed capacity in the main grid system is 1,539.81 MW consisting of Hydro plants with installed capacity of 561.84 MW and thermal plants with 977.97 MW. Hydro plants contribute 36.5% and thermal plants, which consist of Gas and Fuel Oil plants, contribute 63.5% of the total installed capacity. Off-grid stations total capacity is 79.371MW. The highest grid system demand which was recorded in 2017/18 is 1,116.58MW compared with 1,041.63MW recorded in 2016/17 indicating an increase of demand by 7.2%.

In year 2017/18 TANESCO grid connected plants generated a total of 5,324,023,367 kWh compared to 5,168,829,430 kWh in 2016/17. The increase was due to commissioned Kinyerezi II at 167.82 MW by June 2018. During the year 2017/18 TANESCO grid imported a total of 1,133,468,072 kWh as compared to 1,629,343,943 kWh imported in year 2016/17 indicating a decrease of 30.43%.

Isolated stations generated a total of 188,659,374 kWh in 2017/18. Isolated areas imported a total of 188,659,374 kWh from Uganda and Zambia Grid Systems for Sumbawanga/ Namanyere, and Bukoba/ Muleba/ Karangwe townshi

TOTAL UNITS GENERATED BY TANESCO PLANTS & IPPs TO THE GRID SYSTEM

	2016/2017	2017/2018	PERCENTAGE CHANGE
GRID OWN GENERATION HYDRO kWh	2,384,113,401	2,199,858,430	-7.73
GRID OWN GENERATION-THERMAL kWh	2,784,716,029	3,124,164,937	12.19
GRID IMPORTS kWh	1,629,343,943	1,133,468,072	-30.43
TOTAL OWN GENERATION kWh	5,168,829,430	5,324,023,367	3.00
TOTAL GENERATION kWh	6,798,173,373	6,457,491,439	-5.01
OWN INSTALLED CAPACITY MW	1,056.94	1,231.40	16.51
IPPs INSTALLED CAPACITY MW	308.41	205.41	-33.40

TOTAL UNITS GENERATED BY TANESCO ISOLATED STATIONS & OFF-GRID IMPORTS

OFF-GRID UNITS GENERATED/IMPORTED	2016/2017	2017/2018	PERCENTAGE CHANGE
ISOLATED OWN GENERATION kWh	190,588,096	188,659,374	-1.01
OFF-GRID IMPORTS kWh	122,133,240	111,473,447	-0.87
TOTAL UNITS GENERATED/IMPORTED kWh	312,721,336	300,132,821	-4.03
OWN INSTALLED CAPACITY kW	82,406	79,374	-3.68

EXPANSION PROGRAMME

In the year 2016 TANESCO started the under-mentioned projects in order to meet the demand:-

S/No	Project Description	Project Cost	Status	Expected Completion Date
1	Kinyerezi I - 150MW gas fired power plant	USD 183m	Construction completed 50%	2015
2	Kinyerezi II – 240MW gas fired power plant	USD 344million	GoT is soliciting funds for financing the 15% of the contract value of the project	2017
3	Kinyerezi III – 600MW gas fired power plant	USD 401million	JV Company formed and feasibility study is under review	TBA
4	Kinyerezi IV – 330MW gas fired power plant	USD 400million.	Preliminary feasibility study is under review	TBA
5	Somanga Fungu 320MW Gas Fired Power Plant	USD 365.6 Million	Investor working with banks to achieve financial closure	2017
6	GeoWind 50MW Wind Power Plant at Singida	USD 136 Million	Discussion to conclude financial closure is in progress	2017
7	150MW Solar PV in Shinyanga	USD 185million	Under System review and equipment design	2019
8	400MW gas fired power plant at Mtwara with Symbion (T)	USD 396.577million	Feasibility study is under review	2019
9	87MW hydropower plant to be developed at Kakono in Kagera Region	Estimated cost USD 379.4million	Feasibility Study completed Solicitation of financing in progress	2019
10	44.8MW hydropower plant to be developed at Malagarasi river in Kigoma	Estimated cost: USD 149.5million	Feasibility Study completed	2020
			Solicitation of financing in progress	

PROJECTS FOR REFURBISHMENT AND UPGRADING

Preventive maintenance of plants and equipment was carried out according to the maintenance schedules. Plant and equipment breakdowns were promptly attended to during the year. In 2016/17 several machine overhauls and rehabilitation were undertaken as described hereunder;

Kidatu Hydropower Plant

- Unit no.1 broke down on 19th Dec 2016 due to failure of its Generator Thrust bearing system. Contractor M/S Koncar of Croatia arrived on site on 17th October 2017, repaired, tested, and commissioned the work on January 2018.

Nyumba ya Mungu Hydropower Plant

- Unit no.1 was shut down on Sept 5th 2017 for ERP works which involved Overhaul of Generator Set no.1, cleaning and inspection of Generator for Unit no.2 together with replacement of drainage and dewatering Pumps.
- Replacement of Generator Switch Gears and Power Cable under Emergency Repair Project (ERP) works completed.

New Pangani Falls Hydropower Plant

- Completion of Overhaul of Main Inlet Valve (MIV) for Turbine no 1. and no.2.
- Removal of Water weeds (Hyacinth) at New Pangani Water Pond.

Ubungo1 Gas Plant

- Major overhaul of two units (No. 6&9) was done during 2017/18.

Kinyerezi I Gas Power Plant

- 12,000 hours' service for unit No. 1 & 2, alignment for unit No. 2 & 4 , gas system pressure test for all units, load rejection test for all units, mapping and Warranty works to revive Gas burner.

Mtwara Gas Plant

- During 2017/2018 major overhaul of Units no.4 and 8 and the revival of Unit 9 was done.
- Plant capacity expansion with Installation of two (2) CAT Gas engines having capacity of 2MW each commenced in May, 2018.

Tunduru Power station

- During 2017/2018 Caterpillar Genset with capacity 800 kW from Mpanda was transferred and installed at Tunduru and at the same time the revival of the Wartsila Genset No. 4 was done.

Kinyerezi II Gas Plant

- During 2017/2018 the Third Unit of GT13 is was commissioned.

Inyonga Power Station

- During 2017/2018 Wartsila diesel generating set with a capacity of 420kW from Ngara Installed and commissioned at Inyonga.

Madaba Power Station

- During 2017/2018 Wartsila diesel generating set with a capacity of 420kW from Ngara Installed and commissioned at Madaba.

GENERATION TABLE AND CHARTS

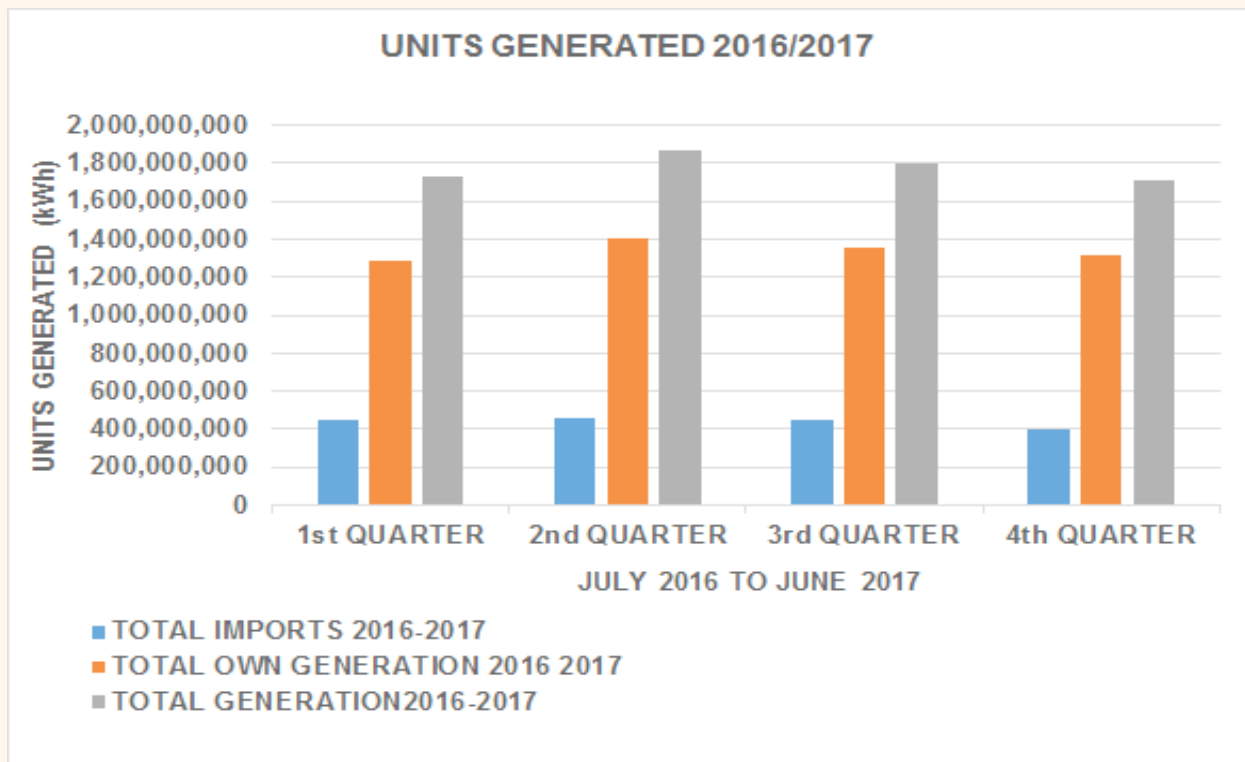
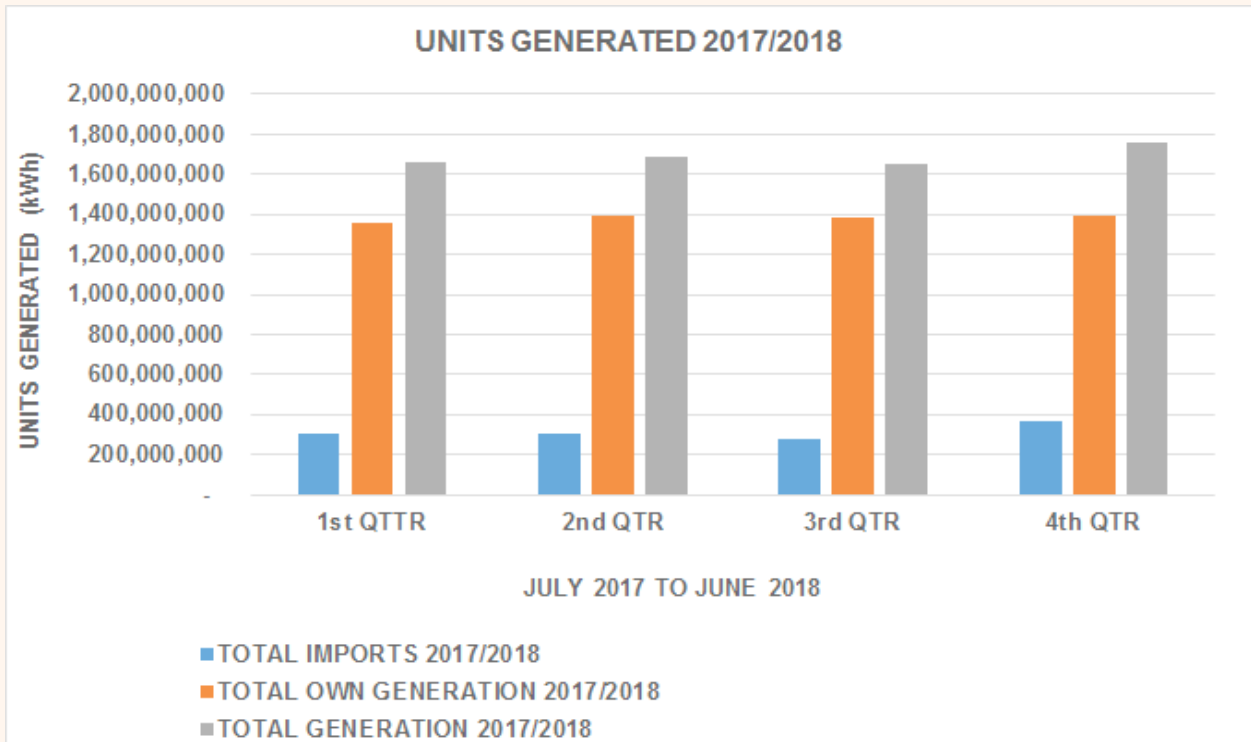


Table 3: QUARTERLY GENERATION STATUS 2017/2018

DESCRIPTION	1st QUARTER	2nd QUARTER	3rd QUARTER	4th QUARTER	TOTAL
TOTAL IMPORTS 2017-2018	303,359,579	300,790,618	274,971,081	365,820,241	1,244,941,519
TOTAL OWN GENERATION 2017 2018	1,353,702,424	1,390,710,929	1,379,380,003	1,388,889,385	5,512,682,741
TOTAL GENERATION2017- 2018	1,657,062,003	1,691,501,547	1,654,351,084	1,754,709,626	6,757,624,260
TOTAL IMPORTS 2016-2017	449,836,718	459,458,787	445,053,287	397,129,661	1,751,478,453
TOTAL OWN GENERATION 2016 2017	1,283,586,585	1,404,379,755	1,353,323,365	1,318,127,821	5,359,417,526
TOTAL GENERATION2016- 2017	1,733,423,303	1,863,838,542	1,798,376,652	1,715,257,482	7,110,895,979

TRANSMISSION OVERVIEW



Isaac Chanji
DEPUTY MANAGING DIRECTOR
TRANSMISSION

INTRODUCTION

Transmission Business Unit (TBU) is among the three main Business Units in TANESCO with the function of optimally operating and maintaining Transmission's grid assets throughout their economic life; and to provide an integrative function for the reliable maintenance, grid operations Control, operation of the Grid communication network systems and form part of the risk management of the interconnected grid power system, owned by TANESCO.

The Business Unit plays a big role in implementing the corporate policies, which are normally aligned with the government policies and the implementation is prioritized based on the latest edition of existing policy documents.

MAIN OBJECTIVES OF TRANSMISSION

The core function of Transmission Business Unit (TBU) is to optimally operate and maintain Transmission's grid assets throughout their economic life; and to provide an integrative function for the reliable maintenance, grid operations Control, operation of the Grid communication network (optic fiber cable and power line carrier) systems and form part of the risk management of the interconnected grid power system.

The business has four departments namely Transmission Lines, Transmission Substations, Power System Control and Grid Operations.

Mission

To ensure power is transmitted through our transmission lines network to bulk consumers in Tanzania and East Africa in a most efficient and sustainable manner possible.

Vision

To attain the highest level of power flow reliability on transmission lines network.

Transmission Lines

Transmission lines department under Transmission Business Unit of TANESCO is responsible for commissioning, maintenance, upgrade and performance monitoring of all transmission lines on entire power system network rated at the voltage level of 66kV and above



performing maintenance works under live line and Deadline

INFRASTRUCTURE

Transmission lines monitors and maintain the infrastructure of power transmission comprising of;

S/N	ITEM	VOLTAGE LEVEL			Total
		220kV	132kV	66kV	
	TRANSMISSION LINE ROUTE LENGTH (KMS)	3010.7	1672.57	543.0	5896.27

TRANSMISSION SUBSTATIONS

The main function of Transmission Substations department is maintenance of Grid and Primary substations equipment and other facilities. Coordination and support installation and maintenance functions involving protection system, Heavy plants (high voltage) system and equipment, Light current systems involving, Optical Fiber telecommunication, Power Line Carrier telecommunication, Radio Communication (VHF and UHF), and DC System in all transmission grid substations, Generation Plants substations and Distribution primary substations within the grid network.

Transmission Substation department monitors and maintain the infrastructure of power transmission comprising of;

S/N	ITEM	VOLTAGE LEVEL				Total
		220kV	132kV	66kV	33kV	
1	Number of Substations	21	29	7	64	121



SYSTEM CONTROL DEPARTMENT OVERVIEW

The work function of this department is to manage and control national Grid network operations activities by Implementing Business unit strategic objectives. Department is headed by Senior Manager System Control and under the Senior Manager are two Managers namely “Manager Power Systems Control” and “Manager Grid Operations”.

Grid Operations

Activities performed under Grid operations are: To analyze the needs for grid network reinforcement, develop the grid network concept plan, assess the grid network system integrity and prepare both short, and medium term grid network planning, for optimum use of the power system, by focusing on minimizing losses, maintaining reliability, stability, security and meet standards. Coordination of the maintenance scheduled outages of plants and transmission infrastructure facilities;

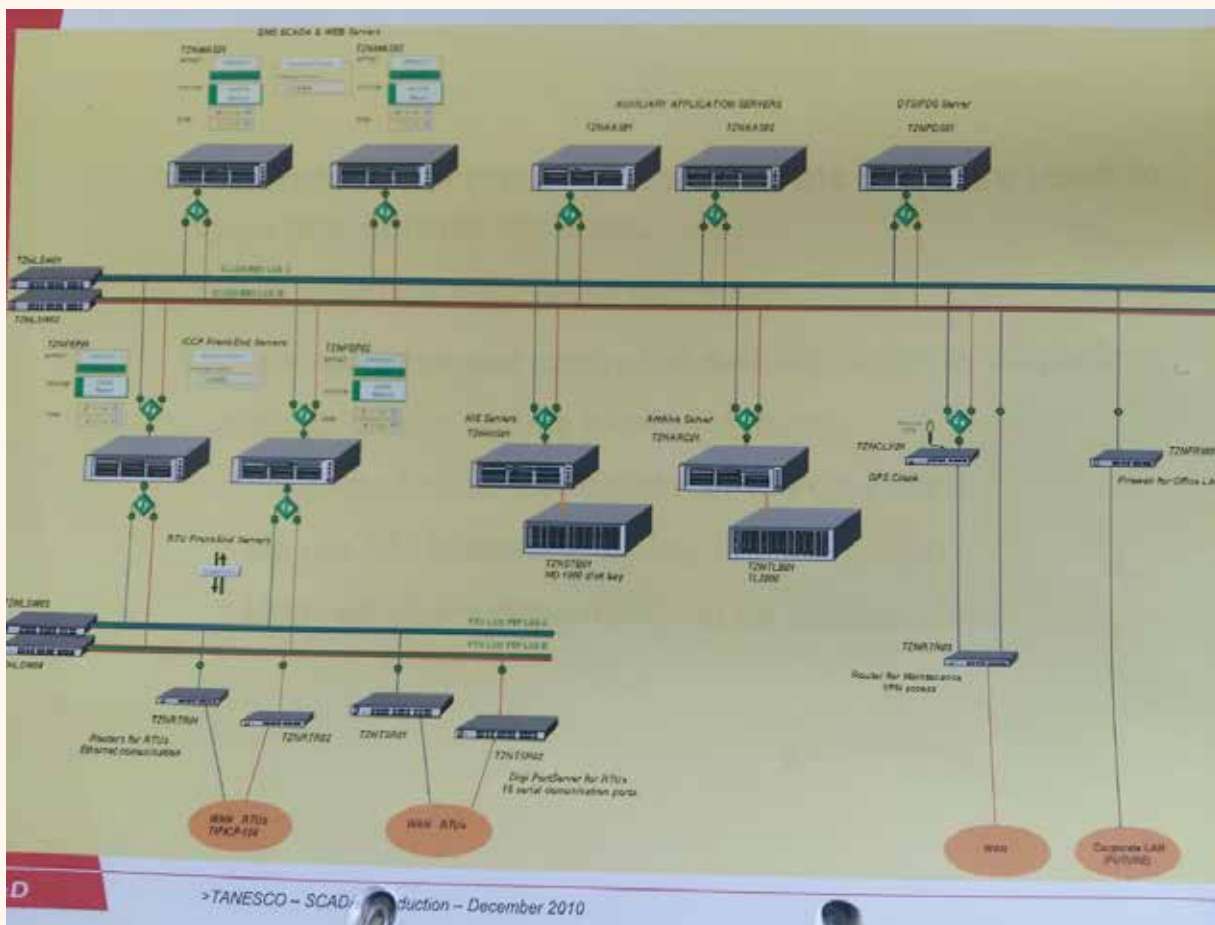
Infrastructure for Control of TANESCO grid substations best operation practice by adherence to the guiding rules and procedures.



SCADA System Wall Display for Monitoring & Control of the System

Power Systems Control

The functions of Power System Control include management of power systems control facilities (i.e. SCADA, EMS, PQ and AUFLS), training and support of staff that operates the power systems in 24/7 real-time manner. Also, to ensure real-time control systems integrity, highest operational reliability and system availability. To oversee and doing daily evaluation and tuning of real-time control systems. Other functions include planning and implement of an effective Power Quality Monitoring System to covers all grid substations and continuously monitoring of the quality of power supply within Transmission network systems (66kV voltage level and above).



SCADA System Architecture (Master station)

TANESCO TRANSMISSION GRID REHABILITATION (TTGRUP) – Credit facility no. CTZ 1039 01 U

BACKGROUND

The Government of United Republic of Tanzania (GoT) secured 53 million EURO concessional loan from the “Agence Française de Développement” (AFD) to support the development of the power sector in Tanzania. In November 2013, the AFD Board approved a 53 million Euro for the Rehabilitation (Renovation) and upgrading of TANESCO’s existing grid transmission & distribution network, following the request by GoT through the Ministry of Finance & Planning (MoFP). The Credit Facility Agreement (CFA) was signed between AFD on behalf of the Government of France and Ministry of Finance (MoFP) on behalf of Government of United Republic of Tanzania (GoT) on 10th July, 2015.

Implementation of TTGRUP is focused on alleviating poverty and enhancing economic growth through:

- i) Improvement of quality of power supply,
- ii) Reducing Transmission/Distribution losses,
- iii) Improving operation & maintenance through smooth communication system,
- iv) Increase in ability of network to capture more customers consumers and cope with increasing demand,
- v) Increase in revenue and financial performance of TANESCO firm.

PROJECT SCOPE OF WORKS

The scope of the project included three components as follows:

(a) Component 1:

Substations rehabilitation and upgrade:

Rehabilitation and upgrading of Ten (10) Grid connected substations are planned to take place under the Project. The names of these substations are: Mlandizi, Chalinze, Bukoba, Same, Musoma, Mwanza, Tabora, Mufindi, Mbeya and Dodoma. The scope of works for the above will range from additional transformation capacity to the substations, circuit breakers replacement to building renovation depending on the specific needs of each substation.

(b) Component 2:

Upgrade & Extension of Telecommunication Infrastructures and SCADA/EMS System improvement:

The scope of telecommunication infrastructures upgraded includes Extension of 1,345 Kilometers of Optic Fibre Ground Wire (OPGW) cables and 162 kilometers of short span of All Dielectric Self Supporting (ADSS) fibre cable, in the following breakdown: -

- i) Installation of OPGW over Iringa-Mufindi-Makambako-Mbeya - 220kV T/L.... 357km,
- ii) Installation of OPGW over Singida-Shinyanga-Mwanza - 220Kv T/L340km,
- iii) Installation of OPGW over Shinyanga-Nzega-Tabora - 132 kV T/L203km,
- iv) Installation of OPGW over Musoma-Bunda-Mwanza - 132 kV T/L210km,
- v) Installation of OPGW over Kondoa-Babati-Mbulu-Karatu - 66kV T/L235km,
- vi) Installation of ADSS Spur lines (to offices, stores, s/s, etc.)162km,

Similarly, Telecommunication Infrastructure upgrades includes, to Equip 17 substations with optical fibre terminals equipment at STM-16 level, 27 Offices with optical distribution frame and new telephone switching capacity with the corresponding 48V power supply system.

In addition to Telecommunication Infrastructure upgrades under component 2, the scope shall also include extension and upgrading of the existing SCADA/EMS system at Grid Control Center and its associated remote stations in the following sub-projects.

- i) Rehabilitation or replacement of the existing micro SCADA/North East Grid controlling Babati, Kondoa, Mbulu and Karatu grid connected substation,
- ii) Implementation of Automatic Generation Control (AGC) by interfacing the existing SCADA EMS System's AGC with generating plants in order to control frequency and Tie-Line automatically and centrally,
- iii) Implementation of Wide Area Monitoring Scheme (WAMS) to enhance grid power system stability in real time,
- iv) Implementation of Weather Measurements System for improvement of SCADA/EMS System's real time load forecast prediction.
- v) Additions of software (TSAT, VSAT, etc.) to SCADA/EMS System Master station for operations and planning purposes.

(c) Component 3:

Capacity building and Technical Assistance: The services includes capacity building and technical assistance measures, which will be implemented under the Scope of the Project. Besides assistance in tendering and supervising implementation of components I & 2 (including review of Environmental and Social Impact Assessment, Preparation and monitoring). The technical assistance is foreseen to provide TANESCO with recommendations for the definition of a Stock Management procedure to improve assets management of power transmission business and thus, helping in realizing the overall profitability of the Company.

COMPLETED PROJECTS AND MAIN ACHIEVEMENT UNDER TRANSMISSION BU

1. Construction of 80km 132kV transmission line from Mtwara to Lindi and its 132/33kV associated substation.
2. Reduction of Transmission losses from 6.5 to 5.88%.
3. Installation of 45MVAr Static Synchronous Compensator (STATICOM) at Bulyanhulu.
4. Integration of 220/33kV Mabuki, 132/33kV Rhino (Tanga) substations and 60MW Nyakato Power Plant to the SCADA/EMS system at Grid Control Centre (Databases and Display modeling).
5. Several substations have been upgraded by adding new transformers to increase capacity and reliability of supply. These include 2 x 50MVA, 132/33kV transformers at Njiro, 2x 90MVA, 132/33kV transformers at Kipawa, 2 x 90MVA, 132/33kV transformers at Ubungo, one 45MVA, 132/33kV at Chalinze, 2 x 20MVA, 132/33kV KIA and 60MVA, 220/33kV transformer at Mbeya substation.
6. SVC for Singida was revived after undergoing major repair. Also includes the compensation devices include installation of capacitor bank at Makumbusho and Tanga substations.
7. In-house Stringing of Second circuit 132kV Transmission line Ubungo - Kipawa substation
8. Integration of 132/33kV New City Centre (NCC), 132/33kV Ilala, 220/132/33kV Njiro, 220kV Kinyerezi I, 66/33kV Makuyuni, 132/33kV Kia, 150MW UGP2 and 32/33kV Kiyungi Substations to the SCADA/EMS master station to enable remote operation of the substations from Grid Control Centre.
9. Integration of 220/132/33kV Ubungo microSCADA system to the SCADA/EMS master servers at Grid Control Centre.
10. Major 33/11kV substation upgrades at Mbezi Beach (15MVA), Bahari Beach (15MVA), Kigamboni (15MVA), Matanda (15MVA) and Sumbawanga (10MVA).
11. Rehabilitation of Singida substation by replacing entire control and protection system.
12. Capacity building to Transmission employees (TTC and other institutions) especially on maintenance and commissioning works.

