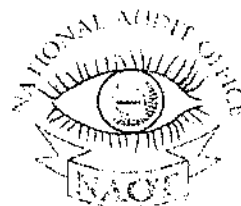


REPORT OF THE CONTROLLER AND AUDITOR GENERAL

**THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE**



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF
TANZANIA ELECTRIC SUPPLY COMPANY LIMITED (TANESCO)
FOR THE YEAR ENDED 30TH JUNE 2019**

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MARCH 2020

**REPORT OF THE DIRECTORS AND ANNUAL CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

CONTENTS	PAGE
NAO vision and mission Statements	i
List of abbreviations	ii - iii
Company information	1
Report of the directors	2 – 26
Statement of directors' responsibilities	27
Declaration of the head of finance	28
Independent auditor's report	29 – 33
<i>Consolidated and separate financial statement:</i>	
Consolidated and separate statements of profit or loss and other comprehensive income	34-35
Consolidated and separate statements of financial position	36 - 37
Consolidated and separate statements of changes in equity	38 – 41
Consolidated and separate statements of cash flows	42 – 43
Notes to the consolidated and company financial statements	44 – 125

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

REPORT OF THE DIRECTORS AND ANNUAL CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

**REPORT OF THE DIRECTORS AND ANNUAL CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

LIST OF ABBREVIATIONS		
No	Abbreviation	Meaning
1.	3E	Eclipse Enterprise Edition
2.	ADF	African Development Fund
3.	AFD	African Fund Development
4.	AfDB	African Development Bank
5.	AMR	Automatic Meter Reader
6.	ARC	Audit and Risk Committee
7.	BTIP	Backbone Transmission Investment Project
8.	CAG	Controller and Auditor General
9.	CCTV	Closed Circuit Television
10.	CG	Corporate Governance
11.	CGC	Corporate and Governance Committee
12.	CMS	Corporate Management System
13.	CWIP	Capital Work in Progress
14.	DPRP	Disaster Preparedness and Response Plan
15.	DRDC	Disaster Recovery Data Centre
16.	EDCF	Economic Development Cooperation Fund
17.	ECLs	Expected Credit Loss
18.	EIB	European Investment Bank
19.	EMS	Environmental Management System
20.	EoI	Expression of Interest
21.	EPPs	Emergency Power Producer
22.	ERP	Enterprise Resource Planning
23.	ESIA	Environmental and Social Impact Assessment
24.	ESMP	Environmental and Social Management Plan
25.	ETDCO	Electrical Transmission, Distribution and Maintenance Company Limited
26.	GEPF	Government Employees Pensions Fund
27.	GIS	Geographical Information System
28.	HRRC	Human Resources and Remuneration Committee
29.	IAS	International Accounting Standards
30.	ICT	Information and Communication Technology
31.	IFC	International Finance Company
32.	IFRIC	International Financial Reporting Interpretations Committee
33.	IFRS	International Financial Reporting Standards
34.	IPMPLS	Internet Protocol Multi-Protocol Label Switch
35.	IPOC	Investment, Planning and Operations Committee
36.	IPPs	Independent Power Producers
37.	IPTL	Independent Power Tanzania Limited
38.	ISMS	Integrated Security Management System
39.	JICA	Japan International Development Agency
40.	KAWEU	Kampeni Kamata Wezi wa Umeme
41.	Km	Kilometers
42.	KV	Kilo Volts

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

**REPORT OF THE DIRECTORS AND ANNUAL CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

LIST OF ABBREVIATIONS		
No	Abbreviation	Meaning
43.	LAPF	Local Authority Pension Fund
44.	LGD	Loss Given Default
45.	LOTO	Lock Out and Tag Out
46.	LPU	Large Power Users
47.	LV	Low Voltage
48.	M	Million
49.	MV	Medium Voltage
50.	MVA	Mega Volt Amp
51.	MW	Mega Watt
52.	NAOT	National Audit Office of Tanzania
53.	NBAA	National Board of Accountants and Auditors
54.	NCI	Non-controlling interest
55.	NEMC	National Environmental Management Council
56.	NOK	Norwegian Kroner
57.	NSSF	National Social Security Fund
58.	OCI	Other Comprehensive Income
59.	OMG	One Minute Goal
60.	PABX	Private Automatic Branch Exchange
61.	PAPs	Project Affected Persons
62.	PMU	Procurement Management Unit
63.	PPE	Property, Plant and Equipment
64.	PPF	Parastatals Pension Fund
65.	PSMP	Power System Master Plan
66.	PSPF	Public Service Pensions Fund
67.	RAP	Resettlement Action Plan
68.	REA	Rural Energy Agency
69.	REF	Rural Energy Fund
70.	RoW	Right of way
71.	RPU	Revenue Protection Units
72.	SCADA	Supervisory Control and Data Acquisition
73.	SCBHK	Standard Chartered Bank Hong Kong
74.	SDR	Special Drawing Rights
75.	SEA	Strategic Environmental Assessment
76.	SEPC	Shanghai Electric Power Company Limited
77.	SPGC	Shangtan Power Generation Company Limited
78.	TCPMC	Tanzania Concrete Poles Manufacturing Company Limited
79.	TEDAP	Tanzania Energy Development and Access Expansion Project
80.	TGDC	Tanzania Geothermal Development Company Limited
81.	TL	Transmission line
82.	URT	The United Republic of Tanzania
83.	ZTK	Zambia – Tanzania – Kenya power interconnector project