ONGOING PROJECTS UNDER TRANSMISSION BUSINESS UNIT

1. Upgrade of Ubungo Substation by installation of 300MVA, 220/132kV transformer under in-house Financing of TZS: 13.3 Billion.
2. Construction of Kibada – Dege 132kV Transmission line and 60MVA, 132/33kV Dege substation at Kigamboni, under In-house Financing of TZS: 25.6 Billion.
3. Program for rehabilitation of nine (9) substations including, Mlandizi, Chalinze, Same, Tabora, Nyakato, Mwakibete, Mufindi Kibeta, Musoma and fiber network extension of 1,345km under French Financing of 53mEuro, at Contractor Procurement stage
4. Construction of New 2 x 60MVA, 220/33kV Luguruni Substation in Dar, under In-house financing of TZS: 15.3 Billion.
5. Upgrade of Kunduchi substation by adding 65MVA, 132/33kV transformer under In-house Financing of TZS: 2.6 Billion.
6. Rehabilitation of Shinyanga substation under In-house financing of TZS: 2.5 Billion.
7. Project for power quality assessment, under In-house financing of TZS: 5.3 Billion.
8. Rehabilitation and upgrade of Karatu substation by additional of 10MVA, 66/33kV Transformer, under in-house financing of TZS: 389 Million.
9. Upgrade of Mufindi substation by installation of new transformer 35MVA, 220/33kV of TZS: 3.3 Billion.
10. Upgrade of Sumbawanga substation by installation of 15MVA, 220/33kV transformer, costing TZS: 3.85 Billion.
11. Major rehabilitation of 150MVA transformers T6 & T7 at Ubungo 220/132kV.
12. Rehabilitation of control building and 132/33 kV Ubungo substation estimated at TZS: 3.5 Billion.

SALES AND MARKETING OVERVIEW

This department is under Distribution and Customer services business unit, provides direction in electricity Metering, Sales, Marketing, Revenue Protection and good customer Service in order to ensure that the Company business plans, annual targets for business growth, delivery of products and services are achieved. The Department comprises of three Sections namely Large Power users, Marketing and Call Centre & Customer Services

LARGE POWER USERS (LPU) 2017/2018

This section conducted Meter inspection under operation to fight against energy theft, whereby a total of 100,566 customers countrywide were inspected out of which 2,685 (2.67%) were found to have metering discrepancies. A total of TZS 2,633,671,762 million was established as revenue loss for recovery out which TZS 1,675,775,435 million (63.63%) were collected immediately and the remaining were collected after being included in the Customers LUKU meters.

AUTOMATIC METER READING (AMR)

AMR Metering infrastructure enables monitoring of electricity consumption, connecting and disconnecting customers remotely using computer systems and telecommunication links. Other features available in the AMR System are Load Profile Analysis (Power, Voltage & Current) and alarms for different indications such as opening of meter terminal cover and meter box.

The usage of AMR meters resulted in the following benefits:

Decrease in number of cases of energy theft by Large Power Users in comparison to the period when 'conventional' meters were in use. In year 2017 there were no incidences of AMR meter tampering reported for T3 customers.

Thus increase of average monthly revenue collection due to increased number of T1 customers with AMR meters which could be disconnected and reconnected remotely. The use of AMR meters for reading, Disconnection and Reconnection reduced the operating costs by not using vehicles as well as staff to go and read the meters physically. Also, the monitoring of Power usage was made easy and improved accuracy of meter reading.



HOW YOU CAN SAVE MONEY & ENERGY

CUSTOMER EDUCATION & AWARENESS CAMPAIGN IN RURAL PROJECT

During the financial year 2017 to June 2018 this section with collaboration of RCRO'S conducted education and awareness campaign in newly electrified PROJECTS such as REA II Densification & III. BTIP and makambako –songea to ensure villagers and all customers understands the procedure & process underline for services line application, connection cost and payment method or channels, Introduction/usage of Ready Board and its applicability and its benefits or advantages, understands that the project has no compensation element in all affected areas during the construction of HT & LT Lines and even installation of substation, Warning them on the threat of VISHOKA /CONMEN who take the advantage of this new project and steal from innocent customers and other services which offered by TANESCO including understand the scope and price of the project and the role of electrical contractors. A total of 859 villages and 177,037 participants were sensitized from Mbeya, Ruvuma, Mara, Mtwara, Morogoro, Dodoma, Geita, and Iringa regions

- A total of 1,503,259 different type of brochures and posters like tariff, energy efficient, REA, safety, GePG, Ready Board, Customer Service Charter, Spirit Meter distributed to Tanga, Njombe, Geita Iringa Lindi, Singida, Mbeya, Tabora, Mwanza, Kilimanjaro, Ruvuma, Coast, Mwanza, Rukwa, Morogoro, and Kagera Regions
- Conducted awareness on GePG to the general public through East Africa radio where the event was broadcasted live Also Conducted clarification awareness on GePG to the general public through Azam TV, also hold a press conference with several Media channels which are ITV, TBC, CLOUDS TB and Newspapers.

DEMAND SIDE MANAGEMENT AND ENERGY EFFICIENCY

conducted external awareness campaign to educate students teachers and military officers business areas and homes on the guidelines towards the importance of energy efficiency and safety measures.

- Awareness campaign was done to 42 military camps (4982 officers) and 32 secondary schools (13424 students) and 68 Primary schools (41069 students).
- Conducted awareness campaign on energy efficiency to the Ministry of Home affairs
- conduct awareness campaign on efficient use of electricity in military offices (TPDF)
- Ten (14) boxes of exercise books distributed to the office of DMD-D&CS together with MD's offices, five regions Morogoro, Dodoma, Singida, Shinyanga Manyara, Kibaha and Mwanza to facilitates EE awareness campaign up counties.

- Marketing engineer and other technical & non-technical officers has been investigating of energy system losses to the Eight (8) sub stations from Tanga, Kilimanjaro, Kagera, Manyara, Tabora, Ilala and K' Norh regions

INTEREST WAIVING CAMPAIGN

Awareness campaign on debt collection has been conducted in regions whereby 113 customers paid 994,237,599.4 and 543,219,005.8. interest waived from Kilimanjaro, Morogoro, Tabora, Kagera, Temeke, Arusha, Lindi, Mtwara, Geita, Ilala, K'South, Tabora, Dodoma and Coast regions.

CALL CENTRE AND CUSTOMER SERVICE

TRAINING

Training on Customer Care, call handling techniques and effectively usage of Service Delivery Management (SDM) and LUKU (Itron) systems were given to new recruited staff in order to handle different type of customers. Total number of 907 staff across the country were trained under TANESCO training offices in Dodoma, Mwanza and Tanga. Also, customer education on TANESCO product and service including meter errors, tariff change and key change through social media platforms.

ONLINE CUSTOMER SERVICE SUPPORT (*Being easy to deal*)

Customer service section through alternative channels particularly online proceeds with attending customer concerns. The number of customer usage (followers) have so far increased as much as shown follows:

- i. Facebook users – 36,342
- ii. Twitter followers – 26,400
- iii. Instagram followers – 5,987
- iv. Jamii Forum pages – 261
- v. WhatsApp & telegram groups – 256 (region & district)

CUSTOMER SERVICE CHARTER IMPLEMENTATION

The Customer Service Charter is a guideline in service delivery. The overall performance have increased by 3% from 91% of 2016/17 year to 94% for 2017/18 year.

RESEARCH ON CUSTOMER'S SATISFACTION.

The telephonic survey was conducted for the sample of total 2400 customers from all regions to assess the satisfaction level. The performance for this year (17/18) were 60% satisfaction level from 68% of 2015. The most complained areas were in delay power connection, unreliable, delay attending technical breakdown and shortage of safety awareness.

CUSTOMER SERVICE MONITORING.

Customer Service monitoring is being conducted through different ways one being Customer Service Compliance Audit. The exercise covers but not limited to Emergency section, SDM utilization, Physical evidence on customer services offices, How to handle customer calls and internal communication among staffs within a region and its district offices. Following region were visited; Mara, Singida, Simiyu, Babati, Dodoma, K' Njaro, Mbeya, Songwe, Katavi, Tabora, Ruvuma, Mtwara, Singida, Dodoma and Iringa.

PROJECTS DIRECTORATE OVERVIEW

The Projects Directorate is amongst three Directorates composing the Investment Business Unit. The other two Directorates are the Directorate of Corporate Research and Environment and; the Directorate of Strategic Planning. The major role of the Projects Directorate is to manage all strategic EPC contracts for implementation of Generation, Transmission and Distribution Projects for achieving the Company's Power System enhancement and expansion Programmes including regional interconnection projects with the neighbouring Eastern and Southern African Countries. Additionally, this Directorate is also involved in management and development of Company estates. Most of these strategic projects are either financed entirely by the Government of the Republic of Tanzania (GoT) or through loans and/or grants to the GoT by the Development Partners.

In the turn to a new millennium, Tanzania emerged with fast growing economy stimulated by the mining sector and construction industry that entailed demand for more electricity. By then the total installed capacity was 613.5 MW from which 583MW was grid connected and 30.5MW was isolated power plant, also the transmission network had a coverage of 2,744.7 km of 220 kV; 1,531.1 km of 132 kV and for 66 kV the coverage was 366 km whilst; the distribution network covered a total route length of 14,652 km of 33kV and 5,507 km of 11 kV. With this rapid electricity demand growth, these existing networks could not adequately cope with the load due to varying technical limitations that included thermal withstand capacity of some equipment and conductors. However, geographical location of other load-centres posed challenges to connect with the transmission and distribution system. Rigorous load flow studies carried out identified power projects for upgrading and expansion of the power system. In 2007 to-date, TANESCO through the Projects Directorate ventured into implementing a number of power projects to meet the projected demand.

Generation Projects

In 2002, Tanzania for the first time realised supply of natural gas through an 8 inch pipeline to Dar es Salaam city from Songosongo Island that turned round its power generation portfolio to diversification from over-dependency on hydro-power generation. A series of gas-fired power plants emerged after an Independent Power Producer, M/s Songas Ltd. had its 185 MW Plant synchronised to the National Grid in 2003. In 2007, TANESCO commissioned its first 103.4 MW gas-fired thermal power station at Ubungo, in Dar es Salaam using reciprocating engines manufactured by M/s Wartsila Company Oy of Finland. This was a turn-key project implemented through an EPC contract signed between M/s Wartsila Oy Finland and TANESCO and fully financed by the GoT for Euro 60.3 Millions. In 2009 through an EPC contract with M/s Wartsila Oy Finland, TANESCO also commissioned a similar gas-fired plant of 45 MW at Tegeta for Euro 45 million Euros financed by the Government of Tanzania.

Considering proximity to the main 220/132 kV national grid Sub-station at Ubungo and ease of connection to the gas-pipeline at Ubungo site, a new 105 MW Ubungo II open-cycle gas-fired plant using gas turbines was built and commissioned in 2012. The choice of using gas-turbines for their unidirectional motion was reached to have a reduced sound emission over the surrounding area with residential neighbourhood. The plant has three turbines manufactured by M/s Siemens of Norway. Implementation of this project was through a signed EPC contract with M/s Jacobsen Elektro of Norway for a sum of USD 124 million financed under loan arrangement entered between the Government of Tanzania and Hongkong – Shanghai Banking Corporation (HSBC) Bank. In 2013 TANESCO also commissioned a 60 MW thermal power plant running on heavy fuel oil (H.F.O.) at Nyakato, Mwanza. An EPC contract for this 60 MW Plant was entered between M/s SEMCO and TANESCO for Euro 61 million and financed through a loan agreement between Hongkong – Shanghai Banking Corporation (HSBC) Bank and the Government of Tanzania.

Following construction and completion of a second 36 inch, 500 km gas pipeline from Mtwara to Dar Es Salaam, a new 150 MW open-cycle gas-fired plant has been installed at Kinyerezi that was fully commissioned in March, 2016. Installation of this Kinyerezi I Plant was implemented by M/s Jacobsen Elektro of Norway through an EPC contract signed with TANESCO for USD 183 million funded 100% by the GoT through her budget coffers. Construction of 185MW Kinyerezi I extension gas fired power plant at Kinyerezi at estimated cost of USD 188 million (TZS 432,400 million).The project started in November 2016 and is expected to be

completed on 30th August 2019. Construction of Kinyerezi II, 240MW combined cycle gas-fired power plant started in March 2016 and is expected to be completed in September 2018. At the moment all the six (6) Gas Turbine Generators (GTGs) have been installed and operational generating a total of 167 MW while commissioning of the two (2) Steam Turbine Generators (STGs) is in the final stages. The overall project progress stands at 94%.

These installations of power plants of Kinyerezi I, Kinyerezi I extension and Kinyerezi II have scooped about 715MUSD from the Government coffers.

Transmission Lines and Substations Projects

Deriving from the power system analysis of the national grid networks, strategic plans on transmission and distribution networks focused on rehabilitating the existing and also building new networks including substations to substantially evacuate power from the newly constructed and the existing power plants to the load centres. To this effect, TANESCO endeavoured to upgrade its transmission voltage to 400 kV, develop a new ring circuit at this voltage level for system stability that will cover the entire country periphery and also cater for future load growth. During the year 2017/2018 various Projects were implemented/ continued to be implemented:

- a) The implementation of the ongoing Backbone Transmission Investment Project mainly, the construction of 400kV transmission line and its substations from Iringa to Shinyanga. It also includes Rural Village Electrification initiative component along the backbone project. The Project is financed by the Government of Tanzania and other multilateral donor agencies. However, the transmission line was completed in December, 2016 as planned and is under defect liability period. Currently upgrading of substation from 220/33kV to 400/220/33kV level at Dodoma and Singida towns is underway.
- b) Makambako - Songea 220kV project: The project involves construction of 250km, 220 kV Transmission Line, 220/33kV substations of Madaba and Songea and upgrade of Makambako substation. The project also involves construction of distribution networks of 900 km, 33 kV line route and electrification of 122 villages with 22,700 customers. By June 2018 the project was completed by 84%. The project is financed by the Government of Tanzania and Sida. The project is set for completion in September 2018.
- c) TEDAP- the objective of the project is to improve the quality and efficiency of the provision of electricity service in the country and to establish a sustainable base for energy access expansion. The project financed by the World Bank involved the construction of 132kV transmission line along Kipawa (FZ II)-Gongolamboto (FZ III)-Mbagala-Kurasini (37.4km) was completed. Also the 132/33kV substations of Kipawa, Gongolamboto and Mbagala were commissioned and energized and thus improved the quality and efficiency to the respective customers in Dar es Salaam. For the Distribution component, all 18 out of 19 distribution substations in the regions of Dar es Salaam, Kilimanjaro and Arusha were commissioned, energized and are in full operation with exception to Kurasini substation which awaits for the interface works with 132kV substation upon completion of Mzinga Creek portion.
- d) The construction of Bulyanhulu – Geita 220 kV Transmission Lines. This project comprises of construction of Bulyanhulu to Geita 220kV power transmission line at a distance of 55km and electrification of 10 villages along the power transmission line corridor. The project is financed by Government of Tanzania, Arab Bank for Economic Development (BADEA) and OPEC Fund for International Development (OFID). This project is under final stage of procuring contractors for implementation and is expected to be completed in June 2020.

- e) Construction of 220kV, 144km Transmission line, 220kV new substation at Nyakanazi, extension of Geita substation and rural electrification of Villages along the 220kV Transmission line (133km of 33kV). The Bids evaluation reports for procuring EPC Contractors for the three lots of the project (Lot A, Lot B and Lot C) are still under review by project lead Financier (KfW) before further processes. The project is financed by KfW and ADF.
- f) Construction of 94 km long 220 kV from Rusumo falls power plant to Nyakanazi substation in Tanzania. Preparation of bidding documents for procurement of EPC contractor for transmission line is underway. The project is financed by African Development Bank (AfDB).
- g) Construction of 400kV North West grid power transmission line project from Mbeya –Tunduma – Sumbawanga – Mpanda – Kigoma – Nyakanazi. The, project will be implementation in 3 phases: Phase I: Mbeya - Tunduma to Sumbawanga (340km) and scheduled for completion in 35 months' time from commencement date, while Phase II covering a portion from Nyakanazi – Kigoma 280km scheduled for completion in 24 months' time from commencement date. Similarly, Phase III covering a portion from Kigoma-Mpanda to Sumbawanga a distance of 480km is scheduled for completion in 26 months from commencement date.

Phase I of the North West will be under World Bank financing. Phase II Nyakanazi – Kigoma is under African Development Bank (AfDB) in co-financing with EDCF of Korea. Currently advance procurement of consultant for project management is underway. Phase III Sumbawanga – Mpanda to Kigoma (480km with one 400/220/33kV substation at Mpanda), has been earmarked for financing in the recently submitted financing proposal of the World Bank IDA -18.

- h) Construction of 400kV Singida – Namanga – Isinya Interconnector line. Three contracts for implementation of the 414km of the Transmission line from Singida to Namanga and one contract for Substation are effective and all the contractors are at site continuing with implementation works. Recently the Government of the United Republic of Tanzania (GoT) released counterpart funds for compensation of Project affected People (PAPs) to TANESCO, a total sum of TShs. 55.7 Billion for Kenya-Tanzania Power Interconnection Project (KTPIP) has been disbursed for acquisition of land to allow contractors to commence construction works at site.

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE



REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF
TANZANIA ELECTRIC SUPPLY COMPANY LIMITED
FOR THE YEAR ENDED 30TH JUNE 2018

The Controller and Auditor General,
National Audit Office, Tanzania
Samora Avenue/Ohio Street,

P.O. Box 9080,
Dar Es Salaam
Tel: 255 (022) 2115157/8
Fax: 255 (022) 2117527
E-mail: ocag@nao.go.tz
Website: www.nao.go.tz

Ernst & Young
4th Floor, Tanhouse Tower
Plot No. 34/1 Ursino South New
Bagamoyo Road
P. O Box 2475,
Dar es Salaam, Tanzania
Tel: +255 22 2927868
Fax: +255 22 2666948
Website: <http://www.ey.com>

April, 2019

Office of the Controller and Auditor General,

National Audit Office,

The United Republic of Tanzania

(Established under Article 143 of the Constitution of the United Republic of Tanzania)

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the United Republic of Tanzania of 1977 (revised 2005) and amplified in the Public Audit Act No. 11 of 2008.

Vision 'To be a centre of excellence in public sector auditing'.

Mission

To provide efficient audit services to enhance accountability and value for money in the collection and use of public resources.

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

- **Objectivity:** We are an impartial organization, offering services to our clients in an objective, and unbiased manner;
- **Excellence:** We are professionals providing high quality audit services based on best practices;
- **Integrity:** We observe and maintain high standards of ethical behaviour and the rule of law;
- **People focus:** We focus on stakeholders' needs by building a culture of good customer care and having competent and motivated work force;
- **Innovation:** We are a creative organization that constantly promotes a culture of developing and accepting new ideas from inside and outside the organization; and
- **Best resource utilisation:** We are an organisation that values and uses public resources entrusted to it in efficient, economic and effective manner.

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.

COMPANY INFORMATION

Registered Office:

Tanzania Electric Supply Company Limited
Ubungo Head office, 'Umeme Park'
Morogoro Road
P. O. Box 9024
Dar es Salaam, Tanzania

Main Bankers:

National Bank of Commerce Limited
P. O. Box 9062
Dar es Salaam, Tanzania

Citibank Tanzania Limited
P. O. Box 71625
Dar es Salaam, Tanzania

National Microfinance Bank (NMB) Ltd
P. O. Box 9031
Dar es Salaam, Tanzania

Barclays Bank Tanzania Limited
P. O. Box 5137
Dar es Salaam, Tanzania

CRDB Bank PLC
P. O. Box 2302
Dar es Salaam, Tanzania

Commercial Bank of Africa Tanzania Ltd
P. O. Box 9640
Dar es Salaam, Tanzania

TIB Corporate Bank Limited
P. O. Box 9102
Dar es Salaam, Tanzania

Bank of Tanzania
P. O. Box 2939
Dar es Salaam, Tanzania

Akiba Commercial Bank PLC
P.O. Box 669
Dar es Salaam, Tanzania

Lawyers:

NexLaw Advocates
PPF Tower, 4th Floor Garden Avenue /Ohio
Street
P. O. Box 75578
Dar es Salaam, Tanzania.

Ardo Attorneys
Plot no.1 Block 76, Corner of Uhuru
/Livingstone Street
P. O. Box 5127
Dar es Salaam, Tanzania.

Company Secretary:

(as at the date of Financial Statements)

Advocate Amos M, Ndegi
Gematin Road,
P.O. Box 453,
Dodoma, Tanzania

Company Secretary

(As at the end of the financial period)

Mr. Isdori Nkindi
Ubungo Head office, 'Umeme Park'
Morogoro Road
P. O. Box 9024
Dar es Salaam, Tanzania

Auditors:

The Controller and Auditor General
National Audit Office
Samora Avenue/ Ohio Street
P. O. Box 9080
Dar es Salaam, Tanzania

Ernst & Young
Certified Public Accountants
Tanhouse Tower (4th Floor)
P. O. Box 2475
Dar es Salaam, Tanzania

REPORT OF THE DIRECTORS

1. INTRODUCTION

The Directors submit their report together with the consolidated and separate financial statements for the year ended 30th June 2018, which disclose the state of affairs of Tanzania Electric Supply Company Limited (the "Company" or "TANESCO") and its three subsidiaries. These are Tanzania Geothermal Development Company Limited, Electrical Transmission and Distribution and Maintenance Company Limited and Tanzania Concrete Poles Manufacturing Company Limited (together, the "Group" as at that date).

2. INCORPORATION

The Company was incorporated in Tanzania under the Companies Act, 2002 as a limited liability company. Having all its shares held by the Government of the United Republic of Tanzania, it is a public corporation governed by the Public Corporations Act, revised edition 2002.

The subsidiary companies were incorporated as follows: Tanzania Geothermal Development Company Limited on 19 November 2013, Electrical Transmission, Distribution and Maintenance Company Limited on 7th June 2016 and Tanzania Concrete Poles Manufacturing Company Limited on 16th December, 2014, each as a limited liability company. The subsidiaries are each 100% owned by TANESCO.

3. VISION STATEMENT

To be an efficient and commercially focused utility supporting the development of Tanzania, and to be a powerhouse of East Africa.

4. MISSION STATEMENT

To generate, purchase, transmit, supply and sell electricity in the most effective, competitive and sustainable manner possible.

5. PRINCIPAL ACTIVITIES

The Company's principal activities are generation, purchasing, transmission, distribution and selling of electricity to the Mainland Tanzania as well as bulk supply to Zanzibar and neighbouring countries. Electricity is generated at seven (7) hydro power plants (namely Kidatu, Mtera, Kihansi, New Pangani, Hale, Nyumba ya Mungu and Uwemba) and twenty four (24) thermal power plants (namely Kinyerezi I, Kinyerezi II, Ubungo Gas Plant, Tegeta Gas Plant, Ubungo II Gas Plant, Nyakato 60MW power plant at Mwanza, Zuzu at Dodoma, Biharamuto, Bukoba Urban, Kasulu, Kibondo, Kigoma Urban, Liwale, Loliondo, Ludewat Mafia, Mbinga, Mpanda, Mtwara, Namtumbo, Ngara, Somanga, Songea, Sumbawanga and Mafia, Mbinga, Mpanda, Mtwara, Namtumbo, Ngara, Somanga, Songea, Sumbawanga and Tunduru). All hydro power plants and seven (7) thermal power plants are connected to the National grid.

- The Company imports power from Uganda and Zambia. The Company has long term power purchase agreements with Independent Power Producers (IPPs), namely Independent Power Tanzania Limited (IPTL), Songas Limited, Tanganyika Wattle Company Limited (TANWAT), TPC Limited, Andoya, Mwenga, Tulila, Iyovi and Ngombeni.

REPORT OF THE DIRECTORS (CONTINUED)

I. Projects implemented or continued to be implemented during the year

- a) In collaboration with REA, Government Funded Phase II electrification projects in all regions of Mainland Tanzania have been completed with the exception of projects in Kilimanjaro and Singida regions where the average implementation status is 75% as the contract between REA and the Contractor Spencon Services Ltd was terminated for failure to abide by contract requirements. Up to 30th June 2018, a 139-district headquarters have been electrified including that of Tanganyika district headquarters. The total cost for this project funded by the Government through Rural Energy Fund (REF) is estimated to be TZS 881 billion. So far, current total payment to contractors is TZS 836.5 million as per the following works; Construction of 15,938km out of 16,100.48km MV line, 9,795.77km out of 10,031 km LV line, installation of 3,969 out of 4,136 distribution transformers were already completed by 30th June 2018. In addition to that, 179,820 out of 249,884 earmarked customers were connected with power. Contractors replacing the former terminated contractor; Spencon Services Ltd started implementation in Kilimanjaro and Singida regions in January 2018 and April 2018 respectively. Contractors JV Emec Engineering Ltd & Dynamic Engineering and System Company Ltd, and JV East African Fossils Co Ltd & CMG construction Co Ltd are for Singida region while in Kilimanjaro contractors are JV Octopus Engineering Ltd and Njarita Contractors Ltd.
- b) TEDAP- the objective of the project is to improve the quality and efficiency of the provision of electricity service in the country and to establish a sustainable base for energy access expansion. The project is financed by IDA Credit of SDR 67.7million (sixty-seven million seven hundred thousand Special Drawing Rights), of which SDR 49.80million has been allocated to the Company as a grant for implementing some components of the project. The project is completed in all the intended parts with exception to Mzingo Creek portion, which is in the final stages of completion.
- c) Electricity V package distribution component additional scope consists of construction of 30km of 33kV, 100km of 0.4kV distribution lines, installation of 95 distribution Transformers, connection of 15,000 customers in Mwanza and Shinyanga regions. The distribution networks completed by 92% and 4,477 out of 15,000 customers were connected with power by June 2018. The project was funded by AFDB at a contract price of USD 4.44 million (TZS 10,063 million) for procurement of goods and TANESCO for labor charges.
- d) Construction of a 240MW combined cycle gas-fired power plant to be installed at Kinyerezi I}. Estimated cost of the project is USD 344.1million. Construction of the project started November 2016 and the project is expected to be completed on 30th September 2018. All the six (6) Gas Turbine Generators (GTGs) have been installed and operational generating a total of 167 MW while commissioning of the two (2) Steam Turbine Generators (STGs) is in the final stages. The overall project progress is 96%
- e) Construction of 185MW Kinyerezi I extension gas fired power plant at Kinyerezi. Estimated cost of the project is USD 188million (TZS 426,089 million). The project started in November 2016 and is expected to be completed on 30th August 2019.
- f) The construction of Bulyanhulu — Gejta — Nyakanazi 220 kV Transmission Lines. This project comprises of construction of Bulyanhutu to Geita power 220kV transmission line as portion 1, a distance of 55km and electrification of villages along the power transmission line corridor. Estimated cost of the project is USD 23 million (TZS 52,128). This portion is under Implementation stage and is expected to be completed in May 2020. The second portion includes Geita Nyakanazi power transmission line with a distance of 144 km which is also under Implementation. Estimated cost of the project is EURO 41.6 million (TZS 109,313) and expected to be completed on 30th November, 2020. The third portion covers Rusumo —Nyakanazi power transmission line with a distance of 198 km which is also under implementation. Estimated cost of the project is USD 35.36 million (TZS 80,141) and expected to be completed on 30th September, 2020.

REPORT OF THE DIRECTORS (CONTINUED)

- g) Construction of 400kV North West grid power transmission line project from Mbeya — Tunduma Sumbawanga — Mpanda — Kigoma Nyakanazi will be implemented in three phases: Phase one covering a portion from Mbeya - Tunduma to Sumbawanga a distance of 340km and scheduled for completion in 35 months' time from commencement date, while Phase two covering a portion from Nyakanazi — Kigoma at a distance of 280km scheduled for completion in 42 months' time from commencement date. Similarly, Phase three covering a portion from Kigoma- Mpanda to Sumbawanga a distance of 480km is scheduled for completion in 26 months from commencement date. ESIA certificate for MbeyaTunduma-Sumbawanga portion was obtained and that of Sumbawanga-Mpanda— KigomaNyakanazi portion was obtained . The compensation schedule for new Mbeya substation and Kigoma plots are Under Payment processes. The World Bank is financing Phase one while phase II will be parallel financed by AfDB and EDCF For remaining portion of phase three the effort of soliciting financing for the project implementation from various Development Partners is in progress.
- h) Construction of 400kV Singida — Arusha Nairobi Interconnector line. Government has concluded Financing Agreements with Lenders for the project (African Development Bank (AfDB) and Japan International Development Agency (JICA)). All Contractors are mobilized to site undertaking Soil Investigations, Engineering Design and all have commenced delivery of construction materials from abroad and locally. The project is expected to be completed on 30th June 2020.
- i) Rehabilitation of protection and control system at Singida completed on 31 st August 2018.
- j) Installation of 45MVA, 220/33kV transformer at Kidatu completed on 31 5t July 2017 at a total cost of TZS 1.8 billion.
- k) Rehabilitation and upgrade of Musoma, Nyakato, Sabasaba 33/11kV substations. The total cost of installation and rehabilitation is TZS 7.6 billion
- m) Capacity building and Emergency repair of five hydro power plants, namely Kidatu, Kihansi, Mtera, Pangani and Nyumba ya Mungu. The total project cost was 67.5 Million Nonvegian Kroner (TZS 18,701) financed by Government of Norway but the actual project cost for repair works exceeded the grant facility by Euro 1.5 Million(TZS 3,399.6 million) and thus the Company has to pay the difference. The project was completed on 20th April 2018.
- n) TANESCO Transmission Grid Rehabilitation & Upgrade Project (TGRUP), which includes rehabilitation of ten (10) grid, connected substations, extension of optical fiber telecommunication network for a distance of 1,345 kilometers, upgrading of SCADA/EMS System and Technical assistance under AFD financing. Procurement of ConsultancyServices has been initiated and the project is expected to be completed on 30th June 2020

II. Other projects implemented during the year ended 30 June 2018

- a) Construction of 132kV Mtwara — Lindi transmission line and associated substations construction works completed, line commissioned and energized on 31 st July 2017.
- b) Reinforcement of power distribution in Dar es Salaam regions including installation of two 60MVA 132/33kV transformers at tlala substation, stringing of the second transmission line on 132kVfrom Ubungo to Ilala; expansion of Msasani substation through installation of one 15MVA/33/1 IkV transformer and construction of three new substations of 15MVA 33/1 IkV at Jangwani Beach, Muhimbilj and Mwananyamala. The project was completed on 30th June 2017. The project was funded by JICA at a contract price of JPY 3,809.6 million(TZS 78,440 million).
- c) Instat(ation and Commissioning of 45MVA transformer in Tanga was completed on 30th June 2018. The total project cost is USD 1.4 million(TZS 3, 173 million)).
- d) Upgrade of Ubungo Kipawa 132kV transmission line by stringing the second circuit on existing towers project. The project was completed on 24th November, 2018

REPORT OF THE DIRECTORS (CONTINUED)

The operational performance of the Company during the year ended 30th June 2018 are summarised as follows:

	Plan 30 th June 2018	Actual 30 th June 2018	Actual 30 th June 2017	Percentage change from prior Period	Notes
Service lines completed during the year	250,000	199,483	250,983	-210/0	
Number of pending service line applications		45,187	45,977	-2%	
Units sold during the year million	6,378	5,729	6,059	-15%	
Additional 33kV and 11KV lines during the period/ year km	665	3,283	10,398	-68%	c
Total length of 33KV and 11KV distribution lines completed during the period/ year km	42,768	38,820	42,103		
Total length of low voltage lines by the end of the period/ year km	60,807	64,469	105,037	-39%	
Distribution transformers installed during the period/ year	944	2,100	4,355	-52%	
Total number distribution transformers by the end of the period/ year	17,639	18,795	16,695	13%	
Total number of consumers by the end of the period/ year	2,263,839	2,218,018	2,013,839		
Total number of staff	8,914	6,784	6,469	5%	
Consumer/staff ratio	254	327	311	5%	

Notes:

Explanation on major variances below or above +1-10% of the planned achievement during the year.

REPORT OF THE DIRECTORS (CONTINUED)

- A. The main reason for the recorded variance was insufficient customer connection materials experienced during the year. However, the Company is expecting to connect all pending customers timely following decision to decentralized procurement of customer connection materials in Zones with effect from 1 July 2018 which will ease material availability hence speed up connection activities.
- B. Unfavorable variance in units sold during the year was attributed by, among other things including failure to attain the planned customer connection. Another factor was unplanned outages caused by unforeseen transmission and distribution faults. Ongoing transmission and distribution infrastructures repairs and upgrade are expected to minimize power outages in future.
- C. This covers items C up to F. The main reason for the experienced variance in this block was insufficient distribution materials which hindered implementation of planned activities. Decentralization of procurement of distribution materials will curb this challenge and improve the pace of implementing distribution works,
- D. The variance was a result of non-completion of customer connection projects on time due to lack of sufficient materials. However, decentralization of procurement of distribution materials has improved availability of customer connection materials thus all pending customers will be connected timely going forward.

The Company has been experiencing a number of operational challenges in serving its customers. These challenges together with strategies used to address them are outlined below:

(a) Reliability and quality of power.

The rehabilitation and maintenance of generation, transmission and distribution networks continued to be carried out during the period in order to improve quality and reliability of power. During the year ended 30th June 2018 TZS 35,509 million was used in the rehabilitation and maintenance of assets. (At 30th June 2017 it was TZS 41,125 million).

(b) Power loss through meter tampering and stopped meters.

The progress on the project to install the Automatic Meter Reader (AMR) meters for Large Power Users (LPUs) (Tariff 2 and Tariff 3) as well as Medium Power Users (Tariff 1 customers using three-phase meters), as at 30th June 2018 was as follows: -

- i) Tariff 3: The cumulative number of customers installed with AMR meters as at 30th June 2018 is 694 (At 30th June 2017 it was 647 meters)
- ii) Tariff 2: The cumulative number of customers installed with AMR meters as at 30th June 2018 is 2,765 (At 30th June 2017 it was 2,749 meters)
- iii) Tariff 1: The cumulative number of customers installed with AMR meters as at 30th June 2018 is 27,660 (At 30th June 2017 it was 23,662 meters)

REPORT OF THE DIRECTORS (CONTINUED)

During the year under review, the AMR meters realized the following benefits:

1. Decrease in number of cases of energy thefts by large power users in comparison with when 'conventional' electromechanical/electronic meters were in use. For instance, the revenue protection team reported no incidence of AMR meter tampering for Tariff 3 customers and only two (2) customers for Tariff 2 for the period ended 30th June 2018.
2. Increase of average monthly revenue collection due to increased number of Tariff I customers with AMR meters. These can be disconnected remotely whereby 3,271 Tariff 1 AMR-metered customers were remotely disconnected with debt amounting to TZS 2,036.63 million while 2,549 AMR meters were remotely reconnected after payment, in which a total of TZS 1,251 million was collected from for the period ended 30th June 2018.
3. Accuracy of meter reading has enormously improved.
4. Giving clear and actual meter readings in different measurement levels (Primary Substations, feeders, boundaries, secondary substations and generation plants).

Management of energy losses

Energy losses reflect the difference between the quantity of energy sent out from the power stations and the quantity sold to various customers at the end of the value chain. The losses are categorised as technical or non-technical in nature,

Total losses were:

<u>Energy losses</u>	<u>Target</u> <u>30th June 2018</u>	<u>Actual</u> <u>30th June 2018</u>	<u>Actual</u> <u>30th June 2017</u>
Distribution loss (%)	11.00%	10.13%	7.9%
<u>Transmission loss (%)</u>	<u>6.00%</u>	<u>5.89%</u>	<u>6.0%</u>
<u>Total loss%</u>	<u>17.00%</u>	<u>16.02%</u>	13.9%

Meter audit through Revenue Protection Units (RPUs)

During the year ended 30th June 2018 the Company's Revenue Protection Units (RPUs) continued to carry out the operational campaigns against energy theft, known as 'Kampeni Kamata Wezi wa Umeme (KAWEU)' in all regions.

Out of the 169,000 customers inspected during the period ended 30th June 2018. Total 21582 customers equivalent to 1.5% of all customers inspected had metering discrepancies. A total of TZS 2,820.93 million was established as revenue loss. The Company billed the amounts and a total of TZS 994.2 million was collected which is equivalent to 35.24%.

Vandalism of infrastructures including theft of distribution lines cables and transformer oil

The Company continued to strengthen the national task force by improving collaboration with the communities including providing incentives to citizens who provide information on vandalism and power theft. During the year ended 30th June 2018, the Company continued to pursue the following activities in the front:

In the year of 2017-2018, most public awareness was done through media campaign, by using local media, Newspapers and Television regarding different issues like Bill payment, Electricity theft and Vandalism of electric Infrastructures, However the company has also involved in Public gathering in different regions in collaboration with Regional Commissioner's, Regional security officers and Local authoritative leaders.

Regions visited for awareness includes Dar es Salaam, Coast, Njombe (makambako district and Njombe municipal) and Arusha regions

REPORT OF THE DIRECTORS (CONTINUED)**6. COMPOSITION OF THE BOARD OF DIRECTORS**

The directors of the Company at the date of this report, and whom have served since 1 st July 2017 are:

SIN	Name	Position	Age	Qualification/ Discipline	Nationality	Date Appointed/ Resigned
1.	Dr. Alexander L. Kyaruzi	Chairman	65	Ph.D. (Electrical Engineering) Consulting Engineer	Tanzanian	Appointed 30 th May 2016
2.	Amb. Dr. James Mwasi Nzagi	Member	71	Ph.D. (Economic Science and Economic Management)	Tanzanian	Appointed 4 th Aug. 2016
3.	Mr. David E.	Member	45	CPA (NBAA) MBA (Finance)	Tanzanian	Appointed 30 th May 2016
4.	Dr. Lugano Wilson	Member	55	Ph.D. (Energy Engineering), Ph. Licentiate (Engineering)	Tanzanian	Appointed 30 th May 2016
5.	Ms. Anna B. Ngowi	Member	43	LLM Oil and Gas Law	Tanzanian	9 th Jan. 2017
6.	Eng. Gilay C. Shamika	Member	44	MSc.(Engineerin g Management)	Tanzanian	9 th Jan 2017

7. CORPORATE GOVERNANCE

The current Board of Directors consists of six (6) directors, all of whom are non-executive. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of Company business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and that the Company complies with sound corporate governance principles.

The Board is required to meet at least four (4) times a year. The Board delegates the day-to-day management of the business to the Managing Director assisted by senior management. Members of senior management are from time to time, invited to attend board meetings in order to facilitate the effective control of Company's operational activities, since they act as a medium of communication and coordination with the various business units.

The Company is committed to the principles of effective corporate governance. The directors also recognize the importance of integrity, transparency and accountability. During the period ended 30th June 2018.

REPORT OF THE DIRECTORS (CONTINUED)

The Board of Directors had the following board sub-committees to ensure a high standard of corporate governance in running the Company.

(i) Corporate Governance Committee (CGC)

The CGC deals with all finance and administration matters of the Company. The following are the members of the committee:

SIN	Name	Position	Qualification IDiscipline	Nationality	Date Appointed Resigned
1.	Dr. Lugano Wilson	Chairman	Ph.D. (Energy Engineering), Ph. Licentiate (Engineering)	Tanzanian	Appointed 2 nd sept 2016
2.	Mr. David E. Alal	Member	CPA(NBAA) MBA (Finance)	Tanzanian	Appointed 29 th Nov 2016
3.	Ms Anna B. Ngowi	Member	LLM Oil and Gas Law	Tanzanian	Appointed 14th Mar 2017

The CGC reports to the Board of Directors of the Company. CGC conducted three (3) ordinary meetings during the year ended 30th June 2018

(ii) Investment, Planning and Operations Committee (IPOC)

IPOC deals with technical matters especially investment planning. The following are the members of the IPOC:

SIN	Name	Position	Qualification! Discipline	Nationality	Date Appointed/ Resigned
1.	Amb. Dr. James Mwasi Nzagi	Chairman	Ph.D. (Economic Science and Economic) Management)	Tanzanian	Appointed 28 th Nov 2016
2.	Dr. Alexander L. Kyaruzi	Member	Ph.D. (Electrical Engineering)	Tanzanian	Appointed 10 th April 2017
3.	Eng. Gilay C. Shamika	Member	MSc. (Master of Engineering Management)	Tanzanian	Appointed 9 th Jan. 2017

REPORT OF THE DIRECTORS (CONTINUED)**(iii) Audit and Risk Committee (ARC)**

The ARC deals with Audit and Risk. The following are the members of the ARC committee.

SIN	Name	Position	Qualification/ Discipline	Nationality	Date Appointed/ Resigned
1.	Mr. David E Alal	Chairman	CPA(NBAA) MBA (Finance)	Tanzanian	Appointed 30 th May 2016
2.	Eng. Gilay C. Shamika	Member	Msc. (Master of Engineering Management)	Tanzanian	Appointed 9 th Jan. 2017
3.	Dr. Lugano Wilson	Member	Ph.D. (Energy Engineering), Ph. Licentiate (Engineering)	Tanzanian	Appointed 27 th June 2016

The ARC reports to the Board of Directors of the Company. ARC conducted two (2) ordinary meetings during the year ended 30th June 2018

(iv) Human Resources and Remuneration (HRRC)

The HRRC deals with staff welfares. The following are the members of the HRRC committee

SIN	Name	Position	Qualification/ Discipline	Nationality	Date Appointed/ Retired
1.	Ms. Anna B. Ngowi	Chairman	I-LM Oil and Gas Law	Tanzanian	Appointed 9 th Jan 2017
2.	Dr. Alexander L. Kyaruzi	Member	Ph. D. (Electrical Engineering) Consulting Engineer	Tanzanian	Appointed 27 th June 2016
3.	Amb. Dr. James Mwasi Nzagi	Member	Ph.D. (Economic Science and Economic)	Tanzanian	Appointed 27 th June 2016

HRRC reports to the Board of Directors of the Company. HRRC conducted one (1) meeting during the year ended 30th June 2018.

REPORT OF THE DIRECTORS (CONTINUED)

During the year ended 30th June 2018, the Board of Directors had seventeen (17) meetings as tabulated in the table below:

Meetings of Board and Committees

During the year ended 30th June 2018, the Board of Directors had seventeen (17) meetings as tabulated in the table below:

SIN Meeting Board of Corporate Investment Audit Risk Human

		Directors Governance Committee	Planning and Operations	Committee Resources and Remuneration Committee
1. Ordinary meetings 2.	3	3	2	2
Special Meetings	14	3	4	5
	17	6	6	7

7. CAPITAL STRUCTURE

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

SHARE CAPITAL	30th June 2018	30th June 2017
	TZS 'm	TZS 'm
Authorised: Ordinary Shares		
120,000,000,000 ordinary shares of TZS 20 each	2,400,000	2,400,000
Issued and fully paid:		
49,335,830,882 ordinary shares of TZS 20 each	986,717	986,717

The Government of Tanzania owns all the issued and fully paid shares.

ADVANCE TOWARDS SHARE CAPITAL	30th June 2018	30th June 2017
	TZS 'm	TZS 'm
At start of year	716,713	606,751
Amount received during the year	10,482	31,102
Fair value of low interest loans	24,323	78,860
At end of year/period	751,518	716,713

Advances toward share capital represent capital contributions received from the Government, and the reserves from the fair value of interest free loans.

REPORT OF THE DIRECTORS (CONTINUED)**8. SHAREHOLDERS OF THE COMPANY**

The Company is 100% owned by the Government. The shares of the Company are held as follows:

Shareholder	2018		2017	
	Shares in million		Shares in million	
	Ordinary	Preference	Ordinary	Preference
Government of Tanzania	49,336	-	49,336	-

MANAGEMENT

The Management of the Company is under the Managing Director who reports to the Board of Directors, The operations are split in the following business units: Generation, Transmission, Distribution and Customer Services, Investment, Finance, Information Communications Technology, Human Resource, Procurement, Legal Counsel and Company Secretariat.

There is also an independent unit of Internal Audit, which administratively reports to Managing Director and functionally to the ARC.

9. FUTURE DEVELOPMENTS PLANS

The Company continues to improve its performance by implementing various projects categorized as short and medium term plans/projects. These short and medium term plans/projects include:

Implementing Power System Master Plan (PSMP) lastly updated in 2017. Short Term Power Generation Master Plan for a period of 2018 to 2020 that provides load forecast, generation, and distribution and transmission expansion plans which are categorized into short, medium and long terms.

I. implementations of projects identified in PSMP are as follows:

- a) Construction of another 300MW gas-fired power plant to be installed at Kinyerezi III. The estimated cost of the project is USD 341 million (TZS 772,853 million). The modality of funding and implementing the project is still under negotiation.
- b) Construction of an 80MW hydro power plant at Rusumo and 220kV transmission line from Rusumo - Nyakanazi. The project is financed by the World Bank (Power Plant) and African Development Bank (AfDB) Transmission line) in collaboration with the Government of Tanzania. It is expected to be completed on 31 st December 2020.
- c) Construction of 44.8MW Malagarasi hydropower project at an estimated cost of USD 149.2 million (TZS 338, 151). The Consultant is procured and continues with additional studies and will also prepare basic design and preparation of Tender documents. The project is planned to commence in December 2020.
- d) Construction of 87MW Kakono Hydropower Project at an estimated cost of USD 379.4 million (TZS 879,884). Request has been sent to the Development Partners for soliciting financing USD 385 million (TZS TZS 872,576). The Consultant is procured and continues with additional studies and will also prepare basic design and preparation of Tender documents..African Development Bank (AfDB) has shown interest to finance the project. The project is planned to commence in December 2019 and commissioning date is expected to be 30th June 2023.
- e) Kikonge Multipurpose Dam, Hydropower (300MW) and Irrigation Project AfDB has approved a grant to finance this project with a cost of Euro 1.99 million(TZS 5,229 million) from Africa Water Facility, Euro 0.26 million(TZS 683 million) from CRIDIF and Euro 0.21 million(TZS 552 million) from Government of Tanzania (GOT) in kind contribution. We are currently working on procurement process of consultants for feasibility studies. Financial Agreement between GOT and the Lender was signed on 31 st July 2017.

REPORT OF THE DIRECTORS (CONTINUED)

- f) Procurement and installation of 300MW Gas Fired Power Plant at Mtwara Town including Construction of 400kV Power transmission line from Mtwara to Somanga Fungu Project. Japanese International Cooperation Agency (JICA) agreed to finance the project. A plot for locating the power plant has been identified and valuation of properties for compensation is completed. Other processes for compensation is underway.
- g) Construction of 220kV Dar es Salaam — Morogoro transmission line project for electrification of Standard Gauge Railway (SGR) line. Tanzania Railways Corporation (TRC) will finance this project and construction is expected to be completed by 3rd October, 2019. EPC Contractor procured and continues with site survey.
- h) Construction of 400kV North West grid power transmission line project from Mbeya Tunduma — Sumbawanga — Mpanda — Kigoma - Nyakanazi will be implemented in three phases: Phase one covering a portion from Mbeya - Tunduma to Sumbawanga distance of 340km and scheduled for completion in 35 months' time from commencement date, while Phase two covering a portion from Nyakanazi Kigoma at a distance of 280km scheduled for completion in 42 months' time from commencement date. Similarly Phase three covering a portion from Kigoma Mpanda to Sumbawanga a distance of 480km is scheduled for completion in 26 months from commencement date. ESIA certificate for Mbeya-Tunduma-Sumbawanga portion was obtained and that of Sumbawanga-Mpanda— Kigoma-Nyakanazi portion was obtained . The compensation schedule for new Mbeya substation and Kigoma plots are Under Payment processes. The World Bank is financing Phase one while phase II will be parallel financed by AfDB and EDCF For remaining portion of phase three the effort of soliciting financing for the project implementation from various Development Partners is in progress.
- i) Construction of 400 kV Rufiji - Chalinze —Dodoma Power Transmission Line project a distance of 512 km. project estimated cost is USD 276.36 million (TZS 626,351 million). The Project will also cover 115km of 400kV from Chalinze to Kinyerezi, Chalinze — Segera-Tanga and Kibaha Bagamoyo The project is scheduled for completion in 31 st December 2021.
- j) Development of 600MW coal power projects at Mbeya/Mchuchuma/Ngaka/Rukwa will be done by IPPs to be procured through competitive bidding process. These projects are expected to be completed by December 2020 Construction of solar power plants at Singida by Geo Wind and Wind East Africa. Due Diligence (DD) to the main finance contributor Swicorp of Dubai is already done. The DD report has been completed and submitted to Geowind for review and comments. While discussion on signing of MOU is going on, Swicorp submitted prerequisite conditions on Government Guarantee prior to engaging themselves into the business. Discussions on the way forward started under one year exclusivity period which will end on 27th September 2018 k) Construction of 220kV Dar es Salaam — Morogoro transmission line project for electrification of Standard Gauge Railway (SGR) line. Tanzania Railways Corporation (TRC) will finance this project and construction is expected to be completed by 30th September 2019. TANESCO will procure EPC contractor and the consultant.
- l) Construction 150MW Solar Power Plant at Kishapu District Shinyanga Region; TANESCO received financial support from AFD for procurement of consultancy services for carrying out a feasibility study. Consultant ARTELLIA of France was offered the tender; inception report submitted for comments and review. Review work is complete and final inception report presented to TANESCO. The Consultant ARTELLIA has completed carrying out a feasibility study including geotechnical and topographical survey. Production of feasibility study report is underway. The Consultant is to submit the feasibility study report by on 30th July 2019.

REPORT OF THE DIRECTORS (CONTINUED)

II. Other projects include:

- a) The Disaster Recovery Data Centre, which will ensure business continuity of ICT operations on the occurrence of a disaster at the primary site. The systems under this project are Email System, LUKU, iScala (Financial System) and HiAffinity (Billing System) termed as Business Critical Systems. The estimated cost is USD 1.45 million (TZS 3,286 million). The project was completed on 31 st December 2017.
- b) 400kV Transmission Line from Rufiji Hydropwer Project to Chalinze: The project involves construction of 400kV, about 162km of transmission line from the power plant at Rufiji Chalinze with associated substations. Procurement of a Consultant for carrying out a detailed feasibility study is underway.
- c) Supply, Installation, Commissioning and Configuration of equipment for Corporate Data Centre: Phase I of the project has been completed on 28th February 2016 and the cost was TZS 1,436.4 million. This project aims at providing reliable infrastructure for business systems. Phase II is upcoming and estimated to cost TZS 400 million this will include network infrastructure and other accessories. Phase 11 is in contract signing stage; completion is expected three months after contract signing by 31 st December 2017.
- d) Extension of 132kV TL from Tabora to Kigoma: The project involves construction of 132kV, about 395.1km of transmission line from Tabora to Kigoma with associated substations. Feasibility study for extension of 132kV completed. A proposal has been sent to MOE requesting approval for TANESCO to solicit funds from Development Partiners for implementation of the project.
- e) The Corporate Management System (CMS) project is an enterprise wide project to implement the state of art Enterprise Resource Planning (ERP). The project will be implemented in phases under supervision of the consulting firm Deloitte Consutting Ltd. Implementation time is 18 months after sourcing the contractor. The basic module on financials will be the first to be implemented within one year of the project implementation period. The estimated costs covering Capex and Opex in five years is estimated at TZS 86 billion. A tender awaits retendering to source contractor.
- f) The Integrated Security Management System project that will encompass three (3) modern security systems including, access Control, Intruder Alarm Fence and Closed Circuit Television (CCTV). The installation will cover Head Office, National Grid Control Centre, Kurasini Central Stores and 33KV Substation at Ubungo. The project is expected to cost USD 1.7 million (TZS 3,853). The project is at 60% and ail equipment are at site. The expected project completion date is 31 st December 2018.

10. TRANSMISSION SYSTEM REHABILITATION AND UPGRADES

a. Completed Projects

During the financial year 2017/2018 transmission network rehabilitation projects completed are detailed hereunder.

- i. Supply, Installation and commission of 45MVA, 220/33kV transformer at Kidatu. The cost of the project is TZS 1.8 billion and the completion date of the project was 31 st August 2018.
- ii. Supply, installation and commissioning of Private Automatic Branch Exchange (PABX) for Head Office and branches and it is expected to be completed on 31 st December 2018. The cost of the project is TZS 2.5 billion.

b. New Construction Projects in Pipeline

- i. Extension of Kurasini — Kigamboni 132kV Transmission line with 13.95km route length and construction of Kigamboni 132/33kV substation at an estimate project cost TZS 24,760.3million. The project completion date is 30th December 2019.

REPORT OF THE DIRECTORS (CONTINUED)

- ii. Termination and construction of 2x60/90MVA, 220/33kV substation at Buguruni, Dar es Salaam at an estimated cost TZS 15,274.7million with expected completion date of 30 th June 2019.
- iii. Supply, Installation and commission of 60MVA, 132/33kV transformer at Kunduchi at project cost of TZS 21578.4 million. The expected completion date is 31st December 2019. iv. Installation of 300MVA - 220/132/33kV, 35MVA -220/33/11kV and 15MVA - 66/33/11 kv transformers at Ubungo, Mufindi and Sumbawanga substations respectively at an estimated cost TZS 19,948 million. The expected completion date is 30th November 2019.
- v. Supply, Installation and commission of 60MVA, 220/132/33kV transformer at Njiro. The estimated cost of the project is TZS 9.2 billion. The expected completion date is 31st December 2019.
- vi. Supply, Installation and Commissioning of Advanced Power Quality Analyzers and PQ Monitoring System. The project cost is TZS 6,223.4 million and the expected completion date is 31st August 2019.
- vii. Replacement of aged insulators on 220kV Shinyanga — Bulyanhulu and 132kV Chalinze Morogoro transmission lines at an estimated cost of TZS1.2 billion. The expected completion date is 31st September 2019.
- viii. Rehabilitation and upgrade of Musoma at expected cost of TZS 1,421.3 million, Nyakato Mwanza at expected of USD 1.6 million and Sabasaba — Mwanza at a cost of TZS 3,064 million 33/11kV substations. The expected completion date is 31st December 2019.
- ix. Rehabilitation of protection and control system at Singida 220/33kV substation at project cost of TZS 2.2 billion and completion date was 30th October 2018.
- x. Procurement of live line tools and training to live line staff under transmission lines. The estimated cost is TZS 2.3 billion and the expected completion date is 31st September 2019.
- xi. Rehabilitation of protection and control system at Shinyanga 220/33kV substation. The estimated cost is TZS 2.49 billion and the expected completion date is 30th December 2019.
- xii. Emergency supply of switchgears for Mbezi, Kigamboni, Bahari Beach and Matanda. The project cost is TZS 4.08 billion and practical completion was 30th August 2018.

11. RESULTS AND DIVIDEND

During the year ended 30th June 2018, the Group incurred a net loss of TZS 112,516 million (30th June 2017: Loss TZS 265,297 million). The group have significant accumulated losses, therefore, the Directors do not recommend the payment of dividend for the year.

12. RISK MANAGEMENT AND INTERNAL CONTROL

In a good Corporate Governance, the key function of the Board of Directors of the Company envisioning to examine the internal control and risk management. The board accepts final responsibility for the risk management and internal control systems of the Company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an on-going basis in order to provide reasonable assurance regarding;

- i. The effectiveness and efficiency of operations;
- ii. The safeguarding of the Company's assets;
- iii. Compliance with applicable laws and regulations;
- iv. The reliability of accounting records;
- v. Business sustainability in normal and adverse conditions; and
- vi. Responsible behaviors towards all stakeholders.

REPORT OF THE DIRECTORS (CONTINUED)

The efficiency of any internal control system is dependent on the strict observance of prescribed measures, Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company system is designed to provide the board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial year ended 30th June 2018 and is of the opinion that they met accepted criteria.

Company risk management is a process affected by the Board of Directors, management and other personnel, applied in strategy setting and across the Company, designed to identify potential events that may affect the company and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of company objectives.

The Company's risk management philosophy encompasses a set of shared beliefs and attitudes, which set out how TANESCO considers risk in everything it does from strategy setting to day-to-day operational activities. It influences culture and operating style including how risks are identified, the kind of risks accepted and how they are managed. The Company's risk management philosophy is continually captured in policy statements, oral and written communications to stakeholders, staff and in every decision making.

The Board of Directors carries risk and internal control assessment through Audit and Risk Committee (ARC).

13. SOLVENCY

The Board of Directors confirms that applicable financial reporting standard have been followed and that the financial statements have been prepared on a going-concern basis. The Board has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future

The Government has been consistently showing commitment in assisting the Company. The directors are of the opinion that the Government acknowledges the Company's financial difficulties and it will not recall its loan that the Company has defaulted paying.

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

The Government has been partly financing rural electrification projects through its agency, the Rural Energy Agency (REA), through capital grants and is expected to continue to provide funds for these projects for the foreseeable future. In addition, the Government has continued to solicit grants from external donors to finance electrification projects and rehabilitation of distribution and transmission networks.

14, EMPLOYEES' WELFARE

Management and Employee's Relationship

(i) Industrial Relationship

There was a continued positive relation between employees and Tanzania Union of Industrial and Commercial Workers (TUICO) and Management during the year ended 30th June 2018. No industrial unrest was reported apart from disciplinary cases to employees engaged in unethical behaviour.

Management and the trade union have continued to work together in pertinent issues for the betterment of the employee's welfare and the Company.

REPORT OF THE DIRECTORS (CONTINUED)**(ii) Employment**

The Company is an equal opportunity employer. It gives equal access to employment opportunities to both males and females and free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties.

During the year ended 30th June 2018 the Company recruited 805 new employees to fill the gaps of employees who retired, passed away, terminated and those from approved establishment in respective years. Below table illustrate employment category and gender.

Year	No. of staff Employed	Technical	Non-Technical	Gender	
				Male	Female
1 st July 2017 – 30 th June 2018.	805	490	315	702	103
1 st July 2016 – 30 th June 2017.	47	1	46	31	16

During the same year, 558 employees ceased to be employees of the Company due to retirement, death, termination on disciplinary grounds and resignation. (12-month period ended 30th June 2017: 251)

Management and Employee's Relationship

S/No	Category	1 st July 2017 to 30 th June 2018	Technical	Non-Technical
1.	Retired	179	85	94
2.	Terminated	317	151	166
3.	Resigned	9	7	2
4.	Deceased	41	24	17
5.	Absconded	6	4	2
6.	Seconded	1	0	1
7.	Unpaid Leave	5	2	3
	Total	558	273	285

(iii) Capacity Building.

During the year ended 30th June 2018 the Company utilized TZS 3.04 billion (12-month period ended 30th June 2017: TZS 1.7 billion) for staff training at Corporate level in order to improve employee's technical skills and productivity. The Company trained 4216 employees (12-month period ended 30th June 2017: 2,232) in various capacity building programs. Of the total, 4055 staff were trained focally and 161 staff were trained abroad through various sponsoring international agencies i.e. Government of India, World Bank, European union, JICA, AfDB and others. 57% of the locally trained staff (2348) were trained through internal arrangement under TANESCO Training Schools which implemented 14 training programs with a total of 37 training sessions. (12-month period ended 30th June 2017: 49) These trainings were meant to improve employee's practical skills in areas such as Line construction and maintenance, transformer installation and its protection, Meter installation, Hydro power main control systems, Grid substation & Switching operations.

Non-technical the trainings covered 128 staff who participated in Accounting Operating System for Regional Managers, Information & Communications Technology (ICT) and Defensive driving training. During this year a total of TZS 1.3 billion was utilized as training costs at ITS (12-month period ended 30th June 2017: TZS 2.4 billion)

Performance Management and Productivity

During the year ended 30th June 2018 the Company continued with the review of Performance Management process with the aim of strengthening control and improving productivity in line with its strategic objective. Through this period, implementation of One Minute Goals and Performance Contracts have continued as a means for appraising employees' performance.

REPORT OF THE DIRECTORS (CONTINUED)

Implementation of Electronic Performance Management System (EPMS) has continued. This new computerized system addresses the challenges encountered in managing performance development through old systems (One Minute Goal and Performance Contracts). The system improves controls and retrievability of staff performance information, which is critical for decisions related to improving company's productivity. Updating of the system was carried out to address challenges noted during trainings conducted for HR and ICT. More trainings were conducted for selected group of change champions including trade union leaders for purposes of spearheading implementation process.

Medical Assistance

During the year under review medical services were provided through NHIF following implementation of Government directive for all public corporations to join NHIF. The Company officially joined NHIF on 1 st November, 2017 for provision of medical services. Implementation of the new HIV/AIDS Policy continued by providing Nutritional Food Supplements to infected employees, Conducting Voluntary Counseling and Testing, as well as Training Peer Educators in all our regional, district and power generation plant offices. In addressing the emerging challenges of deaths caused by non-communicable diseases, the company strengthened implementation of health talks and educational programs related to non-communicable diseases and life style changes.

Health and Safety

The Company has made efforts to ensure that Occupational Health and Safety is maintained and adhered to by all employees.

Accident prevention has been the core and foremost goal where all major accidents are investigated and mitigation measures implemented. To raise level of awareness to employees of different discipline, the Company has conducted various trainings among others includes Disaster Preparedness and Response Plan (DPRP) and CPR, MV/LV certification course, re-categorized linesmen safety training and Lock Out and Tag Out (LOTO). Also the Company conducted public safety awareness campaign to primary and secondary schools students, college students as well as public meetings on safety to villagers especially on newly electrified villages as well as through media on "TANESCO NA MAENDELEO" TV program.

During the year ended 30th June 2018 the Company paid TZS 34557 million (12-months year ended 30th June 2017: 33,704 million) as contributions to publicly administered Pension Schemes (i.e. Parastatals Pension Fund (PPF), National Social Security Fund (NSSF), Public Service Pensions Fund (PSPF), Local Authority Pension Fund (LAPF), Workers Compensation Fund (WCF) and Government Employees Provident Fund (GEPF).

Persons with Disabilities

It is the Company's policy to accept disabled persons for employment for those vacancies that they are able to fill. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and appropriate training is arranged. It is the Company's policy that training, career development and promotion of disabled persons are identical to that of other employees.

15. GENDER PARITY

During the year ended 30th June 2018, the Company had 6,784 employees (12-month year ended 30th June 2017: 6,469), out of which 1,368 (20%) are female and 5,416 (80%) are male. (12-month year ended 30th June 2017: Female 1,320 and Male 5,149).

16. RELATED PARTY TRANSACTIONS

Details of transactions and balances with related parties are included in note 39 to the financial statements.

17. POLITICAL AND CHARITABLE DONATIONS

The Company did not make any political donations during the year ended 30th June 2018 (12-month year ended 30th June 2017: Nil), the company donated only to charitable organizations. The total donations made during the year ended 30th June 2018 amounted to TZS 62.9 million (12-month year ended 30th June 2017: TZS 104 million).

REPORT OF THE DIRECTORS (CONTINUED)**18. GOVERNEMENT WAIVER OF VALUE ADDED TAX (VAT) ON SALES OF ELECTRICITY TO ZANZIBAR ELECTRICITY COMPANY LIMITED (ZECO)**

TANESCO is obliged to remit Value Added Tax (VAT) to Tanzania Revenue Authority (TRA) in respect of electricity sales made to Zanzibar Electricity Company Limited (ZECO). However, ZECO has a long outstanding VAT disputed on kVA 69% portion while the remaining 31% is payable by the Ministry of Energy (MEM). The United Republic of Tanzania (URT) Ministers Cabinet under the chairmanship of the President of URT passed a Resolution on 21 st January 2019 to charge a ZERO rate of VAT for sales of electricity to Zanzibar Electricity Company Limited (ZECO) instead of 18% as stipulated in Chapter 148 of VAT Act [R.E 2018]. Moreover, the Cabinet resolved to write off accumulated VAT that ZECO had pay to TANESCO amounting to TZS 22,950 million that could ultimately be paid to TRA

The accumulated Value Added Tax were extracted from TANESCO records for reconciliation and demand for payments as indicated in the table below:

	<u>31st October 2018</u>	<u>30th June 2018</u>	<u>30th June 2017</u>
	TZS 'm	TZS 'm	TZS 'm
Disputed VAT as per ZECO (69% portion) for Unguja and Pemba	22,950	19,561	9,599

The Directors are aware of the resolution concluded by the Minsters Cabinet. Appropriate disclosure included in the subsequent events after reporting period.

The entire Value Added Tax amount outstanding in the books of TANESCO will be written off subsequent to completion of legal procedures and issuance of notice in the government gazette by the Minister of Finance and amendment of the VAT Act Chapter 148 in respect of VAT on electricity sales to ZECO.

19. ENVIRONMENTAL CONTROL PROGRAMME

The Company continues to manage environmental and social management measures in compliance with national laws and regulations and national and international environmental standards. For alf new projects, the company undertake Environmental and Social Impact Assessment (ESIA) and Environmental auditing of existing power infrastructures. It also implementing Environmental and Social Mitigation and monitoring measures for all ongoing to comply with EIA certificates and lenders requirements. The Company has been in compliance with the Environmental Management Act Cap 191 and Environmental Impact Assessment and Audit Regulations of 2005.

In working with development partners the Company has observed different policies such as World Bank OP 4.01 Environmental Assessment; OP.4.04 — Natural Habitats; OP 4.12 — Involuntary Resettlement; JICA Environmental and Social Consideration guidelines. In order to improve Company environmental performance, the Company established its unit headed by Manager to spearhead the environmental and social management measures.

The company is in the process of establishing its Company Environmental Management System (EMS) that will include environmental policy, objectives, performance targets, and mode of communicating environmental performance and feedback and identification of areas of improvement. In 2016/17, as the first step, identification of key environmental aspects related to the company operations was done, preparation of the Company Environmental Policy and establishment of Environmental Management System is planned to continue in 2017/18 financial year.

REPORT OF THE DIRECTORS (CONTINUED)

The Company must receive ESIA clearance certificates from the National Environmental Management Council (NEMC) before implementing any project. Therefore, during the year ended 30th June 2017 the Company has undertaken a number of Environmental and Social Impact Assessments and Environmental Audit studies for various projects using internal capacity and some in collaboration with external consultants. While some impact assessments and audits have been completed, the ESIA and EA process for some projects will continue to be implemented in year 2017/18.

The projects include:

i. Environmental and Social Impact Assessment (ESIA) and Resettlement Action Plan (RAP) Studies: -

- a) ESIA and RAP for Mtwara — Lindi 132kV Transmission Line.
- b) ESIA and RAP for Somanga 250MW CCC.
- c) ESIA for Mbeya — Tunduma 400kV Transmission Line (under Zambia — Tanzania — Kenya power inter connector project).
- d) ESIA for Lake Ngozi exploration drilling for geothermal power.
- e) ESIA and RAP for Geita — Nyakanazi 220kV Transmission Line.
- f) RAP study for Rusumo — Nyakanazi 220kV Transmission line.
- g) ESIA for Electrification of Rural Areas of Katavi and Rukwa regions.
- h) North West Grid Extension phase II and III (Nyakanazi (Kabale) — Kigoma — Mpanda 400kV Transmission line) and Mpanda - Sumbawanga 400kV transmission line.
- i) RAP for Bulyanhulu — Geita 220kV Transmission line updates.
- j) ESIA for Upgrade and extension of telecommunication infrastructure and enhancement of SCADA System for 10 substations and 5 existing 220kV (Mufindi — Mbeya and Singida — Mwanza), 132kV (Mwanza — Musoma and Shinyanga — Tabora) and 66kV (Kondoa — Babati — Mbulu — Karatu) transmission lines under AfDB funding.
- k) Strategic Environmental Assessment for the Power System Master Plan update
- m) ESIA for Hale Hydropower Plant Rehabilitation project.

ii. Environmental Audit and Monitoring for the: -

- (a) Environmental Audit for Tunduru thermal power station.
- (b) Environmental and Social monitoring for Kihansi catchment management for the hydropower station.
- (c) Monitoring of implementation of Environmental and Social Management Plan (ESMP) for Backbone Transmission Investment Project (BTIP) 400kV TL.
- (d) Monitoring of implementation of ESMP for Singida — Namanga (ZTK) 400kV TLS (e) Environmental Audit for Kigoma Power Station.
- (f) Environmental monitoring for Ubungo I Power station.
- (g) Environmental Monitoring and ESMP implementation for Kinyerezi I and II gas power plants.
- (h) Environmental Audit for Pangani Hydro system

Also during the year ended 30th June 2018, the Company has continued to acquire land for the implementation of the project using existing laws particularly the Land Act No 4 of 1999, the Land Acquisition Act of 1967, the Land Regulations of 2001 and other amendments that has followed since 2001. As some projects are being financed by other development partners, the land acquisition process has gone further to fulfil both the requirement of the country and that of development partners' policies such as World Bank, African Development Bank, International Finance Company, and JICA.

The main challenge is shortage of funds that has caused delay in payment of compensation money, increase of land value, multiple projects at the same time and lack of appropriate tools and equipment. Shortage of funds has caused some of the environmental mitigation and management plans not to be implemented on time causing grievances from project affected people. However, using its little resources, the Company has continued to receive and resolve complaints from dissatisfied project affected people (PAPs). In spite of all the challenges, EIA certificates have been obtained, contractors have been handed over site as required and the projects have been constructed almost on schedule.

REPORT OF THE DIRECTORS (CONTINUED)**20. CORPORATE SOCIAL RESPONSIBILITY**

The Company has continued with commitment towards sustainable energy supply without undue compromise to human and environmental development in line with business strategies towards building strong social value with the community. Reliable service delivery, ethical behavior, responsive and accountable to customers' needs and interests through various business re-engineering processes focusing on improving corporate image are some of the measures that have been taken to abide with corporate social responsibility. The Board of Directors has approved the Corporate Social Responsibility Policy, which guides all donation and contributions made by the Company to the society.

The social responsibilities are in health, social welfare, education and environmental categories and the company sets aside budget every year to cater for all Corporate Social Responsibility activities.

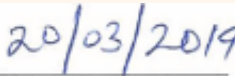
During the year ended 30 th June 2018, apart from other donations and contributions, the Company continued to provide medical and transport services to citizens who live nearby the Hydro power stations. Such services are provided at Kidatu, Hale Pangani, Mtera and Kihansi Hydro Power Stations. The Company also provides financial assistance on the occasional basis to the nursery and primary schools at Kidatu and Mtera.

21. AUDITORS

The Controller and Auditor General (CAG) is the statutory auditor of the Group and Company separate financial statements 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 No. 1 1 of 2008. However, in accordance with Section 33 of the same Act, Ernst and Young has been authorized by CAG to carry out the Audit of Tanzania Electric Supply Company Limited and its subsidiaries for the year ended 30th June 2018.

BY ORDER OF THE BOARD

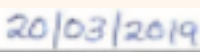

Chairman: Dr. Alexander L. Kyaruzi



Date



Director: Mr. David E. Alal



Date

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Tanzanian Companies Act, 2002 requires the directors to prepare financial statements for each financial period, which present fairly the state of financial affairs of the Group and Company as at the end of the financial period and of the Group and Company's operating results for that period. It also requires the directors to ensure that the Group and Company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and Company. They are also responsible for safeguarding the assets of the Group and Company.


The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Tanzanian Companies Act, 2002 This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Tanzanian Companies Act, 2002, The directors are of the opinion that the financial statements present fairly the state of the financial affairs of the Group and Company and its operating results.

The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control



Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

The consolidated and separate financial statements for the year ended 30 th June 2018, were approved by the Board of Directors for issue and signed on its behalf by:

	
---	---

Chairman: Dr. Alexander L. Kyaruzi

Date

	
---	---

Director: Mr. David E. Alal

Date

DECLARATION OF THE HEAD OF FINANCE

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

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

I, Renata C. Ndege being the Head of Finance of Tanzania Electric Supply Company Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30th June 2018 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: Renata C. Ndege

Position: Chief Financial Controller
NBAA Membership No, ACPA 1721

REPORT OF THE CONTROLLER AND AUDITOR GENERAL

The Chairman,
Board of Directors,
Tanzania Electric Supply Company Limited, Ubungo Head office, 'Umeme Park'
Morogoro Road P. O. Box 9024
Dar es Salaam.

RE: REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF TANZANIA ELECTRIC SUPPLY

Introduction

I have audited the accompanying consolidated and separate Financial Statements of Tanzania Electric Supply Company Limited (the ('Group")) set out on pages 32 to 112, which comprise the consolidated and separate statements of financial position as at 30 June 2018, and the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Opinion

In my opinion, the accompanying consolidated and separate Financial Statements present fairly, in all material respects, the financial position of the Tanzania Electric Supply Company Limited as at 30 June 2018, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in compliance with the requirements of the Tanzanian Companies Act, 2002.

Basis of Opinion

I have conducted this audit in accordance with International Standards on Auditing (iSAs) and International Standards of Supreme Audit Institutions (ISSAfs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Tanzania Electric Supply Company Limited and its Subsidiaries 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 and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

Without qualifying my opinion, I draw attention to the users of this report on matters disclosed in note 37 to the consolidated and separate financial statements, which describes that the Company is a defendant in an arbitration case filed by Standard Chartered Bank Hong Kong (SCBHK) at the International Centre for Settlement of Investment Disputes (ICSID). Following the final ruling (final award) issued on 12th September 2016 required TANESCO to pay SCBHK US\$148.4 million (approximately TZS 336.34 billion) together with interest on the amount owing on the basis of simple three month LIBOR plus 4% starting from 30th September 2015. The payment would be enforceable if SCBHK registers the Award in the Tanzanian Courts. SCBHK did not register the award within the required time of 120 days from the date of award. TANESCO challenged the award through annulment and the ICSID has rendered its decision on annulment on 22nd August, 2018 in favour of SCBHK. Although the decision sets TANESCO to the status quo before challenging of the Award, execution and finally payment of the claim are yet too remote on the grounds that; payment of the claim depends on the interpretation of various laws relating complaint subject of the award and success of the ongoing arbitration proceeding against the Guarantor (Government of Tanzania). As such, payments is conditional upon conclusion of the proceeding against guarantor.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)

The Directors are of the opinion that, it is not probable that any liability will arise as the possibility of execution and finally payment of the claim are yet too remote, payment of the claim is conditional upon conclusion of the proceedings against the guarantor, no material losses may arise to TANESCO in respect of the legal claim at the date of these financial statements, and hence the Company has not made any provision against the claim in the consolidated and the separate financial statements. My opinion is not modified in respect of this matter.

Other information included in the Group and Company's 30th June 2018 Annual Report

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

My opinion on the financial statements does not cover the other information and I do not express any form of assurance thereon. In connection with my audit of the Group and separate Company 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 have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

Management and the Directors are responsible for the preparation and fair presentation of the Group and Company separate financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2002 of Tanzania, and for such internal control as the Directors 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, the Directors are responsible for assessing the Group and Company'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 the Directors either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Group and Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objective is 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 ISAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition, Section 10(2) of the Public Audit Act No. 11 of 2008 requires me to satisfy myself that, the accounts have been prepared in accordance with appropriate accounting standards.

Further, Section 48(3) of the Public Procurement Act No. 7 of 2011 requires me to state in my annual audit report whether or not the audited entity has complied with the provisions of the Law and its regulations.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)

As part of an audit in accordance with ISAS and ISSAIs, I exercise professional judgement and maintain professional scepticism 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 Group and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' 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 Group and Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's 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 auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.
- 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 the Directors 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.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)

Report on other legal and regulatory requirements**1. Compliance with the Companies Act, 2002**

As required by the Companies Act, 2002 of Tanzania, I report to you, based on my audit, that:

- I have obtained all the information and explanations, which to the best of my knowledge and belief, were necessary for the purpose of my audit;
- In my opinion, proper books of account have been kept by the group and company, so far as appears from my examination of those books;
- The Directors' Report is consistent with the financial statements;
- Information specified by law regarding Directors' remuneration and transactions with the group and company are disclosed; and,
- The group and company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

2. Compliance with the Public Procurement Act, 2011

In view of my responsibility on the procurement legislation, and taking into consideration the procurement transactions and processes, I have reviewed as part of this audit, I state that Tanzania Electric Supply Company Limited and its subsidiary companies has generally complied with the requirements of the Public Procurement Act No. 7 of 2011 and its underlying Regulations of 2013.


Salhina M. Mkumba
Ag. CONTROLLER AND AUDITOR GENERAL

National Audit Office
Dar es Salaam, Tanzania.



April, 2019

CONSOLIDATED SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Consolidated		Separate	
		30 th June 2018	30 th June 2017	30 th June 2018	30 th Jun 2017
		TZS 'm	TZS 'm	TZS 'm	TZS 'm
Revenue	9	1,436,153	1,415,314	1,436,153	1,415,314
Cost of sales	10	(1,460,090)	(1,537,037)	(1,459,921)	(1,537,037)
Gross (loss)/profit		(23,937)	(121,723)	(23,768)	(121,723)
Other income	11	202,826	140,844	202,148	140,526
Operating expenses	12	(201,028)	(168,762)	(197,683)	(164,446)
Operating (loss)/profit		(22,139)	(149,641)	(19,303)	(145,642)
Interest income on bank deposits	13(b)	551	904	551	904
Finance cost	13(a)	(96,060)	(121,008)	(96,060)	(121,008)
Net finance cost		(95,509)	(120,104)	(95,509)	(120,104)
Share of loss in associate	21	(802)	(719)	-	-
Loss before tax		(118,449)	(270,464)	(114,811)	(265,746)
Income tax credit/(charge)	14	5,933	5,167	5,940	5,170
Loss for the year		(112,516)	(265,297)	(108,871)	(260,576)
Other comprehensive income		-	-	-	-
Total comprehensive (loss)/profit for the year		(112,516)	(265,297)	(108,871)	(260,576)

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	Consolidated		Separate	
		30 th June	30 th June	30 th June	30 th June
		2018	2017	2018	2017
		TZS 'm	TZS 'm	TZS 'm	TZS 'm
Non-current assets					
Property, plant and equipment	16	6,260,216	6,416,160	6,258,198	6,414,365
Capital work in progress	17	1,833,176	1,474,090	1,826,641	1,474,090
Intangible asset	18	526	618	490	618
Investment property	19	181	227	181	227
Investment in subsidiary	20	-	-	16,346	2,000
Investment in associate	21	202	93	2,724	1,813
Other investments	22	1,056	1,056	1,056	1,056
Capacity charges prepayment	23	27,237	31,723	27,237	31,723
Restricted cash	27(b)	32,499	10,404	32,499	10,404
		8,155,093	7,934,371	8,165,372	7,936,296
Current assets					
Inventories	25	13,020	10,909	13,020	10,909
Trade and other receivables	26	234,288	239,338	234,816	245,740
Prepayments		62,551	65,827	62,551	65,827
Withholding tax recoverable		356	2,097	356	2,097
Restricted cash	27(b)	13,353	58,958	13,353	58,958
Bank balances and cash	27(a)	285,263	113,702	262,339	113,504
		608,831	490,831	586,435	497,035
Total assets		8,763,924	8,425,202	8,751,807	8,433,331
Capital and reserves					
Share capital	28(a)	986,717	986,717	986,717	986,717
Advance towards share capital	28(b)	751,518	716,713	751,518	716,713
Accumulated losses		(2,303,827)	(2,191,306)	(2,290,685)	(2,181,814)
Reserves		2,301,040	2,301,040	2,301,040	2,301,040
Total equity		1,735,448	1,813,164	1,748,590	1,822,656
Non-current liabilities					
Deferred tax liability	24	1,102,435	1,102,846	1,102,435	1,102,846
Grants	29	2,892,213	2,574,158	2,870,310	2,573,235
Borrowings – Non-current portion	30	716,895	767,623	716,895	767,623
Consumer deposits	33	16,429	21,245	16,429	21,245
Deferred income		949	-	-	-
Other employment benefits	31	26,404	22,847	26,404	22,847
		4,755,325	4,488,720	4,732,473	4,487,798

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	Consolidated		Separate	
		30 th June 2018	30 th June 2017	30 th June 2018	30 th June 2017
		TZS 'm	TZS 'm	TZS 'm	TZS 'm
Current liabilities					
Trade and other payables	32	1,261,826	1,224,476	1,259,432	1,224,038
Borrowings – Current portion	30	903,296	793,009	903,296	793,009
Provisions	36	98,035	94,695	98,035	94,695
Income tax payable	35	9,992	11,139	9,981	11,136
		<u>2,273,149</u>	<u>2,123,318</u>	<u>2,270,744</u>	<u>2,122,878</u>
Total liabilities		<u>7,028,474</u>	<u>6,612,038</u>	<u>7,003,217</u>	<u>6,610,675</u>
Total equity and liabilities		<u>8,763,922</u>	<u>8,425,203</u>	<u>8,751,807</u>	<u>8,433,332</u>

The financial statements were authorised for issue by the Board of Directors on 20/03/ 2019, and were signed on its behalf by:



Chairman: Dr. Alexander L. Kyaruzi



Director: Mr. David E. Alal

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2018

CONSOLIDATED	Share capital	Advance towards share capital	Revaluation reserve	Fair value reserve	Accumulated losses	Total
	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Year ended 30 th June 2018						
Balance at 1 st July 2017	986,717	716,713	2,301,040	-	(2,191,306)	(1,813,164)
Total Comprehensive income:						
Loss for the year	-	-	-	-	(112,516)	(112,516)
Other comprehensive income:						
Fair valuation of interest-free Loans on initial recognition	-	34,748	-	-	-	34,748
Deferred tax liability on fair valuation of interest-free Loans on initial recognition	-	(10,424)	-	-	-	(10,424)
Transactions with owners:						
Advance towards Share capital	-	10,481	-	-	-	10,481
Balance as at 30th June 2018	986,717	751,517	2,301,040	-	(2,303,827)	1,735,448

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY (CONTINUED)

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 30TH JUNE 2018

SEPARATE	Share capital	Advance towards share capital	Revaluation reserve	Fair value reserve	Accumulated losses	Total
	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Year ended 30 th June 2018						
Balance at 1 st July 2017	986,717	716,713	2,299,985	1,055	(2,181,815)	1,822,656
Total Comprehensive income:						
Profit/Loss for the year	-	-	-	-	(108,871)	(108,871)
Other comprehensive income:						
Fair valuation of interest-free Loans on initial recognition	-	34,748	-	-	-	34,748
Deferred tax liability on fair valuation of interest-free Loans on initial recognition	-	(10,424)	-	-	-	(10,424)
Transactions with owners:						
Advance towards Share capital	-	10,481	-	-	-	10,481
At end of the year	986,717	751,518	2,299,985	1,055	(2,290,685)	1,748,589

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY (CONTINUED)

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 30TH JUNE 2018

COSOLIDATED	Share capital TZS 'm	Advance towards share capital TZS 'm	Revaluation reserve TZS 'm	Fair value reserve TZS 'm	Accumulated losses TZS 'm	Total TZS 'm
Year ended 30th June 2017	986,717	606,751	2,301,040	-	(1,926,001)	1,968,507
Balance as at 1st July 2016						
Total Comprehensive income						
Loss for the year	-	-	-	-	(265,297)	(265,297)
Other comprehensive income						
Fair valuation of low interest loans on initial recognition	-	112,657				112,657
Deferred tax liability on fair valuation of low interest loans on initial recognition.	-	(33,797)				(33,797)
Fixed asset revaluation surplus	-	-				-
Deferred tax liability on fixed assets revaluation surplus	-	-				-
Transactions with owners:						
Advance towards Share		31,102				31,102
Balance as at 30th June 2018	986,717	716,713	2,301,040	-	(2,191,298)	1,813,172

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY (CONTINUED)

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 30TH JUNE 2018

SEPERATE	Share capital TZS 'm	Advance towards share capital TZS 'm	Revaluation reserve TZS 'm	Fair value reserve TZS 'm	Accumulated loss TZS 'm	Total TZS 'm
Period ended 30 th June 2017						
balance at 1 st July 2016	986,717	606,751	2,299,985	1,055	(1,921,238)	1,973,270
Total Comprehensive income:						
Loss for the year	-	-	-	-	(260,576)	(260,576)
Other comprehensive income:						
Fair valuation of interest-free Loans on initial recognition	-	112,657	-	-	-	112,657
Deferred tax liability on fair valuation of interest-free Loans on initial recognition		(33,797)	-	-	-	(33,797)
Transactions with owners:						
Advance towards Share capital	-	31,102	-	-	-	31,102
At end of the year	<u>986,717</u>	<u>716,713</u>	<u>2,299,985</u>	<u>1,055</u>	<u>(2,181,814)</u>	<u>1,822,656</u>

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

	Note	CONSOLIDATED		SEPARATE	
		30 th June 2018	30 th June 2017	30 th June 2018	30 th June 2017
		TZS 'm	TZS 'm	TZS 'm	TZS 'm
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operating activities	34	345,921	328,813	352,565	329,079
Interest paid		(28,263)	(51,123)	(28,263)	(51,123)
Tax paid		(4,311)	(328)	(4,311)	(328)
Net cash from operating activities		313,347	277,362	319,991	277,628
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to capital work in progress		(592,023)	(822,887)	(585,489)	(822,887)
Transfer to subsidiary Property & Equipment		-	(957)	-	-
Acquisition of Property, Plant & Equipment		(558)	-	-	-
Acquisition of subsidiary		(14,346)	(1,000)	(14,346)	(1,000)
Addition of intangible		(36)	-	-	-
Acquisition of other investment		(910)	(460)	(910)	(460)
Net cash used in investing activities		(607,873)	(825,304)	(600,746)	(824,347)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings	30	94,764	181,874	94,764	181,874
Loan repayments	30	(71,307)	(115,734)	(71,307)	(115,734)
Change in restricted cash	27	23,510	3,359	23,510	3,359
Proceeds from grants	29	394,292	430,534	372,141	430,451
Proceeds towards share capital		24,827	32,102	10,481	31,102
Net cash generated from financing activities		466,087	532,136	429,590	531,053
Net increase in cash and cash equivalents		171,561	(15,806)	148,835	(15,666)

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS(CONTINUED)

	Note	CONSOLIDATED		SEPARATE	
		30 th June	30 th June	30 th June	30 th
		2018	2017	2018	June
		TZS 'm	TZS 'm	TZS 'm	TZS 'm
Movement in cash and cash equivalents					
Cash and cash equivalents at beginning of year		113,703	129,509	113,504	129,170
Increase during the year		171,561	(15,807)	148,835	(15,666)
Cash and cash equivalents at end of year	27	285,263	113,702	262,339	113,504

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Tanzania Electric Supply Company Limited (the "Company") is a company domiciled in Tanzania. The consolidated financial statements of the Company as at and for the year ended 30th June 2018 comprise the Company and its subsidiary Tanzania Geothermal Development Company Limited, Electrical Transmission and Distribution and Maintenance Company Limited and Tanzania Concrete Poles Manufacturing Company Limited (together referred to as the Group). The Group is primarily involved in generation, transmission and distribution of electricity.

The registered office is:
Umeme Park
P.O. Box 9024
Ubungo
Dar es Salaam

2. BASIS OF PREPARATION

These consolidated and separate financial statements of the Company have been prepared in accordance with the international Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act, 2002.

Details of the accounting policies are included in Note 7

Consolidation

The consolidated financial statements have been prepared on a historical cost basis, except for low interest loans and borrowings on lent borrowed by the Government on behalf of the Company have been measured at fair value. The Company owns 100% of the ordinary share capital of Tanzania Geothermal Development Company Limited (TGDC), Electrical Transmission & Distribution Construction and Maintenance Company Limited (ETDCO) and Tanzania Concrete Poles Manufacturing Company Limited (TCPMC). These subsidiaries were incorporated on 19th December 2013, 7th June 2016 and 16th December 2014 respectively.

The consolidated financial statements include the financial statements of Tanzania Electric Supply Company Limited and its subsidiaries, all made up to 30th June 2018. The consolidated financial statements are of the Group and Company (Separate).

3. FUNCTIONAL AND PRESENTATION CURRENCY

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

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated and separate financial statements in conformity with International Financial Reporting Standards (IFRS) which requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

i) Judgements

The areas that Management uses judgements, which have most significant effects on the consolidated and separate financial statements, include:

- a. Consolidation: whether the Company has de facto control over a Subsidiary or an investee, and
- b. Lease classification.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

ii) Assumptions and estimation uncertainties

Below are the areas of estimation uncertainties that have a significant risk of resulting in a material adjustment in the subsequent financial years.

a. Income tax

The Company is subject to income taxes to the government. However, recognition of 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 affect 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 directors in determining depreciation rates for property, plant and equipment. The rates used are set out in note 7(d).

c. Trade and other receivables provisioning

Critical estimate is made in determining fair value receivable from customers by estimating provisional bad debt basing on current policy.

d. Impairment provisions

Critical estimates are made by directors in determining the carrying amount of impaired property, plant and equipment.

ii) Assumptions and estimation uncertainties (Continued)

e. Asset retirement obligation (ARO)

This is a provision for costs expected in the future to dismantle the power generation plants (hydro power plants and gas power plants) and restore the sites to their condition prior to installation of the Group's power generation plants. The costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the asset retirement liability. The unwinding of the discount is expensed as incurred and recognised in profit or loss as a finance cost. The estimated future costs of ARO are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

f. Revenue estimation

The directors make judgment matter in recognising revenue at the year-end from the prepaid power purchases made in June. For the individual prepaid sales, the prepayment for the last five days of the month is deferred to the following year as below:

Sales made on 30th June: 100% deferred revenue;
Sales made on 29th June: 80% deferred revenue;
Sales made on 28th June: 60% deferred revenue;
Sales made on 27th June: 40% deferred revenue; and
Sales made on 26th June: 20% deferred revenue;

iii) Measurement of fair values

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

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

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

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

5 NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED BY THE GROUP

New and changes to standards and interpretations that are effective

Changes resulting from the new or revised standards, interpretations, amendments to existing standards, interpretations, and improvements to EFRSs that were effective for the current reporting period from July 2017 did not have any impact on the accounting policies, financial position or performance of the Group and Company.

New and amended standards and interpretations issued but not yet effective

The new and amended standards issued but not yet effective up to the date of issuance of the Group and Company's financial statements are not expected to have an impact on the financial statements of the Group and Company, and have not been applied in preparing these consolidated and separate financial statements. Those which may be relevant to the Group and Company are set out below. The Group and Company do not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated.

IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. This new standard will most likely have a significant impact on the Group, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Group is currently in the process of performing a more detailed assessment of the impact of this standard on the Group and will provide more information in the next financial period.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. However the Group will adopt the accounting standard for the period beginning on 1 July 2018 and it is anticipated that although the standard introduces more differences between the billing and the recognition of the revenue it may not significantly affect the timing of recognition of revenue. Also, it is anticipated that the standards will not affect the cash flows generated by the Group and Company. There will be no material changes for the purpose of determining whether the Group or Company acts as principal or agent in the sale of electricity. The Group will adopt the standard using the cumulative catch-up transition method. Hence, the cumulative effect of initially applying the standard will be recognized as an adjustment to the opening balance of retained earnings as at 1 July 2018 and comparatives will not be restated.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

IFRS 9 Financial Instruments

On 24th July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard have a significant impact on the Group, which have introduced changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39 the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Group.

The standard is effective for annual periods beginning on or after 1st January 2013 with retrospective application, early adoption is permitted.

The Group expects that implementation of the standard will have the following impact:

- Amounts due from trade and other receivables and balances with banks are expected to pass the solely for payment of principal and interest (SPPI) test and are held to collect contractual cash flows, Therefore, these financial assets are expected to be measured at amortized cost using the effective interest method. The expected credit loss on these financial assets is not expected to be significant as it is expected that the probability of default in respect to these financial assets is low.
- The classification and measurement of financial liabilities is not expected to change on the adoption of this standard.

The Group will adopt the new standard on the period beginning on 1 July 2018 using the modified retrospective transition approach. The Company has performed the assessment of the impact of the standard with changes anticipated to be on the impairment computation based on the Expected Credit Loss approach.

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor')

Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1st January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Company is assessing the potential impact on the financial statements resulting from the application of IFRS 16.

6 GOING CONCERN

The Group incurred a net loss of TZS 112,516 million (Company: TZS 108,871 million) for the year ended 30th June 2018 (30th June 2017: Group incurred a net loss of TZS 265,297 million and Company: TZS 260,576 million).

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

The Group remains reliant on Government support to finance its turnkey projects while internal revenues are financing operations. In addition, the Company holds 100% shares in the subsidiary companies whose mission are to develop power using geothermal resources, construction and maintenance of transmission and distribution networks and manufacturing of concrete poles. The subsidiaries expects to be in their development stage in the near future and their operational budgets are partly or fully financed by the Company. The consolidated and separate financial statements have been prepared on the going concern basis based on assumption that the Government will continue to provide financial support as and when necessary.

The following indicators support going concern assumption.

- a) The completion of construction of gas pipeline from Mtwara to Dar es Salaam by the Government in September 2015, which was coupled with the commissioning of Kinyerezi 1 150 MW gas-fired power plant commissioned on 31 st March 2016, extension of the same by 185MW, and the commissioning of 240MW Kinyerezi II Combined Circle gas fired power plant to be commissioned on 31 st August 2019. This resulted into the Company starting enjoying cost savings from using this source to generate power in comparison to the cost of power purchased from Independent Power Producers (IPP's) which is expensive.
- b) The Government commitment to continue to provide financial support to the Company to undertake major investment projects. During the year ended June 2018 the Group received a sum of TZS 98,318 million as advance toward share capital to finance turnkey projects.
- c) The Government of Tanzania in its financial budget of 2018/2019 has committed TZS 1 million for construction of 2000MW Rufiji Hydro Power Plant, Kinyerezi I extension, Construction of 220 kV Makambako-Songea transmission line, construction of 400 kV North West Grid transmission line (Mbeya-Sumbawanga-Mpanda-KigomaNyakanazi), construction of 220 kV Bulyanhulu-Geita transmission line, extension of North East Grid to 400 kV Dar-Tanga-Arusha transmission line, extension of Singida-ArushaNamanga 400 kV transmission line and construction of Central - East Grid (Rufiji Chalinze Dodoma) 400 kV Transmission Line.
- d) The Government has been co-financing rural electrification projects through its agency, the Rural Energy Agency (REA). The Government is expected to continue to provide funds for these projects for the near future. In addition, the Government has continued to solicit grants from external donors to finance electrification projects and rehabilitation of distribution and transmission networks. From its reports, REA is planning to electrify 3,559 villages through funding from the Government for the year 2017 to 2019.

In view of the above, the directors of the Company believe that the Company will continue to operate on a going concern basis.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of consolidation

Subsidiary

Subsidiary is the entity controlled by the Company. The Company controls an entity when it is exposed tot 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 subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

ii. Non-controlling interest (NCI)

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

iii. Loss of control

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

iv. Transaction eliminated on consolidation

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

b) Interest in equity accounted investees

The Company's interests in equity-accounted investees comprise interests in associates and a joint venture.

An associate is an entity in which the Company has significant influence, but not control or joint control, over the financial and operating policies.

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

c) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. Revenue is shown, net of value added tax, estimated returns, rebates and discounts.

Revenue is recognized in the period when electricity is consumed by customers, it can be reliably measured and when it is probable that future economic benefit will flow to the Company.

Revenue on prepaid accounts is recognized when units of electricity are purchased. An adjustment is made at the year-end to reverse the estimated portion of unused units.

d) Property, plant and equipment

All categories of property, plant and equipment except motor vehicles, strategic spares and office equipment are measured at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross asset. All other property, plant and equipment are stated at historical cost less depreciation and accumulated impaired losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Leasehold land is not depreciated.

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

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

revaluation reserves in shareholder's equity net of deferred tax. Decreases that offset previous increases of the same asset is charged against revaluation reserve directly in equity; all other decreases are charged to profit or loss.

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:

Hydro-generation equipment	12 – 60 years
Thermal-generation equipment	10 – 50 years
Transmission systems	4 – 60 years
Distribution systems	8 – 60 years
Buildings	5 – 54 years
Motor vehicles	4 – 6 years
Office equipment	8 years
Strategic spares	30 years

The assets' residual values and useful lives are reviewed at each reporting date, and valuation period respectively and appropriate adjustment are putting into effect.

d) Property, plant and equipment (Continued)

Gains or losses on disposals (calculated as the difference between the net proceeds from disposal and the carrying amount of the items) are recognised within 'other income' in profit or loss. When revalued assets are sold, the amounts included in revaluation reserve are transferred to accumulated losses.

e) Investment Property

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 property is initially measured at cost. Subsequently, investment property is measured at historical cost less accumulated depreciation and accumulated impairment losses. Investment properties are depreciated on a straight line basis with a useful life of 20 years.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

Additions to the investment property are those resulting from subsequent expenditure that meet the definition of an asset, and those resulting from acquisition.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings. When the use of a property changes to owner-occupied it is reclassified as property, plant and equipment.

f) Capital Work in Progress

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

g) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost and subsequently they are stated at cost less accumulated amortization and any accumulated impairment losses.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

h) Restricted deposits/funds

Restricted deposits/funds consists of all amounts withheld by the lending commercial banks as collateral. Changes in the restricted deposits/funds account are presented within financing activities in the statement of cash flows. These funds do not have original maturities of three months or less.

i) Capacity charges prepayments

These are fixed cost billed by independent power producer paid in advance. They are amortized over the remaining period of the power supply agreement(s).

j) Impairment of non-financial assets

Assets that are subject to amortization/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

k) 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.

Borrowings that have been on lent from the government at interest rates that are below market have been fair valued and the resulting fair value gains and losses have been included in equity as advance towards share capital.

Capitalisation of borrowing costs

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

l) Functional currency and translation of foreign currencies

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated 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 effective interest and payments during the period, and the amortized cost in 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 fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss in the period in which they arise.

m) Inventories

Inventories comprising engine and vehicle parts, combustibles, and other electrical equipment are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Provision is made for the full value of obsolete inventories and stocks which are surplus to requirements. Net realizable value is the estimated selling price in the ordinary course of business less applicable selling expenses. Obsolete items are materials or spares which have no further use due to obsolescence, technological changes or other factors.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

n) Operating leases

Leases where substantially all of the risks and rewards of ownership are not transferred to the Company are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss within other operating expenses on a straight-line basis over the period of the lease.

o) Asset held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

p) Asset held for sale

Immediately before classification as held-for-sale, the assets, or components, are remeasured in accordance with the company's other accounting policy. Thereafter, generally the assets, are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held-for-sale intangible assets and property, plant and equipment are no longer amortised or depreciated.

q) Current and deferred income tax

Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or OCI.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. The current rate of corporate tax is 30%. Current tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

r) Current and deferred income tax (Continued)

Deferred tax

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

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with the investments in associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with the investments in associates, deferred tax assets are recognised only to the extent that it is probable that
- the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of the deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

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 relating to items recognised in the statement of changes in equity is recognised in equity and not in the profit or loss account.

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.

Value added tax

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

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

Tax exposures

In determining the amount of current and deferred tax, the Company 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 Company 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.

s) Financial assets

(i) Classification

All financial assets of the Group are classified as loans and receivables, based on the purpose for which the financial assets were acquired.

Loans and receivables are subsequently carried at amortized cost using the effective interest method. Financial assets are derecognized when rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

(ii) Offsetting financial instruments

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

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

t) Impairment

Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is an objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

t) impairment (Continued)

(i) Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise 'non-current receivables' 'trade and other receivables', restricted deposits/funds and 'cash and cash equivalents' in the statement of financial position.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers, and or economic conditions that correlate with defaults.

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held to maturity financial assets) at both a specific asset and collective level. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash generating unit (CCU) exceeds its recoverable amount.

The recoverable amount of an asset or CGI-j is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CCU. For impairment testing, assets are grouped together into the smaller group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets or CGUs.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

t) Impairment (Continued)

Impairment losses are recognized in profit or loss. Impairment losses in respect of CGU are allocated to their respective carrying amounts on a pro rata basis. Impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

(ji) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when, the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

u) Financial liabilities

(i) Recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

The financial liabilities are recognised initially at fair value and in the case of loans and borrowings plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables.

(ii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

All non-derivative financial liabilities are recognized on the date of commitment (trade date) and are recognised when the obligation expires, is discharged or cancelled, or there is a substantial modification to the terms of the liability.

u) Financial liabilities (Continued)

Financial liabilities at amortised cost

Financial liabilities that are not held-for-trading are classified as other financial liabilities. Debt securities issued, including foreign loans, that are not held-for-trading are classified into other financial liabilities. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalent for the purpose of statement of cash flows.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

v) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, call deposits held with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown as current liabilities on the statement of financial position.

w) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions for future operating losses are not recognized.

x) Deferred income

Grants

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

Capital contributions received from customers

The contributions received in advance are credited to profit or loss within other operating income immediately when the customer is connected to the electricity network. (Refer to note 11).

y) Finance income

Finance income comprises income from short-term investments in financial market products. Interest income is recognised as it accrues, in profit or loss, using the effective interest method.

z) Other operating income

Other operating income comprises of gains or losses on disposals of item property, plants and equipment, amounts from amortization of deferred government grants (relating to the electrification assets), customers contribution for service lines, government grants relating to expenses, revenue grant from various donors, rental income and other miscellaneous income.

aa) Finance cost

Finance cost comprises interest payable on borrowings and interest resulting from the unwinding of discount on liabilities. Borrowing costs which are not capitalised (refer to note 7(k)) are recognised in profit or loss.

bb) Employee benefit obligation

Defined contribution scheme

The Group pays contributions to publicly administered pension plans on a mandatory basis which qualifies to be 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 contributions are recognized as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

All of the Group's employees are either members of the National Social Security Fund ("NSSF") or Parastatals Pension Fund (PPF), Public Sector Pension Fund (PSPF), Local Authorities Pension Fund (LAPF) and Government Employees Pension Fund (GEPF) which are defined contribution plans. Each employee must be a member of at least one of the aforementioned pension funds. The Group and employees both contribute a total of 20% of the employees' gross salaries to the pension funds to the pension funds.

Other employment benefit

The Group has an unfunded non-contributory employee long service award arrangement for its permanent and pensionable employees (the "Arrangement"), which provides for lump sum payments to its employees on attaining a specific number of years of service with the Group, based on length of service and salary qualifies as a defined benefit plan. Payments for the long service awards to the employees are made from the Group's internally generated funds.

The Group uses actuary specialist in the establishment of the defined benefit liability. The Group recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefit expense in profit and loss.

The defined benefit liability comprises the present value of the defined benefit obligation.

cc) Share Capital

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of new shares is shown in equity as a deduction, net of tax, from the proceeds.

dd)Advances towards Share Capital

Cash Proceeds from the Government towards share capital, monies received from government in its capacity as shareholder and fair value gains or losses from government low interest loans are accounted as advances towards share capital until conversion.

ee) Customer deposits

1. Service line and chargeable work orders deposits

The Group provides power connection services to customers, shifts existing utility lines to make way for construction activities at the request of third parties and seconds its staff to work on external projects. Customers who make such request are required to deposit cash in lieu of cost to be incurred. Upon completion of the project, the cost incurred is transferred to and matched against the underlying deposit in profit or loss. Gain or loss is the resultant figure on the service line/chargeable work orders made in profit.

Meter deposits

Cash received from customers for meter deposits is recognized as a long term liability and is refunded to customers on termination of power supply contract.

8. FINANCIAL INSTRUMENTS RISK MANAGEMENT, OBJECTIVES AND POLICIES

a) Accounting classification and measurement of fair values

The Group has an established control framework with respect to the measurement of fair value. This include a management team that monitors need for fair valuation and sources for experts that will perform the valuation.

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

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

a) Accounting classification and measurement of fair values

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

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

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

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

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

	Carrying amount TZS 'm	Fair value TZS 'm	Level 1 TZS 'm	Level 2 TZS 'm	Level 3 TZS 'm	Total TZS 'm
Available for sale investments	1,056	1,056	-	-	1,056	1,056
	<u>1,056</u>	<u>1,056</u>	<u>-</u>	<u>-</u>	<u>1,056</u>	<u>1,056</u>

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

Financial instruments at amortized costs

The Group does not have a very accurate basis for calculating the fair value of the other financial instruments carried at amortized cost. However, its overall assessment is that their fair values would not be significantly different from the amortized cost at which they are stated because the majority are short term.

Consolidated	2018		2017	
	Carrying amount TZS 'm	Fair value TZS 'm	Carrying amount TZS 'm	Fair value TZS 'm
Financial assets not measured at fair value				
Trade receivables	229,195	229,195	205,562	205,562
Restricted deposits/funds	45,852	45,852	69,363	69,363
Cash and cash equivalents	285,263	285,263	113,702	113,702
	<u>560,310</u>	<u>560,310</u>	<u>388,626</u>	<u>388,626</u>
Financial liabilities not measured at fair value				
Borrowings	(1,620,191)	(1,620,191)	(1,560,632)	(1,560,632)
Trade payables and other payables*	(993,776)	(993,776)	(2,524,305)	(964,079)
	<u>(2,613,966)</u>	<u>(2,613,966)</u>	<u>(2,524,711)</u>	<u>(2,524,711)</u>

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

a) Accounting classification and measurement of fair values (Continued) Separate Financial assets not measured at

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

Financial assets not measured at fair value

Trade receivables	229,195	229,195	205,562	(872,852)
Restricted deposits/funds	45,852	45,852	69,363	69,363
Cash and cash equivalents	262,339	262,339	113,504	113,504
	<u>537,386</u>	<u>537,386</u>	<u>388,429</u>	<u>(689,986)</u>

Financial liabilities not measured at fair value

Borrowings	(1,620,191)	(1,620,191)	(1,560,632)	(1,560,632)
Trade payables and other payables*	(993,913)	(993,913)	(963,673)	(963,673)
	<u>(2,614,103)</u>	<u>(2,614,103)</u>	<u>(2,524,305)</u>	<u>(2,524,305)</u>

*Accrued expenses are not included.

b) Financial Risk Management

The Group has exposure to the following risks arising from financial instruments:

- i) Credit risk
- ii) Liquidity risk
- iii) Market risk

Risk management framework

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

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

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

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

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

i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables. Credit risk arises from cash at bank and trade and other receivables. The Group minimizes credit risk from its trade receivables by prompt disconnection of customers with overdue balances.

The Group has policies in place to ensure that debts are recoverable within 30 days after the bill is issued to customers. Credit risk arising from cash at bank is managed by having deposits with more than one bank with good reputation. The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Consolidated		Separate	
	2018	2017	2018	2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Cash and cash equivalents	285,263	113,702	262,339	113,504
Restricted deposits/funds	45,852	69,363	45,852	69,363
Trade receivables	229,195	205,562	229,195	205,562
Other receivables*	21,054	13,934	21,582	20,336
	581,364	402,561	558,969	408,765

*Does not include deposits and VAT recoverable balance

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

i) Credit risk (Continued)

No collateral is held for any of the above assets. Analysis of trade and other receivables is provided in note 26.

None of the trade and other receivables are past due except for the following amounts, which are due within 30 days of the end of the month in which they are invoiced:

	Consolidated		Separate	
	2018	2017	2018	2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Past due but not impaired:				
- by up to 30 days	19,200	20,882	19,200	20,882
- by 31 to 60 days	14,213	18,511	14,213	18,511
- by 61 to 90 days	14,900	15,414	14,900	15,414
- Over 91 days	180,882	150,756	180,882	150,756
Total past due but not impaired	229,195	205,563	229,195	205,563
Impaired	183,520	166,011	183,520	166,011
Gross debtors (Note 26)	412,715	371,574	412,715	371,574

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

	Consolidated	Separate
	TZS 'm	TZS 'm
Balance at 1 st July 2016	161,582	161,582
Impairment loss recognized during the period	4,429	4,429
Amounts utilized	-	-
Balance at 30th June 2017	166,011	161,582
Balance at the start of year	166,011	166,011
The impairment recognized during the year	17,509	17,509
Write off during the year	-	-
Balance at 30th June 2018	183,520	183,520

Cash and cash equivalents

The Group held cash and cash equivalents of TZS 285,263 million (Company: TZS 262,339 million) at 30th June 2017 (2017: TZS 113,702 million for Group and TZS 113,504 for Company), which represents its maximum credit exposure on these assets. The cash and cash equivalents are generally held with bank and financial institution counterparties of good reputation.

ii) Liquidity risk

Liquidity risk is the risk that the Group 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 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 reputation.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

Consolidated	Carrying amount TZS 'm	Contractual cash flows TZS 'm	Less than 1 year TZS 'm	Between 1 - 2 years TZS 'm	Between 2- 5 years TZS 'm	Over 5 years TZS 'm
Non-derivative financial liabilities						
At 30th June 2018						
Borrowings	1,620,191	1,618,816	331,643	2,861	466,610	733,162
Trade and other payables	1,261,829	1,261,829	1,261,829	-	-	-
	<u>2,882,019</u>	<u>2,880,645</u>	<u>1,593,472</u>	<u>2,861</u>	<u>466,910</u>	<u>605,147</u>

b) Financial risk management

ii) Liquidity risk (Continued)

Separate	Carrying amount TZS 'm	Contractual cash flows TZS 'm	Less than 1 year TZS 'm	Between 1 - 2 years TZS 'm	Between 2- 5 years TZS 'm	Over 5 years TZS 'm
Non-derivative financial liabilities						
At 30th June 2017						
Borrowings	1,620,191	1,618,816	331,643	2,861	466,610	733,162
Trade and other payables	1,259,435	1,259,435	1,259,435	-	-	-
	<u>2,879,625</u>	<u>2,878,251</u>	<u>1,591,078</u>	<u>2,861</u>	<u>466,910</u>	<u>605,147</u>
Consolidated						
	Carrying amount TZS 'm	Contractual cash flows TZS 'm	Less than 1 year TZS 'm	Between 1 - 2 years TZS 'm	Between 2- 5 years TZS 'm	Over 5 years TZS 'm
Non-derivative financial liabilities						
At 30th June 2017						
Borrowings	1,560,630	1,635,450	223,515	18,814	712,459	605,147
Trade and other payables	1,224,477	1,224,477	1,224,477	-	-	-
	<u>2,785,106</u>	<u>2,859,927</u>	<u>1,448,991</u>	<u>18,814</u>	<u>712,459</u>	<u>605,147</u>

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

ii) Liquidity risk (Continued)

iii) Market risk

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

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

Foreign exchange risk

Foreign exchange risk arise from commercial transaction as the Group incurs a significant portion of it in US dollar and the Euro while its earnings are based in Tanzania shillings. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Dollar and the Euro.

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

Foreign exchange risk (Continued)

<i>Equivalent amounts in shillings (in millions)</i>	2018		2017	
	USD	EURO	USD	EURO
Consolidated				
Trade and other receivables	12,670	-	8,317	452
Cash and cash equivalents	13,097	24	11,424	4,117
Borrowings	(61,823)	(48,141)	(74,773)	(45,523)
Trade and other payables	(595,296)	(6,555)	(249,470)	(1,947)
Net exposure	(631,352)	(54,671)	(304,507)	(42,901)
Separate				
Trade and other receivables	12,670	-	8,317	452
Cash and cash equivalents	13,097	24	11,424	4,117
Borrowings	(61,823)	(48,141)	(74,773)	(45,523)
Trade and other payables	(595,296)	(6,555)	(249,470)	(1,947)
Net exposure	(631,352)	(54,671)	(304,502)	(42,901)

The following significant exchange rates applied during the year/period (TZS values for 1 unit of selected currencies):

	<u>Average rate</u>		<u>Reporting rate</u>	
	2018	2017	2018	2017
USD	2,266.43	2,230.14	2,277.71	2,219.05
Euro	2,627.71	2,542.37	2,641.23	2,529.27
GBP	2,963.71	2,892.50	2,979.02	2,877.89
Rand	164.06	171.44	164.81	170.69
SEK	252.09	261.64	253.30	260.43

Sensitivity analysis

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

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

iii) Market risk (Continued)

Sensitivity analysis (Continued)

Consolidated	Strengthening		Weakening	
	Profit or loss	Equity*	Profit or loss	Equity*
30th June 2018				
USD-10% movement (Loss)/gain	(63,135)	(44,195)	63,135	44,195
Euro-10% movement (Loss)/gain	(5,467)	(3,827)	5,467	3,827
30th June 2017				
USD-10% movement (Loss)/gain	(30,450)	(21,315)	30,450	21,315
Euro-10% movement (Loss)/gain	(4,290)	(3,003)	4,290	3,003
Separate				
	Strengthening		Weakening	
	Profit or loss	Equity*	Profit or loss	Equity*
30th June 2018				
USD-10% movement (Loss)/gain	(63,135)	(44,195)	63,135	44,195
Euro-10% movement (Loss)/gain	(5,467)	(3,827)	5,467	3,827
30th June 2017				
USD-10% movement (Loss)/gain	(30,450)	(21,315)	30,450	21,315
Euro-10% movement (Loss)/gain	(4,290)	(3,003)	4,290	3,003

*Figures are presented net of tax.

Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

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

Profile

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

iii) Market risk (Continued)

	Consolidated		Separate	
	Carrying amount		Carrying amount	
	2018	2017	2018	2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Fixed rate instruments				
Financial assets	-	-	-	-
Financial liabilities	(1,343,969)	(1,127,172)	(1,343,969)	(1,127,172)
	<u>(1,343,969)</u>	<u>(1,127,172)</u>	<u>(1,343,969)</u>	<u>(1,127,172)</u>
Variable rate instruments				
Financial assets	-	-	-	-
Financial liabilities	(216,663)	(402,622)	(216,663)	(402,622)
	<u>(216,663)</u>	<u>(402,622)</u>	<u>(216,663)</u>	<u>(402,622)</u>

Fair value sensitivity analysis for fixed rate instruments

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

The Group has loans that were issued below market rates. These loans are fair valued on initial recognition. The benefit of the Government loans issued to the Group at rates below the market is initially recognized to advance towards share capital. The values of the loans are not subject to change due to the changes in relevant variables in the market.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points interest rates at the reporting date would have increased (decreased) profit or loss by the amounts below. The United States dollars interest rates are used in determining the fair value of embedded derivatives if any. This analysis assumes that all other variables in particular foreign currency rates, remain constant.

	Consolidated		Separate	
	Profit or loss		Profit or loss	
	100 bp increase TZS 'm	100 bp decrease TZS 'm	100 bp increase TZS 'm	100 bp decrease TZS 'm
2018				
Variable rate instruments	(2.13)	2.13	(2.13)	2.13
	<u>(2.13)</u>	<u>2.13</u>	<u>(2.13)</u>	<u>2.13</u>
2017				
Variable rate instruments	(4.02)	4.02	(4.02)	4.02
	<u>(2.13)</u>	<u>2.13</u>	<u>(2.13)</u>	<u>2.13</u>

b) Financial risk management (Continued)

iv) Capital risk management

The Group has elected not to hedge interest risk and there would therefore be no impact on equity. The Group's objectives when managing capital are aimed at safeguarding its ability to continue as a going concern in order to provide returns for the shareholder and to maintain an optimal capital structure to reduce the cost of capital.

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

The gearing ratios at 30th June 2018 and 30th June 2017 were as follows:

	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Total borrowings	1,620,191	1,560,632	1,620,191	1,560,632
Less: cash and cash equivalents	(285,263)	(113,702)	(262,339)	(113,504)
Net debt	1,334,928	1,446,930	1,357,852	1,447,128
Total equity	1,735,447	1,813,165	1,748,589	1,822,656
Gearing ratio	<u>0.77:1</u>	<u>0.80:1</u>	<u>0.77:1</u>	<u>0.79:1</u>

9. SALES

	Consolidated		Separate	
	30 th June 2018	30 th June 2017	30 th June 2018	30 th June 2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Domestic low usage	35,656	42,978	35,656	42,978
General use	700,595	684,618	700,595	684,618
Low voltage supply	157,261	157,943	157,261	157,943
High voltage supply	447,604	425,166	447,604	425,166
Zanzibar Electricity Corporation	73,148	70,650	73,148	70,650
Bulyanhulu Gold Mines	21,889	33,959	21,889	33,959
Revenue-subsiary	-	-	-	-
	<u>1,436,153</u>	<u>1,415,314</u>	<u>1,436,153</u>	<u>1,415,314</u>

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

COST OF SALES

	Consolidated		Separate	
	30 th June 2018	30 th June 2017	30 th June 2018	30 th June 2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Own generation and transmission	545,316	456,530	545,316	456,530
Purchased electricity	272,710	369,810	272,710	369,810
Distribution expenses	271,445	288,330	271,445	288,330
Depreciation	370,450	422,367	370,450	422,367
Subsidiary-ETDCO	170	-	-	-
	<u>1,460,090</u>	<u>1,537,037</u>	<u>1,459,921</u>	<u>1,537,037</u>

11. OTHER OPERATING INCOME

	Consolidated		Separate	
	30 th June 2018	30 th June 2017	30 th June 2018	30 th June 2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Government contribution	-	-	-	-
Customer contributions on works orders	65,324	48,183	65,324	48,183
Gain from Songas	28,137	-	28,137	-
Interest on overdue electricity bills	13,417	12,260	13,417	12,260
Reconnection fees	94	198	94	199
Rental income	1,685	391	1,685	391
Profit on disposal of property, plant and equipment	(19)	-	(19)	-
Amortisation of deferred capital grants	75,430	71,989	75,066	71,675
Other miscellaneous income	18,759	7,823	18,444	7,819
	<u>202,826</u>	<u>140,844</u>	<u>202,148</u>	<u>140,526</u>

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

12 OPERATING EXPENSES BY NATURE

	Consolidated		Separate	
	30 th June 2018 TZS 'm	30 th June 2017 TZS 'm	30 th June 2018 TZS 'm	30 th June 2017 TZS 'm
Provision for Impairment of trade receivables	(1,228)	(992)	(1,228)	(992)
Provision for Impairment of other receivable	-	-	-	-
Staff costs (note 15)	69,101	68,977	67,796	66,331
Depreciation	19,060	14,846	18,654	14,657
Amortisation of intangibles	146	19	128	19
Depreciation charge on investment property	45	45	45	45
Write (off)/back of provision for obsolete inventories	(118)	420	(118)	420
Repairs and maintenance costs	1,471	319	989	317
Legal expenses	4,616	14,541	4,616	14,060
Consultancy expenses	1,555	2,576	1,555	2,576
Transport and travel expenses	10,786	10,364	10,535	9,939
Audit fees	817	861	771	861
Insurance	6,959	3,572	6,959	3,572
Bank charges and commission	1,225	1,161	1,215	1,157
Cable and telegram (bandwidth)	8,440	5,830	8,440	5,830
Advertisement expenses	1,417	1,364	1,370	1,328
Security expenses	1,844	2,808	1,830	2,808
Consumable office and stores	101	253	77	242
Other administration expenses	43,724	21,938	42,982	21,416
Suppliers interest	32,507	10,366	32,507	10,366
Foreign exchange differences	(1,440)	9,494	(1,440)	9,494
Loss on revaluation of fixed assets	-	-	-	-
	<u>201,028</u>	<u>168,762</u>	<u>197,683</u>	<u>164,446</u>

Depreciation on property, plant and equipment charged to:

- Cost of sales	370,450	422,367	370,450	422,367
- Operating expenses	<u>18,654</u>	<u>14,846</u>	<u>18,654</u>	<u>14,846</u>
Total depreciation charge (Note 16)	<u>389,104</u>	<u>437,213</u>	<u>389,104</u>	<u>437,213</u>

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

13 FINANCE COST-NET

	Consolidated		Separate	
	30 th June 2018	30 th June 2017	30 th June 2018	30 th June 2017
(a) Finance cost	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Foreign exchange loss on borrowings	8,808	13,618	8,808	13,618
Interest expense	51,131	69,555	51,131	69,555
Discount unwinding on borrowing	36,121	37,835	36,121	37,835
	96,060	121,008	96,060	121,008

Discount unwinding relates to the following borrowings;

Government on lent loan (USD 100M)	5,678	352	5,678	352
Government of Tanzania (Deferred capacity charges)[Note 30(c)]	16,652	19,994	16,652	19,994
EDCF(KOREA)- TEDAP	1,217	1,129	1,217	1,129
ADF - Electricity V	1,219	1,113	1,219	1,113
OPTICAL CABLE (Long term)	-	-	-	-
TA 3569	-	-	-	-
EIB- BTIP	2,367	2,255	2,367	2,255
TA 4798	-	2,544	-	2,544
IDA Credit 4798 TA-BTIP	2,784	-	2,784	-
EDCF(KOREA) BTIP	1,724	1,599	1,724	1,599
ADF – BTIP	1,324	1,036	1,324	1,036
ADF-KTPIP	652	486	652	486
JICA – BTIP	1,844	1,520	1,844	1,520
JICA-KTPIP	586	505	586	505
ADF-RUSUMO	36	17	36	17
AFD Geita Nyakanazi	7	8	7	8
KFW Geita Nyakanazi	21	-	21	-
BADEA	10	7	10	7
Government on lent IDA	-	5,270	-	5,270
	36,121	37,835	36,121	37,835

(b) finance income on bank deposits	551	904	551	904
	551	904	551	904

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

14 INCOME TAX CHARGE

	Consolidated		Separate	
	30 th June 2018 TZS 'm	30 th June 2017 TZS 'm	30 th June 2018 TZS 'm	30 th June 2017 TZS 'm
Current tax charge	-	-	-	-
Deferred income tax (credit)/charge	(10,836)	(11,351)	(10,836)	(11,351)
Reversal of previously recognized deferred tax asset	-	-	-	-
Alternative Minimum Tax (AMT)	4,903	6,184	4,896	6,181
	<u>(5,933)</u>	<u>(5,167)</u>	<u>(5,940)</u>	<u>(5,170)</u>

15 EMPLOYEE BENEFIT EXPENSE

	Consolidated		Separate	
	30 th June 2018 TZS 'm	30 th June 2017 TZS 'm	30 th June 2018 TZS 'm	30 th June 2017 TZS 'm
<i>Staff costs charged to cost of sales and operating expenses accounts comprise:</i>				
Salaries and wages	233,156	223,824	233,156	223,824
Social security costs (defined contribution scheme)	27,789	25,697	27,789	25,697
Long service awards (other employee benefits)	-	2,803	-	2,803
Skills and Development Levy	8,255	8,235	8,255	8,235
	<u>269,199</u>	<u>260,559</u>	<u>269,199</u>	<u>260,559</u>
Classified as:				
Cost of sales	203,383	194,228	203,383	194,228
Operating expenses	67,012	66,331	67,012	66,331
	<u>271,179</u>	<u>260,559</u>	<u>271,179</u>	<u>260,559</u>

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

16 PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED	Hydro generation	Thermo generation	Transmission systems	Distribution systems	Land and Buildings	Motor vehicles	Strategic spares	Office equipment	Total
	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Cost/Valuation									
Balance at 1 st July 2017	754,582	1,065,334	1,515,270	3,149,611	296,424	77,497	21,015	110,155	6,989,888
Capitalized during the period	-	20,530	41,414	150,673	4,383	19,231	195	3,003	239,429
ARO	5,110	1,450	-	(5,635)	-	(751)	-	-	6,560
Disposal	-	-	-	(8,175)	(5,962)	481	-	-	(6,386)
Non-Monetary Addition	-	-	-	-	-	-	-	-	531
Impairment	-	-	-	(8,175)	(5,962)	-	-	-	(14,137)
Balance at 30th Jun 2018	759,692	1,087,314	1,556,684	3,286,474	294,896	96,457	21,210	113,158	7,215,885
Accumulated depreciation and impairment losses									
Balance at 1 st July 2017	94,536	64,592	34,913	233,425	4,135	64,325	3,483	74,320	573,728
Depreciation for the period	45,505	57,122	60,542	206,576	4,158	8,788	705	6,032	389,428
Disposal	-	-	-	-	-	(704)	-	-	(704)
Non-Monetary Addition/Disposal	-	-	-	(5,637)	-	564	-	-	(5,073)
Impairment	-	-	-	(1,545)	(166)	-	-	-	(1,711)
Balance at 30th Jun 2017	140,041	121,715	95,455	432,819	8,127	72,971	4,188	80,352	955,669
Carrying Amounts									
At 30 th June 2017	660,046	1,000,741	1,480,357	2,916,186	292,289	13,174	17,533	35,835	6,416,160
At 30 th June 2018	619,651	965,600	1,461,229	2,853,655	286,768	23,486	17,022	32,806	6,260,216

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

SEPARATE	Hydro	Thermo	Transmission	Distribution	Land and	Motor	Strategic	Office	Total
	generation	generation	systems	systems	Buildings	vehicles	spares	equipment	
	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Cost/Valuation									
Balance at 1 st July 2017	754,582	1,065,334	1,515,270	3,149,611	295,679	77,154	21,015	109,060	6,987,705
Capitalized during the period	-	20,530	41,414	150,673	4,383	18,840	195	2,765	238,800
ARO	5,110	1,450	-	-	-	-	-	-	6,560
Disposal	-	-	-	(5,635)	-	(751)	-	-	(6,386)
Non-Monetary Addition	-	-	-	-	50	481	-	-	531
Impairment	-	-	-	(8,175)	(5,962)	-	-	-	(14,137)
Balance at 30th Jun 2018	759,692	1,087,314	1,556,684	3,286,474	294,151	95,724	21,210	111,825	7,215,073
Accumulated depreciation and impairment losses									
Balance at 1 st July 2017	94,536	64,592	34,913	233,425	4,135	64,148	3,483	74,108	573,340
Depreciation for the period	45,505	57,122	60,542	206,576	4,155	8,645	705	5,772	389,022
Disposal	-	-	-	-	-	(704)	-	-	(704)
Non-Monetary Addition/Disposal	-	-	-	(5,637)	-	564	-	-	(5,073)
Impairment	-	-	-	(1,545)	(166)	-	-	-	(1,711)
Balance at 30th Jun 2017	140,041	121,715	95,455	432,819	8,125	72,652	4,188	79,880	954,875
Carrying Amounts									
At 30 th June 2017	660,046	1,000,741	1,480,357	2,916,186	291,543	13,007	17,533	34,952	6,414,365
At 30 th June 2018	619,651	965,600	1,461,229	2,853,655	286,026	23,071	17,022	31,945	6,258,198

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

- Property, plant and equipment with the exception of motor vehicles, were revalued as at 30th June 2016 by a professional valuer, Land Masters Combine Limited, in Association with RHAS Chartered Valuers and Brokers of Sydney Australia, and CB Richard Ellis (CBRE) of Botswana. The revaluation was done using depreciated replacement cost method.

Hydro generation, thermal generation, transmission and distribution assets were valued on a depreciated replacement cost basis. Buildings were valued on open market value basis, except for specialized assets and those in locations where there was no open market, where a depreciated replacement cost basis was used.

The revaluation surplus net of applicable deferred income taxes was credited to revaluation reserve in shareholders' equity. Significant inputs applied by the valuer in revaluation are observable, consequently, directors have classified the fair value exercise as level 2.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of the property plant and equipment as well as the significant unobservable inputs;

Valuation technique	Significant unobservable inputs
<p>The Company has used the Net Replacement Cost Approach (NRCA) to determine the value of its generation assets, distribution assets, transmission assets and buildings. This approach is a common method of valuing specialized as well as non-income producing assets.</p> <p>The Company has used the Market approach for land.</p> <p>NRCA requires that a Gross Replacement Cost (GRC) is ascertained to which a depreciation allowance using the Residual Useful Life (RUL) of the subject asset and other value-affecting factors are charged to arrive at its Depreciated Replacement Cost (DRC) (referred to as the Depreciated Optimized Replacement Cost in Company's valuation report).</p> <p>The GRC is the new or current replacement cost of acquiring a similar asset having similar productive capacities as the existing asset and depreciated according to age, economic obsolescence, and condition of the existing asset.</p>	<p>(i) Selling price of similar pieces of land as subject plots reviewed.</p> <p>(ii) Cost of construction per square-meter (compared with indicative rates provided by the National Construction Council);</p> <p>(iii) Depreciation (usually ranging from 5%, 15% and 30% depending on the type of building);</p> <p>(iv) 2016 Indicative land rates published by the Ministry of Lands, Housing and Human Settlements (for benchmarking land rates).</p>

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

17 CAPITAL WORK IN PROGRESS

	Consolidated		Separate	
	2018 TZS 'm	2017 TZS 'm	2018 TZS 'm	2017 TZS 'm
At start of year	1,269,691	1,130,539	1,269,691	1,130,539
Capitalised borrowing costs	2,992		2,992	-
*Transfer from stores	165,740	204,398	165,740	204,398
Expenditure during the year	394,753	990,478	388,218	990,478
	<u>1,833,176</u>	<u>2,325,415</u>	<u>1,826,641</u>	<u>2,325,415</u>
Transfer to subsidiary				
Transfer to stores	-	(27,458)	-	(27,458)-
Transferred to property, plant and equipment	-	(823,867)	-	(823,867)-
At end of year	<u>1,833,176</u>	<u>1,474,090</u>	<u>1,826,641</u>	<u>1,474,090</u>

* The group classifies specific inventory items from inventory to capital work in Progress. These items includes Meter stocks, Poles, Transformers, Electric cables, and other electric equipment which are used in construction of transmission and distribution lines and expected to be used for more than one period (12 months). During the year the reclassification resulted into a transfer of TZS 165 billion (30th June 2017:TZS 204 billion) from inventory to Capital Work in progress.

18 INTANGIBLE ASSETS

At the start of year	618	310	618	310
Addition during the year	36	327	-	327
Amortization charge	(128)	(19)	(128)	(19)
At the end of the year	<u>526</u>	<u>618</u>	<u>490</u>	<u>618</u>

The intangible assets contains the License for EWURA and Software available for the period under reviews.

19 INVESTMENT PROPERT

	Consolidated		Separate	
	2018 TZS 'm	2017 TZS 'm	2018 TZS 'm	2017 TZS 'm
Cost				
Balance at beginning of the year	906	906	906	906
At the end of the year	<u>906</u>	<u>906</u>	<u>906</u>	<u>906</u>
Accumulated depreciation				
Balance at start of year	(679)	(634)	(679)	(634)
Depreciation charge for the year	(45)	(45)	(45)	(45)
At the end of the year	<u>(725)</u>	<u>(679)</u>	<u>(725)</u>	<u>(679)</u>
Net Book value at the end of year	<u>181</u>	<u>227</u>	<u>181</u>	<u>227</u>

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

Investment property comprises the property leased to the Consortium of medical doctors Tumaini Hospital at Magore Street. As at 30th June 2017: TZS 19,824 million were included in 'other income' (See Note II). This amount was long outstanding and management has been making provision for doubtful debt in respect of this balance. During the year ended 30th June 2018, investment property rentals were not recognized in the books pending court judgment.

20 INVESTMENT IN SUBSIDIARY

	Consolidated		Separate	
	2018	2017	2018	2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Investment in Tanzania Geothermal Development Company Limited	-	-	10,509	1,000
Investment in ETDCO	-	-	5,610	1,000
Investment in TCPMC	-	-	227	-
Balance at 30 th June	-	-	16,346	2,000

TGDC is a fully-owned Subsidiary company of TANESCO established on 19th November 2013 to generate power from geothermal sources. ETDCO is also fully owned subsidiary by TANESCO established on 07th June, 2016 to carry on the business as construction and maintenance of electrical transmission and distribution networks. TCPMC is also fully owned subsidiary by TANESCO established on 16th December, 2014 to carry the business of concrete poles manufacturing

21 INVESTMENT IN ASSOCIATE

	Consolidated		Separate	
	2018	2017	2018	2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Investment in Shangtan Power Generation Company Limited	93	352	1,813	1,353
Additions during the year	911	460	911	460
Share of Comprehensive loss for the year	(802)	(719)	-	-
Balance at 30 June	202	93	2,724	1,813

In October 2013, TANESCO entered into an agreement with Shanghai Electric Power Company Limited (SEPC) to establish a new company, which will develop the Kinyerezi III 600MW gas, fired power generation project. In 2014 to date, TANESCO invested TZS 2,723,820,000 which is equivalent to 40% of the share capital of the formed Company, Shangtan Power Generation Company Limited.

The investment is accounted for using the equity method in the consolidated financial statements and carried at cost in the separate financial statements. The financial statements of the associate from which the attributable loss was taken were for year ended 31st December 2016, this is consistent with prior year.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

The following table analyses the financial information about the associate.

	Consolidated		Separate	
	2018	2017	2018	2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Current assets	1,452	2,042	1,452	2,042
Non-current assets	5,672	5,652	5,672	5,652
Current liabilities	(6,126)	(6,033)	(6,126)	(6,033)
Non-current liabilities	-	-	-	-
Net assets (100%)	998	1,661	998	1,661
Group share of net assets (40%)	399	664	399	664
Foreign exchange difference on initial recognition	(197)	(571)	(197)	(571)
Carrying amount of interest in associate	202	93	202	93
Revenue	-	-	-	-
Profit from continuing operations	(2,004)	(1,798)	(2,004)	(1,798)
Other comprehensive income	-	-	-	-
Total comprehensive income	(2,004)	(1,798)	(2,004)	(1,798)

The following table analyses the carrying amount and share of comprehensive loss for the year of the associate.

	Consolidated		Separate	
	2018	2017	2018	2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Carrying amount of interest in associates	93	352	1,813	1,353
Share:				
Additional Capital injected during the year	911	460	911	460
Comprehensive loss for the year	(802)	(719)	-	-
Balance at 30th June	202	93	2,724	1,813

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

22. OTHER INVESTMENTS

	Consolidated		Separate	
	2018	2017	2018	2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
East African Cables Limited	(a) 1	1	1	1
Songas Limited	(b) 1,055	1,055	1,055	1,055
	1,056	1,056	1,056	1,056
Less: Accumulated impairment loss(provision)	-	-	-	-
Add: Fair value changes	-	-	-	-
	1,056	1,056	1,056	1,056

As at 30th June 2018, the Company had the following investments:

a) 3, 180,000 shares of TZS 10 each in East African Cables (Tanzania) Limited representing 10% of total issued share capital in the company.

b) 10,000 shares of US\$ 100 each in Songas Limited representing 9.56% of total issued share capital of the company.

The management believes the difference between the current carrying amount of the investments and the fair value is insignificant.

23 CAPACITY CHARGES REPAYMENT

	Consolidated		Separate	
	2018	2017	2018	2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
At the start of the year	31,723	36,202	31,723	36,202
Amortisation charge	(4,486)	(4,479)	(4,486)	(4,479)
At the end of year	27,237	31,723	27,237	31,723

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

24 DEFERRED INCOME TAX (ASSET)/LIABILITY

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

	At start of <u>period</u> TZS 'm	At end of <u>period</u> TZS 'm
Year ended 30th June 2018		
Consolidated		
<i>Deferred income tax liabilities</i>		
Accelerated capital deductions	400,702	423,186
Revaluations	985,708	985,708
Fair Valuation of loans	<u>197,163</u>	<u>207,587</u>
	<u>1,583,573</u>	<u>1,616,481</u>
<i>Deferred income tax assets</i>		
Tax loss carried forward	(951,482)	(1,105,056)
Revaluations	(80,025)	(90,862)
Provisions	<u>(64,940)</u>	<u>(73,929)</u>
	<u>(1,096,447)</u>	<u>(1,269,847)</u>
Net deferred tax asset/(liability)	<u>487,126</u>	<u>346,634</u>
Net deferred tax asset not recognized	(615,719)	(755,800)
Net deferred tax liability recognized	<u>1,102,846</u>	<u>1,102,434</u>
Net deferred tax asset/(liability) reconciled	<u>487,127</u>	<u>346,634</u>

DEFERRED INCOME TAX (ASSET)/LIABILITY (Continued)

	At start of <u>period</u> TZS 'm	At end of <u>period</u> TZS 'm
Year ended 30th June 2018		
Separate		
<i>Deferred income tax liabilities</i>		
Accelerated capital deductions	369,888	423,014
Revaluations	985,708	985,708
Fair valuation of loans	<u>163,366</u>	<u>207,587</u>
	<u>1,518,962</u>	<u>1,616,309</u>
<i>Deferred income tax assets</i>		
Tax loss carried forward	(949,236)	(1,102,311)
Revaluations	(80,025)	(90,862)
Provisions	<u>(64,939)</u>	<u>(73,928)</u>
	<u>(1,094,200)</u>	<u>(1,267,101)</u>
Total deferred tax assets/(liabilities)	<u>489,364</u>	<u>349,208</u>
Net deferred tax asset not recognized	(613,482)	(753,225)
Net deferred tax liability recognized	<u>1,102,846</u>	<u>1,102,434</u>
Deferred tax assets/(liabilities) reconciled	<u>489,364</u>	<u>349,209</u>

Year ended 30th June 2017
Consolidated

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

DEFERRED INCOME TAX (ASSET)/LIABILITY (Continued)

Year ended 30th June 2017

Consolidated

<i>Deferred income tax liabilities</i>		
Accelerated capital deductions	369,888	400,702
Revaluations	985,708	985,708
Fair Valuation of loans	163,366	197,163
	<u>1,518,962</u>	<u>1,583,573</u>
<i>Deferred income tax assets</i>		
Tax loss carried forward	(836,800)	(951,482)
Revaluations	(68,674)	(80,025)
Provisions	(81,479)	(64,940)
	<u>(986,953)</u>	<u>(1,096,447)</u>
Total deferred tax asse/(liabilities)t	532,009	487,126
Net deferred tax asset not recognized	(548,391)	(588,085)
Net deferred tax liability recognized	1,080,400	1,102,846
	<u>532,009</u>	<u>492,315</u>

DEFERRED INCOME TAX (ASSET)/LIABILITY (Continued)

At start of
period
TZS 'm

At end of
period
TZS 'm

Year ended 30th June 2017

Separate

<i>Deferred income tax liabilities</i>		
Accelerated capital deductions	369,878	369,888
Revaluations	985,708	985,708
Fair valuation of loans	163,366	163,366
	<u>1,518,962</u>	<u>1,518,962</u>
<i>Deferred income tax assets</i>		
Tax loss carried forward	(835,693)	(949,236)
Revaluations	(68,674)	(80,025)
Provisions	(81,475)	(64,939)
	<u>(985,842)</u>	<u>(1,094,200)</u>
Total deferred tax assets/(liabilities)	533,110	489,364
Net deferred tax asset not recognized	(547,290)	(613,482)
Net deferred tax liability recognized	1,080,400	1,102,846
	<u>533,110</u>	<u>489,364</u>

There is a potential deferred tax asset of TZS 755,800 million (30th June 2017: TZS 615,719 million) mainly arising on account of tax losses and provisions. In the opinion of directors, it is prudent not to recognize the asset due to the fact that the directors are uncertain whether sufficient taxable profits will be generated in the foreseeable future against which the asset can be utilized.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

25 INVENTORIES

	Consolidated		Separate	
	2018 TZS 'm	2017 TZS 'm	2018 TZS 'm	2017 TZS 'm
General stores and meter stocks	5,565	4,520	5,565	4,520
Engine and vehicle parts	771	774	771	774
Combustibles	8,179	7,209	8,179	7,209
Others	221	240	221	240
	14,736	12,743	14,736	12,743
Provision for obsolete items	(1,716)	(1,834)	(1,716)	(1,834)
Net inventory balance	13,020	10,909	13,020	10,909

The Group reclassifies specific inventory items from inventory to capital work in progress. These items include meter stocks, poles, transformers, electric cables and other electrical equipment which are used in the construction of transmission and distribution lines and expected to be used in more than one period. During the year the reclassification of items of inventory to capital work in progress amounted to TZS 166 billion (2017: TZS 204 billion).

26 TRADE AND OTHER RECEIVABLES

	Consolidated		Separate	
	2018	2017	2018	2017
General trade receivables	202,962	192,000	202,962	192,000
Government trade receivables	209,753	179,573	209,753	179,573
	412,715	371,573	412,715	371,573
Provision for trade receivables impairments*	(183,520)	(166,011)	(183,520)	(166,011)
Net trade debtors	229,195	205,562	229,195	205,562
Other debtors:				
Rural electrification refund				
Other balances due from the Government	7,538	7,538	7,538	7,538
Chargeable work orders	834	1,106	834	1,106
Receivable from Independent Power Tanzania Limited	3,200	3,200	3,200	3,200
Receivable from Subsidiaries	-	-	-	-
Deposits	11,535	11,535	11,535	11,535
Staff debtors	1,768	857	1,699	834
Intercompany receivable	-	-	596	6,425
Value Added Tax recoverable	(27,497)	8,307	(27,497)	8,307
Sundry debtors	22,362	16,318	22,362	16,318
	19,740	48,860	20,268	55,263
Provision for other receivables (impairment)	(14,647)	(15,084)	(14,647)	(15,084)
Net other debtors	5,093	33,776	5,620	40,178
Net total debtors	234,288	239,338	234,816	245,740

(*) The Company's policy is that none of government trade receivables are impaired except otherwise indicated and as such no impairment allowance has been made for Government trade receivables. The Company exposure to credit and market risks and impairment losses related to trade receivable are disclosed into note 8(b).

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

27 BANK AND CASH BALANCES

a. Cash and cash equivalents in the statement of financial position

	Consolidated		Separate	
	2018	2017	2018	2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Cash	624	4,500	624	4,500
Bank balances	284,639	109,202	261,715	109,004
	<u>285,263</u>	<u>113,702</u>	<u>262,339</u>	<u>113,504</u>

The Group reclassifies cash held with commercial banks as collateral for long-term borrowings from bank and cash balances to restricted deposits/funds within the statement of financial position. During the year, the reclassification amounted to TZS 45,853 million (30th June 2017: TZS 69,363 million) from bank and cash balances to restricted deposits/funds. Cash collaterals and cash covers are not liquid asset.

The main component of restricted cash is the amount withheld by the lending commercial banks as collateral in the TZS 408 Billion loan facility

408 Billion Collateral (Refer to Note 30 (m) & (n)).	32,918	43,198	32,918	43,198
Other cash covers	12,934	26,164	12,934	26,164
	<u>45,852</u>	<u>69,362</u>	<u>45,852</u>	<u>69,362</u>

Presented as:

Current	13,353	58,958	13,353	58,958
Non-current	32,499	10,404	32,499	10,404
	<u>45,852</u>	<u>69,362</u>	<u>45,852</u>	<u>69,362</u>

28 (a) SHARE CAPITAL

	Consolidated		Separate	
	2018	2017	2018	2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Authorised:				
120,000,000,000 ordinary shares of TZS 20 each	2,400,000	2,400,000	2,400,000	2,400,000
Issued and fully paid:				
49,335,830,882 ordinary shares of TZS 20 each	986,717	986,717	986,717	986,717

All the issued and fully paid shares are owned by the Government.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

28 (b) ADVANCES TOWARDS SHARE CAPITAL

	Consolidated		Separate	
	2018	2017	2018	2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
At start of the year	716,713	606,751	716,713	606,751
Received during the year	34,805	109,962	34,804	109,962
At the end of year	751,518	716,713	751,518	716,713

Amount received during the year /period is made up of;

	Consolidated		Separate	
	2018	2017	2018	2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Cash receipts	10,481	31,102	10,481	31,102
Fair valuation of low interest loans on initial recognition, net of tax	24,323	78,860	24,323	78,860
	34,804	109,962	34,804	109,962

The advances toward share capital as at 30th June 2018 represent cash received from the Government of Tanzania TZS10,481 million (30th June 2017: TZS 31,103 million).

Nature of reserves

- (i) Fair value reserve
The fair value reserve comprises the cumulative net change in the fair value of available for sale financial assets until the assets are derecognised or impaired.
- (ii) Revaluation reserve
The revaluation reserves relates to the revaluation of property, plant and equipment

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

29 GRANTS

2018 CONSOLIDATED

<u>Donor</u>	<u>Project</u>	<u>1st July 2017 TZS 'm</u>	<u>Addition TZS 'm</u>	<u>Amortisation TZS 'm</u>	<u>30th June 2018 TZS 'm</u>
SIDA	See (i) below	10,082	-	(129)	9,953
Oret (Government of Netherlands)	See (ii) below	28,782	-	(2,099)	26,683
TEDAP	See (iii) below	149,909	48,646	(2,800)	195,755
SongoSongo	See (iv) below	14,801	-	(571)	14,230
Japanese	See (v) below	27,109	-	(810)	26,299
Treasury- Emergency Power	See (vi) below	237,997	-	(11,925)	226,072
Treasury	See (vii) below	1,835,671	300,238	(44,785)	2,091,044
World Bank	See (viii) below	26,134	-	(3,689)	22,445
Orio	See (ix) below	3,763	23,258	(1,169)	25,851
JICA Rehab KL	See (x) below	32,484	-	(719)	31,765
MCC T&D	See (xi) below	159,849	-	(4,843)	155,006
DCC	See (xii) below	46,653	-	(1,445)	45,208
MEM,ICEIDA,UNEP , AfDB,ICEIDA,GVT	See (xiii) below	923	21,343	(363)	21,903
		2,574,157	393,484	(75,429)	2,892,213

2018 SEPARATE

<u>Donor</u>	<u>Project</u>	<u>1st July 2017 TZS 'm</u>	<u>Addition TZS 'm</u>	<u>Amortisation TZS 'm</u>	<u>30th June 2018 TZS 'm</u>
SIDA	See (i) below	10,082	-	(129)	9,953
Oret (Government of Netherlands)	See (ii) below	28,782	-	(2,081)	26,683
TEDAP	See (iii) below	149,909	48,646	(2,800)	195,755
SongoSongo	See (iv) below	14,801	-	(571)	14,230
Japanese	See (v) below	27,109	-	(810)	26,299
Treasury- Emergency Power	See (vi) below	237,997	-	(11,925)	226,072
Treasury	See (vii) below	1,835,671	300,238	(44,768)	2,091,044
World Bank	See (viii) below	26,134	-	(3,689)	22,445
Orio	See (ix) below	3,763	23,258	(1,169)	25,851
JICA Rehab KL	See (x) below	32,484	-	(719)	31,765
MCC T&D	See (xi) below	159,849	-	(4,843)	155,006
DCC	See (xii) below	46,653	-	(1,445)	45,208
MEM,UNEP,ICEID A & AfDB	See (xiii) below	1,077	-	-	-
		2,573,234	372,141	(75,065)	2,870,310

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

2017 CONSOLIDATED

<u>Donor</u>	<u>Project</u>	<u>1st July 2016 TZS 'm</u>	<u>Addition TZS 'm</u>	<u>Amortisation TZS 'm</u>	<u>30th June 2017 TZS 'm</u>
SIDA		10,211	-	(129)	10,082
Oret (Government of Netherlands)		30,864	-	(2,082)	28,782
TEDAP		90,346	60,170	(607)	149,909
Songo Songo Japanese		15,372	-	(571)	14,801
Treasury- Emergency Power		27,919	-	(810)	27,109
Treasury		249,922	-	(11,925)	237,997
World Bank		1,562,037	318,419	(44,785)	1,835,671
Orio		29,823	-	(3,689)	26,134
JICA Rehab KL		-	3,763	-	3,763
MCC T&D		33,216	-	(732)	32,484
DCC		164,749	-	(4,900)	159,849
MEM		-	48,098	(1,445)	46,653
UNOPS		81	-	(32)	49
ICEIDA		347	-	(46)	301
AfDB		413	-	(55)	358
		313	83	(180)	243
		2,215,613	450,533	(71,988)	2,574,158

2017 SEPARATE

<u>Donor</u>	<u>Project</u>	<u>1st July 2016 TZS 'm</u>	<u>Addition TZS 'm</u>	<u>Amortisation TZS 'm</u>	<u>30th June 2017 TZS 'm</u>
SIDA		10,211	-	(129)	10,082
Oret (Government of Netherlands)		30,864	-	(2,082)	28,782
TEDAP		90,346	60,170	(607)	149,909
Songo Songo Japanese		15,372	-	(571)	14,801
Treasury- Emergency Power		27,919	-	(810)	27,109
Treasury		249,922	-	(11,925)	237,997
World Bank		1,562,037	318,419	(44,785)	1,835,671
Orio		29,823	-	(3,689)	26,134
JICA Rehab KL		-	3,763	-	3,763
MCC T&D		33,216	-	(732)	32,484
DCC		164,749	-	(4,900)	159,849
		-	48,098	(1,445)	46,653
		2,214,459	430,450	(71,675)	2,573,234

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

	Consolidated		Separate	
	2018 TZS 'm	2017 TZS 'm	2018 TZS 'm	2017 TZS 'm
(i) SIDA				
Electrification of Urambo	724	762	724	762
Electrification of Serengeti	2,012	2,102	2,012	2,102
132 kV TL Makambako and Songea electrification	7,347	7,347	7,347	7,347
Amortisation charge	(129)	(129)	(129)	(129)
At the end of the year	9,954	10,082	9,954	10,082
(ii) ORET (Government of Netherlands)				
Optical fibre cable communication system	9,092	10,066	9,092	10,066
45MW Tegeta Plant	19,676	20,798	19,676	20,798
Amortisation charges	(2,081)	(2,082)	(2,081)	(2,082)
At the end of the year	26,686	28,782	26,686	28,782
(iii) TEDAP (Projects 4370 TA)				
Transmission and Distribution systems – opening	149,909	90,346	149,909	90,346
Received during the year	48,646	60,170	48,646	60,170
Amortisation charges	(2,800)	(607)	(2,800)	(607)
At the end of the year	195,755	149,909	195,755	149,909
(iv) Songo Songo (Projects 3569 TA)				
Wayleave Village Electrification Scheme(WVES)	14,801	15,372	14,801	15,372
Amortisation charges	(571)	(571)	(571)	(571)
At the end of the year	14,230	14,801	14,230	14,801
(v) Japanese Grant				
Transmission and Distribution Systems	27,106	27,919	27,106	27,919
Amortisation charges	(810)	(810)	(810)	(810)
At the end of the year	26,296	27,109	26,296	27,109
	Consolidated		Separate	
	2018 TZS 'm	2017 TZS 'm	2018 TZS 'm	2017 TZS 'm
(vi) Treasury – Emergency Power				
Ubungu II Gas Plant (100MW)	126,119	132,587	126,119	132,587
Mwanza Plant (60MW)	111,879	117,335	111,879	117,335
Amortization charges	(11,925)	(11,925)	(11,925)	(11,925)
At the end of the year	226,073	237,997	226,073	237,997

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

(vii) Treasury

1. Treasury -Wartisila &Thermo enerators

EPP- Wartisila	61,491	65,217	61,491	65,217
Mbinga Gen Sets	3,204	3,426	3,204	3,426
Ludewa Gen Sets	2,560	2,735	2,560	2,735
Kigoma Gen Sets	11,052	11,722	11,052	11,722
Kasulu Gen Sets	6,675	7,057	6,675	7,057
Kibondo Gen Sets	6,811	7,199	6,811	7,199
Sumbawanga Gen Sets	10,393	10,987	10,393	10,987
Loliondo Gen Sets	11,728	12,398	11,728	12,398
At the end of the year	113,914	120,741	113,914	120,741

2. Treasury- Rural electrification projects

Rural electrification	5,3309	5,577	5,330	5,577
Electrification Makambako	35,583	35,709	35,583	35,709
Electrification Mbinga	528	544	528	544
Electrification of Msonga	161	165	161	165
Electrification of Magindu	205	210	205	210
Electrification of Mgwashi	675	694	675	694
Electrification of Malya/Sumve	580	310	580	310
Electrification of Mbewe	213	219	213	219
Electrification of Bukombe and Kagera village	148	152	148	152
Electrification of Kilolo	1,532	1,575	1,532	1,575
Electrification of Simanjiro	194	200	194	200
Electrification of Mchinga	747	770	747	770
Electrification of Tarime	84	87	84	87
Electrification of Ludewa	309	319	309	319
Electrification of Ihanja	628	646	628	646
Electrification of Bukene	89	91	89	91
Electrification of Mvumi	111	114	111	114
Electrification of Berege	57	58	57	58
Sub total	47,297	47,440	47,297	47,440

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

	Consolidated		Separate	
	2018 TZS 'm	2017 TZS 'm	2018 TZS 'm	2017 TZS 'm
Subtotal continued	47,008	47,440	47,008	47,440
Electrification of Mkinga	70	72	70	72
Electrification of Uyui	1,204	1,242	1,204	1,242
Electrification of Bahi	1,367	1,411	1,367	1,411
Electrification of Matema beach	554	571	554	571
Power supply to Chief Osward Mang'ombe	153	156	153	156
Electrification of Ngage B	303	312	303	312
Power supply to Mto wa mbu	269	277	269	277
Electrification of Tabora-Kaliua	26	25	26	25
Electrification of Bunda	373	114	110	114
Electricity V Project	93	94	93	94
Konga, Mererani and Pangani water pumps	137	74	71	74
Electrification of Tungamalenga and electricity villages	117	121	117	121
Kigoma Generators	1,173	1,239	1,173	1,239
Electrification of Kilindi	1,395	1,438	1,395	1,438
Wayleave Vilages electrification	618	637	618	637
Rural Electrification projects	19,120	5,402	19,120	5,402
GVT Kinyerezi Financing 185 MW	109,463	-	109,463	-
GVT Kinyerezi Financing 185 MW	283,152	326,313	283,152	326,313
GVT Kinyerezi Financing 240 MW	370,958	370,958	395,462	370,958
REA Funded Projects	16,199	16,199	16,199	16,199
REA funded Projects Phase I	121,486	109,004	121,486	109,004
REA funded Projects Phase II	785,107	805,768	785,107	805,768
GVT Financing North west Grid	2,400	2,400	2,400	2,400
GVT Financing Iringa Shinyanga - Backbone	220	220	220	220
REA Electrification Sagamaganga Vilages	163	163	163	163
Mpanda Generating Sets II	486	486	486	486
Electrification Majengo Village & Secondary	241	241	241	241
REA II Mtwara/Lindi	26,786	0	26,786	0
REA phase II additional works	12,550	0	12,550	0
REA Densification	44,542	0	44,542	0
REA VEI - BTIP	33,098	0	33,098	0
Electrification Njoro Arusha	23	23	23	23
Electrification Biharamulo/Ngara/Mpanda	10,500	10,500	10,500	10,500
GVT Financing Orio contribution	11,500	11,500	11,500	11,500
GVT Financing TEDAP contribution	190	190	190	190
REA Funding additional rural Electrif	10,698	0	10,698	0
Sub total	1,866,734	1,667,490	1,866,734	1,667,490

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

	Consolidated		Separate	
	2018 TZS 'm	2017 TZS 'm	2018 TZS 'm	2017 TZS 'm
Treasury- Transmission Line				
Construction of T/L from Mahumbika -Lindi	2,105	-	2,105	-
Kenya- Tanzania Power Interconnector (KTPIP)	54,794	-	54,794	-
3. Ruamo- Nyakazi 400 kV T/L	5,200	-	5,200	-
Bulyahulu – Geita 200 KV T/L	1,000	-	1,000	-
Sub Total	63,099	-	63,099	-
Grand total	2,091,045	1,835,671	2,091,045	1,835,671
WORLD BANK – Songas Capacity				
(viii) Charges buydown				
Capacity Charges buydown	26,132	29,823	26,132	29,823
Amortisation charges	(3,689)	(3,689)	(3,689)	(3,689)
At the end of year	22,443	26,134	22,443	26,134
(ix) ORIO				
At the start of the year	3,763	3,763	3,763	3,763
Additions	23,258	-	23,258	-
Amortisations charges	(1,169)	-	(1,169)	-
At the end of the year	25,851	3,763	25,851	3,763
(x) JICA Rehabilitation				
Received	32,484	33,216	32,484	33,216
Amortisation charges	(719)	(732)	(719)	(732)
At the end of the year	31,765	32,484	31,765	32,484
(xi) MCC T &D				
Deferred capacity charges	159,847	164,749	159,847	164,749
Amortisation charges	(4,843)	(4,900)	(4,843)	(4,900)
At the end of the year	155,004	159,849	155,004	159,849
(xii) DCC				
At the start of the year	46,654	48,098	46,653	48,098
Additions	-	-	-	-
Amortisation charges	(1,445)	(1,445)	(1,445)	(1,445)
At the end of the year	45,209	46,653	45,209	46,653

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

(xiii) Ministry of Energy and Minerals (MEM), UNEP, ICEIDA and AfDB

	Consolidated		Separate	
	2018	2017	2018	2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
At the start of the year	923	1,154	-	-
Additions	21,343	83	-	-
Amortisation charges	(363)	(314)	-	-
At the end of the year	21,903	923	-	-

30. BORROWINGS

	Consolidated		Separate	
	2018	2017	2018	2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Loans (i)	1,620,191	1,560,632	1,620,191	1,560,632
Less: Current portion	(903,296)	(793,009)	(903,296)	(793,009)
Non-current portion	716,895	767,623	716,895	767,623

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

30 BORROWINGS (Continued)

The loan movements during the year for the Group and Company is summarized below;

Loan (Figures in TZS'm)	Ref	Balance as at 1 st July 2017		Addition	Fair value adjustment		Interest	Exchange gains/ losses		Discount unwinding	Principal paid		Interest paid	Balance as at 30 th June 2018	
		TZS 'm	TZS 'm		TZS 'm	TZS 'm		TZS 'm	TZS 'm		TZS 'm	TZS 'm		TZS 'm	TZS 'm
Government Loan	a	119,742	-	-	-	4,268	-	-	-	-	-	-	-	-	124,010
Government of Tanzania loan (Deferred capacity charge)	b	378,200	(19,910)	39,291	-	-	-	-	16,652	-	-	-	-	-	414,233
ING Bank – Optical Fibre	c	41,640	-	-	-	1,704	-	1,398	-	-	-	-	-	-	44,742
ING Bank – Tegeta 45MW	d	38,332	-	-	-	-	-	1,287	-	-	-	-	-	-	39,619
IDA Credit 3569 TA – Songo songo	e	9,386	-	-	-	-	340	289	-	-	-	-	-	-	10,015
EDCF-TEDAP	f	19,703	-	-	-	-	-	321	1,217	-	-	-	-	-	21,241
ADF-Electricity V	g	19,399	-	-	-	-	-	611	1,219	-	-	-	-	-	21,229
EDCF-KOREA (BITP)	h	27,852	-	-	-	-	-	453	1,724	-	-	-	-	-	30,029
EIB - BITP	i	76,866	-	-	-	-	-	2,580	2,367	-	-	-	-	-	81,813
IDA Credit 4798 TA –BITP	j	44,372	-	-	-	-	-	1,398	2,784	-	-	-	-	-	48,554
ADF – BITP	k	18,049	(5,864)	13,684	-	-	-	309	1,324	-	-	-	-	-	27,503
JICA – BITP	l	26,480	(3,657)	10,598	-	-	-	717	1,844	-	-	-	-	-	35,982
Syndicated loan 408Abillion facility	m	183,295	-	-	-	16,148	-	-	-	-	(47,891)	-	(21,625)	-	129,555
Syndicated Loan 408Bbillion Facility	n	125,720	-	-	-	3,420	-	10,038	-	-	(22,672)	-	(4,076)	-	92,354
Syndicated loan 300 bill	o	274,468	-	-	-	17,222	-	6,120	-	-	(372)	-	-	-	(372)
On Lending Standard Bank	p	93,458	-	-	-	-	-	-	-	-	-	-	-	-	297,809
On Lending ida – 3297,809,370 Years	q	122	(59)	160	-	2,351	-	4,075	5,679	-	-	-	-	-	105,562
BADEA	r	34,499	-	-	-	5,167	-	4	10	-	-	-	-	-	237
TIB Bridge facility	s	-	-	-	-	-	-	-	-	-	-	-	(2,562)	-	37,103
NBC 15m short term facility	t	12,760	(3,649)	8,434	-	1,826	-	346	532	-	-	-	-	-	17,818
ADF-KTIP	u	8,815	(818)	1,869	-	6	-	384	586	-	-	-	-	-	10,843
JICA-KTIP	v	354	(647)	1,329	-	1,966	-	35	36	-	-	-	-	-	3,073
ADF-RUSUMO	w	846	(56)	208	-	422	-	23	21	-	-	-	-	-	1,463
AFD (kfw) Geita-Nyakanazi	x	6,273	-	18,855	-	-	-	(1,326)	-	-	-	-	-	-	23,802
SIDA-GVT-Makambako Songea	y	-	(89)	336	-	-	-	(18)	7	-	-	-	-	-	236
AFD Geita Nyakanazi															
		1,560,630	94,972	94,972	(44,547)	53,612	8,376	36,123	28,263	(70,563)	1,620,189				

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

30 BORROWINGS (Continued)

The loan balance movements during the period for the Company is summarized below:

Loan (Figures in TZ\$ 'm)	Ref	Balance as at 1 st July 2016		Addition	Fair value adjustment	Interest	Exchange gains/ losses	Discount unwinding	Principal paid	Interest paid	Balance as at 30 th June 2017
		TZ\$ 'm	TZ\$ 'm								
Government Loan	a	115,122	-	-	-	4,268	-	352	-	-	119,742
Government of Tanzania loan (Deferred capacity charge)	b	336,040	44,936	(22,770)	-	-	19,994	-	-	-	378,200
ING Bank – Optical Fibre	c	39,555	-	-	-	115	1,970	-	-	-	41,640
ING Bank – Tegeta 45MW	d	36,521	-	-	-	-	1,811	-	-	-	38,332
IDA Credit 3569 TA –Songosongo	e	8,885	-	-	-	341	160	-	-	-	9,386
EDCF-TEDAP	f	18,147	-	-	-	-	427	1,129	-	-	19,703
ADF-Electricity V	g	17,972	-	-	-	-	314	1,113	-	-	19,399
EDCF-KOREA (BTIP)	h	22,267	9,071	(5,849)	-	-	764	1,599	-	-	27,852
EIB - BITP	i	59,600	16,324	(5,686)	-	-	4,373	2,255	-	-	76,866
IDA Credit 4798 TA –BITP	j	34,005	18,793	(15,396)	-	-	4,426	2,544	-	-	44,372
ADF – BITP	k	13,105	13,094	(9,812)	-	-	626	1,036	-	-	18,049
JICA – BITP	l	23,192	9,513	(6,094)	-	-	(1,651)	1,520	-	-	26,480
Syndicated loan 408Abillion facility	m	235,930	-	-	-	-	-	-	(48,262)	(4,373)	183,295
Syndicated Loan 408Bbill Facility	n	154,337	-	-	-	-	6,131	-	(34,500)	(355)	125,720
On Lending Standard Bank	o	261,989	-	-	-	-	(1,439)	-	-	13,767	274,468
On Lending Ida - 30 Years	p	87,304	-	-	-	-	(1,402)	5,270	-	2,286	93,458
BADEA	q	50	290	(233)	-	-	8	7	-	-	122
TIB Bridge facility	r	32,800	-	-	-	-	-	-	-	1,698	34,499
NBC 15m short term facility	s	32,972	-	-	-	-	-	-	(32,972)	-	-
ADF-KTPIP	t	-	29,561	(22,343)	-	-	756	486	-	4,300	12,760
JICA-KTPIP	u	-	31,982	(23,276)	-	-	(396)	505	-	-	8,815
ADF-RUSUMO	v	-	1,291	(979,82)	-	-	26	17	-	-	354
AFD(kfw) Geita –Nyakanazi	w	-	714	(217)	-	-	36	8	-	305	846
SIDA-GVT-Makambako Songea	x	-	6,305	-	-	-	(32)	-	-	-	6,273
		1,529,794	181,874	(112,656)		4,724	14,289	37,835	(115,734)	17,629	1,560,630

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

30 BORROWINGS (Continued)

TERMS AND CONDITIONS ON BORROWINGS

- a) This is the balance of the amount that was converted into equity on 1 st January 2004. It is owed to the Government. This amount is repayable in 9 equal instalments starting 31 st December 2008 after a grace period of 5 years. It bears the interest of 6.5% per annum. This loan is unsecured. The loan was fair valued on initial recognition.

No any repayment for the loan has been made since 2008, the loan has been classified as current. The loan agreement contains a covenant stating that the Government may by notice to TANESCO call for immediate repayment of the balance for the time being outstanding of the loan amount if TANESCO defaults for a period of 30 days in repayment of any amount due of the loan amount.

- b) The amount of TZS 414,233 million arises from capacity charges by Songas Limited on which the Company has negotiated deferred payment terms with the Government. This amount is unsecured and is interest free. The capacity charges deferred each month are repayable twenty years from the date of deferment.
- c) The loan from ING Bank was received through the Government for the Optic Fibre Project. It is denominated in Euros and carries an interest of 5% per annum. The loan is repayable in twenty (20) equal instalments of Euro 645,317.55 from 30th December 2007 and it was expected to be fully repaid by 31 st July 2017. No repayment of the loan has been made.
- d) This loan from ING Bank was received through the Government for the Tegeta 45 MW Project. It is denominated in Euros. No repayment of the loan has been made.
- e) This loan from IDA was received through the Government for implementation of palis C.3 and C.5 of Songo Songo Island Project. The loan is denominated in SDR and carries an interest rate of 7.1% per annum and is repayable in 20 equal annual instalments of SDR 36,964.23 which started from 30 April 2012. No repayment for the loan has been made.
- f) This loan from Economic Development Cooperation Fund (EDCF) of the Government of the Republic of Korea was received through the Government for the implementation of construction of the i32kV Transmission Line from Kilimanjaro to Arusha and the Rehabilitation of Kiyungi Substation under TEDAP. The loan is donated in US Dollars and carries an interest rate of 0.01% per annum and is repayable in 50 semi-annual instalments stetting from year 2020.
- g) This loan from African Development Fund (ADF) was received through the Government to finance Electricity V project. The loan is denominated in IJA and carries an interest of 1% per annum for first 20 years after a grace period of 10 years and 3% per annum thereafter; the loan is repayable for a period of 40 years starting from year 2020.
- h) This loan from Economic Development Cooperation Fund (EDCF) by the Government of the Republic of Korea was received through the Government for the implementation of construction of the 400kV Transmission Line from Iringa to Shinyanga and construction of Substations at Iringa, Dodoma, Singida and Shinyanga under the Backbone Transmission Investment Project (BTIP). The loan is denominated in IJSD and carries an interest rate of 0.01% per annum and is repayable in 50 semi-annual instalments starting from year 2020.
- i) (EIB) (European Investment Bank) — This loan is from EIB was received through the Government of Tanzania for the implementation of construction of a 400kV Transmission Line from Singida to Shinyanga under the BTIP. The loan is disbursed in EURO and carries an interest rate 2.9% per annum repayable semi-annually for a period of 25 years, after five years grace period, starting 2020.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

- IDA Credit 4798 This loan from IDA was received through the Government of the United Republic of Tanzania for the implementation of construction of a 400kV Transmission Line from Iringa to Dodoma under BTIP. The loan is denominated in SDR and carries an interest rate of 1% per annum from 15 August 2020 to 15th February 2030 and 2% from 15th August 2030 to 15th February 2050 repayable semi-annually for a period of 40 years starting 2020,
- k) ADF - BITP This loan from African Development Fund (ADF) was received through the Government of the United Republic of Tanzania for the implementation of construction of a 400kV Transmission Line from Dodoma to Singida under the BTIP. The loan is denominated in UA and carries an interest of 1% per annum for first 20 years after a grace period of 10 years and 3% per annum thereafter; the loan is repayable for a period of 40 years starting from year 2022.
- l) JICA - BITP — This loan is from Japan International Cooperation Agency (JICA) was received through the Government of the United Republic of Tanzania to finance the BITP. The loan is denominated in Japanese Yen and carries an interest of 0.01% per annum including a grace period of 10 years repayable semi-annually for a period of 40 years starting 2021.
- m) This is TZS 408 billion Syndicated loan facility A, this is a Tanzania Shillings portion of loan and the applicable rate of interest for amounts advanced under this facility is Government of Tanzania 182-day Treasury Bill rate plus the agreed margin of 4.50%. The effective rate charged in 2013 was 19.38% and as at 30th June 2018 is 7.96%, The Company received 85% of the loan amount while the lenders have withheld the 15% as collateral.
- n) This is TZS 408 billion Syndicated loan facility B with grace period of three years started, this carry USD portion of loan and the applicable rate of interest for amounts advanced under this facility is six month LIBOR plus the agreed margin of 5%. The effective rate charged in 2013 was 5.25% and as at 30th June 2018 is 7.27%. The Company received 85% of the loan amount while the lenders have withheld the remaining 15% as collateral.
- o) Government on lent Standard Bank, this loan was received from Government. The Company is required to pay the principal amount of the facility in semi-annual instalment for a period of 5 years including a grace period of 2 years. This facility carries an interest of 6% plus 6 Month LIBOR. The interest rate started accruing from the date the loan was disbursed: 15th August 2013, The loan is denominated in US Dollars. No repayment for the interest has been made.
- p) Government on lent IDA (Credit No. 5215 - TZ), this loan received from the Government with grace period of 10 years and payable for 30 years its interest rate is as follows:
From 15th August 2023 to 15th February 2033 interest 1% and from 15th February 2033 — 15th February 2053 interest is 2%. The amount received in 2013 was US Dollars that was fair-valued to US Dollars 30,787,852 on initial recognition and US Dollars 40, 171, 163.97 at year-end. The remaining balance was recognised as government contribution.
- q) Government on lent the loan to TANESCO during the year. This loan was lent from The Arab Bank for Economic Development in Africa (BADEA) in 2011 at an interest rate of 1%. The loan is denominated in US Dollar. The repayment period is from 2026 to 2046. The loan is for financing the Geita electrification project.
- r) This is a short term loan from the TIB Development Bank Limited in association with other lenders. The interest is charged at 16%. The repayment period of the loan is 8 months from the disbursement date. The loan is in Tanzanian shillings. The loan was acquired purposely for financing the cost of resettlement action plan including compensation costs covering 198 Kilometers from Somanga Fungu, Kilwa District to Kinyerezi, Ijala District, Dar es Salaam. The loan has been secured by creating a specific debenture which has created a first ranking charge over Ubungo II Power Plants assets both movable and immovable.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

30 BORROWINGS (Continued)

TERMS AND CONDITIONS ON BORROWINGS (Continued)

- s) This is a short term loan from National Bank of Commerce (NBC) received during the period. The loan is charged interest at 16.5% per annum. The loan is in Tanzanian shillings. The loan is repaid in one year.
- t) Government on lent the loan to TANESCO during the year. This loan was lent from African Development Fund (ADF) at an interest rate of 2% during the grace period and 4% thereafter. The loan is denominated in LIA and repayment in semi-annual for a period of 30 years after 10 years grace period. The loan is for financing the multinational Kenya-Tanzania Power interconnection project (Tanzania component)
- u) Government on lent the loan to TANESCO during the year. This loan is lent from JICA at an interest rate of 0.01%. The loan is denominated in JAPANESE YEN and repayment in semiannual for a period of 30 years with 10 years grace period. The loan is for financing the multinational Kenya-Tanzania Power interconnection project (Tanzania component)
- v) Government on tent the loan to TANESCO during the year. This loan is lent from African Development Fund (ADF) at an interest rate of 1% during grace period and interest of 3% thereafter. The loan is denominated in UA and repayment in semi-annual for a period of 40 years with 10 years grace period. The loan is for financing Rusumo Hydro Power Project transmission lines component.
- w) Government on lent the loan to TANESCO during the year. This loan was lent from AFD credit facility at an interest rate of 1.14%. The loan is denominated in Euro and repayment in semiannual for a period of 19 years with 4 years grace period. The loan is for financing the Geita-Nyakanazi Transmission Project.
- x) Government loan from AB-SVENSK EXPORTKREDIT for financing Makambako-Songea 132 kV transmission line and rural electrification project of districts in the Iringa and Ruvuma Regions. The loan interest rate is 6% flat rate on the credit amount. Financed amount is composed of Grant (80%), the amount which is equal to the maximum of SEK 168 Million and Credit of (20%) equal to the maximum of SEK 42 Million. Loan repayment is done semiannually for 15 years.
- y) Government on lent this loan to TANESCO in order to finance construction of 220 kV Geita — Nyakanazi Transmission Line and Rural Electrification Project. This loan was lent from Agence Francaise de Developpement (AFD), it is Euro 14 million Credit whose Agreement signed on 9th October 2015. This loan carry an interest rate of 1.14% compounded semiannual for a period of 19 years after 4 years grace period.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

31 OTHER EMPLOYMENT BENEFITS

	Consolidated		Separate	
	2018	2017	2018	2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
At the start of the year	22,847	24,252	22,847	24,251
Current service cost	1,980	2,803	1,980	2,803
Interest cost	3,688	752	3,688	752
Benefits paid	(2,111)	(4,959)	(2,111)	(4,959)
Other long term				
At the end of the year	26,404	22,847	26,404	22,847
Actuarial assumptions				
Discount rate per annum	16.0%	12.0%	16.0%	16.0%
Future increase in cash lump sum award amounts per annum	10%	10%	10%	10%
Mortality (pre-retirement)	A1949-1952 A rate with similar arrangement	A1949-1952 A rate with similar arrangement	A1949-1952 A rate with similar arrangement	A1949-1952 A rate with similar arrangement
Withdraws (voluntary)				
Retirement age	Age 60	Age 60	Age 60	Age 60

The actuarial valuation of the Company's other employment benefits were carried out in accordance with the requirements of International Accounting Standards 19-Employee benefits.

32 TRADE AND OTHER PAYABLES

	Consolidated		Separate	
	2018	2017	2018	2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Current				
Trade payables	993,773	964,079	993,910	963,673
Advances against work orders	53,263	52,760	53,263	52,760
EWURA and REA	17,325	20,972	17,325	20,972
Customers with credit balances	1,703	2,918	1,703	2,918
TANESCO Employees Trust Deed Fund				
Deferred revenue from government	7,899	8,307	7,899	8,307
Deferred LUKU sales	5,967	5,722	5,967	5,722
Accrued expenses	141,765	98,234	139,242	98,203
North Mara and Pangea Mining companies	250	4,100	250	4,100
Provisions for energy purchase				
Related party payable- ETDCO and TGDC	-	-		
Other payables	39,880	67,384	39,872	67,384
	1,261,826	1,224,477	1,259,432	1,224,039

The Company's exposure to currency risk and liquidity risk related to trade & other payable is disclosed in Note 8.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

33. CONSUMER DEPOSITS

	Consolidated		Separate	
	2018 TZS 'm	2017 TZS 'm	2018 TZS 'm	2017 TZS 'm
Consumer deposits:				
at start of the year	21,245	16,382	21,245	16,382
Deferred income*	-	4,863	-	4,863
Addition/(Amortization)	(4,816)		(4,816)	
	<u>16,429</u>	<u>21,245</u>	<u>16,429</u>	<u>21,245</u>

*The deferred income is the day-1 gain on fair valuation of amount payable to IPTL in respect of the settlement of previously disputed capacity charges, which is fully amortized.

34 CASH GENERATED FROM OPERATIONS

	Note	Consolidated		Separate	
		30 th June 2018 TZS 'm	30 th June 2017 TZS 'm	30 th June 2018 TZS 'm	30 th June 2017 TZS 'm
Operating activities		-			
Loss before tax		<u>(118,449)</u>	<u>(270,464)</u>	<u>(114,812)</u>	<u>(265,746)</u>
<i>Adjustments for:</i>					
Depreciation	16	389,510	437,213	389,104	437,024
Revaluation loss		-	-	-	-
Depreciation of investment property		45	45	45	45
Interest expense		54,025	73,476	54,025	73,476
Amortisation of AFUDC prepayment	23	4,486	4,479	4,486	4,479
Amortisation of intangible asset	18				
		128	19	128	19
Amortisation of grants	29	(75,360)	(71,989)	(75,066)	(71,675)
Share of loss of equity-accounted investees, net of tax		802	719	-	-
Impairment loss on receivables		-	-	-	-
Tax expense		-	-	-	-
Discount unwinding		36,121	37,835	36,121	37,835
Other employment benefits		3,557	(1,405)	3,557	(1,405)
Net unrealized forex (gains)/losses		<u>8,966</u>	<u>17,165</u>	<u>8,966</u>	<u>17,165</u>
		303,832	227,094	306,555	231,219
Changes in:					
- inventories		(2,111)	2,033	(2,111)	2,033
- trade and other receivables		4,270	(19,496)	10,924	(23,124)
- Related party transactions		-	-	-	-
- Prepayments		3,276	(11,417)	3,276	(11,417)
		3,340	4,668	3,340	4,668
- trade and other payables and consumer deposits		<u>33,314</u>	<u>125,931</u>	<u>30,580</u>	<u>125,701</u>
Cash used in operations		<u>345,921</u>	<u>328,813</u>	<u>352,565</u>	<u>329,080</u>

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

35 TAX PAYABLE

	Consolidated		Separate	
	30 th June	30 th June	30 th June	30 th June
	2018	2017	2018	2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Opening balance	11,139	5,263	11,136	5,263
Alternative Minimum Tax	6,437	5,876	6,428	5,873
Late filing of return	-	-	-	-
Withholding Taxes paid	(5,460)	-	(5,460)	-
Instalments paid	(2,124)	-	(2,124)	-
Closing balance	9,981	11,139	9,981	11,136

Tax assessments for the years of income 2011, 2012, 2013, 2014 and 2015 has been performed by Tanzania Revenue Authority (TRA) and the Company paid all outstanding Corporation Income Tax assessed up to 30 June 2015.

36. PROVISION

	Consolidated		Separate	
	30 th June	30 th June	30 th June	30 th June
	2018	2017	2018	2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Legal claims	5,150	5,389	5,150	5,389
<i>Movement during the year</i>				
Opening balance	5,389	1,299	5,389	1,299
Charge during the year	4,090	4,090	4,090	4,090
Utilized during the year	-	-	-	-
Closing balance	9,479	5,389	9,479	5,389
Other provisions	92,885	89,305	92,885	89,305
Total Provisions	98,035	94,695	98,035	94,695

The provision for legal claims relates to costs and legal claims where professional advice indicates that it is probable that the Company will incur loss in settling legal cases.

Other provision relates to estimates various operations costs expected by the company due to past legal and constructive obligations existing at the reporting date.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

37 CONTINGENT LIABILITIES

The Company is a defendant in various legal actions, which, in the opinion of the directors, after taking appropriate legal advice, will not give rise to any significant loss.

A significant legal case has been summarized below:

(i) Standard Chattered Bank Hong Kong ("SCBHK") versus TANESCO (ICSID case No.ARB/10/20)

This is an arbitration case filed by Standard Chattered Bank Hong Kong (SCBHK) against TANESCO in Sept 2010. SCBHK stepped in the shoes of Independent Power Tanzania Limited (IPTL) as lender by assignment by which time one of the shareholders of IPTL had filed a case to wind up IPTL. SCBHK requested a declaration that the shareholder loans in IPTL qualify as equity for the purpose of computing capacity charges and claimed US\$258.7 million to be made to it by TANESCO. The claim was made up of outstanding invoices, interest on outstanding invoices and damages resulting from TANESCO's failure to pay IPTL for the services rendered to it in accordance with the requirement of Power Purchase Agreement (PPA) with IPTL, together with any sums due under invoices that had not been disclosed to SCBHK. The Ruling (final award) issued on 12th September 2016 required TANESCO to pay SCBHK US\$148.4 million (approximately TZS 336.34 billion) together with interest on the amount owing on the basis of simple three month LIBOR plus 4% starting from 30th September 2015. The payment would be enforceable if SCBHK registers the award in the Tanzanian Courts. This could have happened after the lapse of 120 days from the date of the award. SCBHK did not register the award

TANESCO challenged the award through annulment and the ICSID has rendered its decision on annulment on 22nd August, 2018 in favour of SCBHK. Although the decision sets TANESCO to the statusquo before challenging of the Award, execution and finally payment of the claim are yet too remote on the grounds that; Payment of the claim depends on the interpretation of various laws relating complaint subject of the Award and success of the ongoing Arbitration proceeding against the Guarantor (the Government of Tanzania). As such, payments is conditional upon conclusion of the proceeding against guarantor.

Legal advice obtained indicates that it is not probable that any liability will arise as the possibility of execution and finally payment of the claim are yet too remote on the grounds that; Payment of the claim is conditional upon conclusion of the proceeding against guarantor. The Directors are of the view that no material losses will arise in respect of the legal claim at the date of these financial statements and hence the Company has not made any provision against the claim.

(ii) Jacobsen Elektro claim of US\$ 12.56 million for contract number. PA/001/09/HQM/032 for construction of Gas based power Generating plant of 100MW Gas turbine units at Ubungu- Dar es Salaam.

Jacobsen Elektro is claiming US\$12.56 million from TANESCO on the ground that Jacobsen incurred losses resulting from the hedging contracts that Jacobsen entered when procuring materials needed for the project following delays by TANESCO to pay the agreed sums during the performance of the contract. Directors believe that TANESCO is not contractually liable for the loss that Jacobsen has incurred based on the terms of contract hence have not raised a provision in the financial statements.

(iii) Other litigations

As at 30th June 2018, the Company was a defendant in several other lawsuits. While liability in these lawsuits is not admitted, if defense against the actions is unsuccessful, then the amount claimed in these lawsuits could amount to TZS 10,130 million. Based on legal advice, TZS5,390 million has been provided for in the financial statements. In the view of directors, taking into account the legal advice received from the Company's internal and external lawyers, the directors do not believe that the lawsuits for which no provisions have been recognised will result into material cash outflow from the Company.

The directors are not aware of any other material contingencies, as at the reporting date that requires further disclosures in the financial statements.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

38 COMMITMENTS

a) Capital commitments

The Board of Directors approved capital commitments for the year ended 30th June 2018 of TZS 467,366 million (30th June 2017: TZS 400,026 million). Included in the approved capital commitments is TZS 161,631 million for on-going projects, Others CWO is TZS 118,003, Voltage improvement TZS 38,440 million and TZS 29,375 million for new projects and service line connection.

b) Other commitments

Other commitments included overseas procurement of materials where payments is to be done through Letters of credits opened at various commercial banks and locally purchased items by issuing local purchase orders as shown below:

	30 th June 2018 TZS 'm	30 th June 2017 TZS 'm
Local purchase orders – (goods ordered but not yet delivered)	77,255	60,417
	-	
	<u>77,255</u>	<u>60,417</u>

Independent Power Tanzania Limited (IPTL)

There is no commitment in respect of annual capacity charges. The Power Purchase Agreement between the Company and IPTL is for 20 years and it commenced in 2002. Since July 2017 after expire of the license, the regulator is yet to grant a new license.

SONGAS Limited

There is a commitment of TZS 223,607 million in respect of annual capacity charges. The Power Purchase Agreement between the Company and SONGAS is for 20 years and it commenced in 2003.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

39. RELATED PARTY TRANSACTIONS AND BALANCES

The Company is wholly owned by the Government of Tanzania. Related parties in the books of TANESCO include national departments/Ministries, public entities and local government (including municipalities).

TANESCO'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 TANESCO and other government related parties and are therefore not disclosed separately. These include, among others, transactions as a result of services provided to government hospitals and libraries. Related parties also comprise key management personnel of TANESCO or its shareholder and close family members of these

The following transactions were carried out with related parties:

	Consolidated		Separate	
	30 th June 2018 TZS 'm	30 th June 2017 TZS 'm	30 th June 2018 TZS 'm	30 th June 2017 TZS 'm
Transactions:				
Sales of electricity				
National departments/ministries	54,879	53,663	54,879	53,663
Local governments	17,382	886	17,382	886
Public entities	27,986	3,111	27,986	3,111
Zanzibar Electricity (ZECO)	8,570	76,720	8,570	76,720
	<u>108,817</u>	<u>134,380</u>	<u>108,817</u>	<u>134,380</u>
Government grants towards capacity charges, fuel and energy charges and other operating expenses				
	30 th June 2018 TZS 'm	30 th June 2017 TZS 'm	30 th June 2018 TZS 'm	30 th June 2017 TZS 'm
Ministry of Energy and Minerals (MEM)	182,277	197,234	182,277	197,234
Rural Electrification Agency (REA)	-	85,259	-	85,259
	<u>182,277</u>	<u>282,493</u>	<u>182,277</u>	<u>282,493</u>
Purchases of goods and services				
National departments/ministries	368,826	5,052	368,826	5,052
Local government	1,666	4,643	1,666	4,643
Public entities	30,053	5,998	30,053	5,998
	<u>400,545</u>	<u>15,693</u>	<u>400,545</u>	<u>15,693</u>
Expenses paid for TGDC	3,606	3,217	3,606	3,217
Expenses paid for ETDCO	5,107	957	5,107	957
	<u>8,713</u>	<u>4,174</u>	<u>8,713</u>	<u>4,174</u>

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

Outstanding balances (due by related parties) Receivables and amounts owed by related parties

	30 th June 2018	30 th June 2017	30 th June 2018	30 th June 2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
TGDC	9,402	3,012	9,402	3,012
ETDCO	5,736	957	5,736	957
National departments/ministries	15,563	26,237	15,563	26,237
Local government	7,570	403	7,570	403
Public entities	33,041	25,187	33,041	25,187
Zanzibar Electricity Corporation	5,034	127,589	5,034	127,589
	<u>76,345</u>	<u>183,385</u>	<u>76,345</u>	<u>183,385</u>

Outstanding balances (due to related parties) Payables and amounts owed to related parties

	30 th June 2018	30 th June 2017	30 th June 2018	30 th June 2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
National Departments/Ministries	<u>380,374</u>	<u>1,531</u>	<u>380,374</u>	<u>1,531</u>
Local Government	<u>1,235</u>	<u>2,514</u>	<u>1,235</u>	<u>2,514</u>
Public entities	<u>2,241</u>	<u>28,352</u>	<u>2,241</u>	<u>28,352</u>
	<u>383,851</u>	<u>32,397</u>	<u>383,851</u>	<u>32,397</u>

Borrowings

Government on lent loan	30	<u>1,255,572</u>	<u>1,251,616</u>	<u>1,255,572</u>	<u>1,251,616</u>
-------------------------	----	------------------	------------------	------------------	------------------

Guarantees received

Government of United Republic of Tanzania	38 (b)	<u>223,607</u>	<u>244,790</u>	<u>223,607</u>	<u>244,790</u>
--	-----------	----------------	----------------	----------------	----------------

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

39. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Directors and key management personnel remuneration

Consolidated	30 th June 2018	30 th June 2017
	TZS 'm	TZS 'm Fees
<i>Non Executive directors</i>		
Dr. Alex L. Kyaruzi	79.7	70.0
Amb.Dr. James Nzagi	35.9	33.0
Mr. David Elias Alal	50.7	38.0
Dr. Lugano Wilson	35.4	41.0
Eng. Gilay Shamika	40.3	23.0
Ms Anna Ngowi	36.4	27.0
Eng. Leonard R. Masanja		19.0
Dr. Samwel Nyantahe	-	6.0
Mr. B.P Segeja		1.5
Mr. Mr. Felchesmi Mramba		0.3
Others	77.9	5.0
Total non- executive directors	356	237

	30 th June 2018	30 th June 2017	30 th June 2018	30 th June 2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
<i>Key management</i>				
	Salary and post retirement		Fees and Sitting allowances	
	2,661	1,847	-	-
Total	2,661	1,847	-	-

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

Directors and key management personnel remuneration

Company	30 th June 2018	30 th June 2017
	TZS 'm	TZS 'm
	Fees	
Non Executive directors		
Dr. Alex L. Kyaruzi	79.7	70.0
Amb. Dr. James Nzagi	35.9	33.0
Mr. David Elias Alal	50.7	38.0
Dr. Lugano Wilson	35.4	41.0
Eng. Gilay Shamika	40.3	23.0
Ms Anna Ngowi	36.4	27.0
Eng. Stephen P. Mabada		16.0
Dr. Samweli Nyantahe		6.0
Eng Leonard R. Mabada		19.0
Others	77.9	5.0
Total non- executive directors	356.4	278

	30 th June 2018	30 th June 2017	30 th June 2018	30 th June 2017
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Key management				
	Salary and post retirement benefits		Fees and Sitting allowances	
Total	1,493	1,847	-	--
	1,493	1,847	-	-

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

40 OPERATING LEASES

Leases as lessor

The Company leases out its investment property (see note 19). TANESCO is unable to determine future minimum lease receivable because the contract with the lessee had expired. TANESCO is pursuing its rights through the court.

The Company has operating lease arrangements for some of its depots, services station, office building and staff residential houses. The period of those lease agreements range between one and five years and the leases are renewable. The company pays leases in advance for the whole period of the lease agreement. As at the year-end, the company had prepaid rent as shown:

Leases as lessee

The Company has operating lease arrangements for some of its office buildings and warehouses. The period of those lease agreements range between one to five years and the leases are renewable. The following is a summary of lease commitments that the Company has as at the year-end.

	Consolidated		Separate	
	30 th June 2018	30 th June 2017	30 th June 2018	30 June 2017
	TZS'm	TZS'm	TZS'm	TZS'm
Not later than one year	1,156	92	1,156	92
Later than one year and not later than five years	3,467	157	3,467	157
Later than five years	2,311	758	2,311	758
	6,933	1,007	6,933	1,007

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

41 ULTIMATE OWNER OF THE COMPANY

The Government of the United Republic of Tanzania is the ultimate owner of the Company.

42 CURRENCY

These financial statements are presented in millions of Tanzanian Shillings (TZS 'm) unless otherwise specifically stated.

43 COMPARATIVES

Comparatives are consistent with the previous year, except where necessary reclassifications have been made in order to conform with current year presentation. Affected accounts are provisions separated from other payables and other trade receivables.

44 SUBSEQUENT EVENTS

The events summarized below happened subsequent to the reporting date. These are non adjusting events.

Symbion Power (Tanzania) Limited Case

Symbion Power (Tanzania) Ltd ("Symbion") purports to have signed a Power Purchase Agreement (PPA) on 10th December 2015 with TANESCO. However, as per available records, the same had been put on hold on the ground that the government was scrutinizing the agreement and that being the case the parties continued with an interim arrangement which was in effect since 16th September 2015 to generate power while awaiting the outcome of the review of the PPA.

In March, 2016 TANESCO wrote a letter to Symbion informing them the fate of the PPA after government scrutiny. Being dissatisfied, on 13th March 2017, Symbion decided to seek recourse in the international Chamber of Commerce (ICC). Symbion is still claiming approximately USD 561 million from TANESCO due to the alleged cessation of the intended PPA.

In August, 2018 the parties amicably requested the stay of ninety days from the Tribunal to settle the matter out of the court.

Legal advice obtained indicates that it is not probable that any liability will arise. The Directors are of the view that no material losses will arise in respect of the legal claim at the date of these financial statements because claimant has proposed amicable settlement of the matter out of the court in which case should any liability arise from the settlement, the same is too remote as of now.

Government waiver of value added tax (VAT) on sales of electricity to Zanzibar Electricity Company Limited (ZECO)

TANESCO is obliged to remit Value Added Tax (VAT) to Tanzania Revenue Authority (TRA) in respect of electricity sales made to Zanzibar Electricity Company Limited (ZECO). However, ZECO has a long outstanding VAT disputed on kVA 69% portion while the remaining 31% is payable by the Ministry of Energy (MEM).

The United Republic of Tanzania (IJRT) Ministers Cabinet under the chairmanship of the President of IJRT passed a Resolution on 21st January 2019 to charge a ZERO rate of VAT for sales of electricity to Zanzibar Electricity Company Limited (ZECO) instead of 18% as stipulated in Chapter 148 of VAT Act [R.E 2018]. Moreover, the Cabinet resolved to write off accumulated VAT that ZECO had pay to TANESCO amounting to TZS 22,950 million that could ultimately be forfeited by TRA. The Directors are aware of the resolution concluded.

Change of Company Head Office

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

The Presidential Executive Order issued on 23rd July, 2016 directed all government ministries and institutions to relocate to capital city of Dodoma. TANESCO being one of the government institution has complied by relocating its seat to Dodoma after 30 June 2018. The new registered office address is detailed here under:

Tanzania Electric Supply Company Limited
Gematin Road,
P.o Box 453
Dodoma

Apart from the above matters, the Directors are not aware with any other significant events after reporting date which requires disclosures in these financial statements.



"We light up your life"