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

**REPORT OF THE DIRECTORS AND ANNUAL CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

COMPANY INFORMATION

Registered Office:

Tanzania Electric Supply Company Limited
Germatin Road
P. O. Box 453
Dodoma, 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

Stanbic Bank Limited
P.O.Box 72647
Dar es Salaam, Tanzania

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

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

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

Lawyers:

Office of Solicitor General
P. O. Box 71554,
10 Kivukoni Road,
11405, Dar es Salaam, Tanzania.

Company Secretary:

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

Auditors:

The Controller and Auditor General
National Audit Office
4 Ukaguzi Road
P. O. Box 950,
Hazina Street
41104 Dodoma

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

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2019

1. INTRODUCTION

The Directors submit their report together with the consolidated and separate financial statements for the year ended 30th June 2019, 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 19th 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, Biharamulo, Bukoba Urban, Kasulu, Kibondo, Kigoma Urban, Liwale, Loliondo, Ludewa, 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, Songas Limited, Tanganyika Wattle Company Limited (TANWAT), TPC Limited, Andoya, Mwenga, Tullia, Iyovi and Ngombeni.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued) FOR THE YEAR ENDED 30 JUNE 2019

5. PRINCIPAL ACTIVITIES (Continued)

Projects implemented or continued to be implemented during the year

- a) In collaboration with REA, Government Funded Phase II electrification projects have been completed by 100% in 23 regions of Mainland Tanzania with exception of Kilimanjaro and Singida regions where the contract between REA and the Contractor M/s Spencon Services Ltd was terminated for failure to abide by contract requirements. The Agency has contracted other local contractors to complete pending works in these two regions. The project whose progress as at 30th June, 2019 is 85% is expected to be completed on 30th December, 2019.

REA Turnkey III round 1 programme is implemented in 25 regions of Arusha, Dodoma, Geita, Iringa, Kagera, Katavi, Kigoma, Kilimanjaro, Lindi, Manyara, Mara, Mbeya, Songwe, Morogoro, Mtwara, Mwanza, Njombe, Pwani, Rukwa, Ruvuma, Shinyanga, Simiyu, Singida, Tabora and Tanga intended to electrify 3,559 villages including all hamlets, public facilities and institutions. The project duration is 24 months with a total project cost of about TZS 1,157 Billion. The project is divided into 29 lots in 25 regions of mainland Tanzania with exception of Dar es Salaam. Each lot is assigned to a turnkey contractor and implementation of most of the lots became contractually effective between June and August, 2018. About 65% of the project contractors are local firms while the rest are foreign firms. Furthermore, main project materials such as poles, transformers, conductors and meters are sourced from within the Country.

The overall implementation status as at 30th June, 2019 is 53.26%. Total number of villages electrified is 1,158 out of 3,559, number of transformers installed is 1,685 out of 5,962 while the total number of customers connected is 28,468 out of 180,766.

- 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 67.7 million (TZS 216,463.96 million) (sixty-seven million seven hundred thousand Special Drawing Rights), of which SDR 49.80 million (TZS 159,230.51 million) 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 Mzinga Creek portion, which is in the final stages of completion.
- c) Construction of a 240MW combined cycle gas-fired power plant at Kinyerezi II. Total project cost of the project is USD 344.1million (TZS 787,820 million). Construction of the project started in March 2016 and the project was completed on 30th March 2019. All the six (6) Gas Turbine Generators (GTGs) have been installed and operational generating a total of 167 MW and the two (2) Steam Turbine Generators (STGs) are in operational generating 80MW, making total generation of 240MW.
- d) Construction of 185MW Kinyerezi I extension gas fired power plant at Kinyerezi. Estimated cost of the project is USD 188 million (TZS 426,089 million). The project started in November 2016 and is expected to be completed by 31 December 2020.
- e) The construction of Bulyanhulu – Geita – Nyakanazi 220 kV Transmission Lines. This project comprises of construction of Bulyanhulu 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 52,658.73 million).

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

**REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 30 JUNE 2019**

5. PRINCIPAL ACTIVITIES (Continued)

Projects implemented or continued to be implemented during the year (Continued)

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 108,264 million) 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 80,957 million) and expected to be completed on 30th September, 2020.

- f) 220kV Transmission Line from Makambako to Songea and Rural Electrification Projects for Distribution in Njombe and Ruvuma Regions.
- i. Distribution Contract : The contract No. PA/001/01/012/HQ/W/039, with price of USD 36.59million(TZS 83,773 million) and TZS 22,164 million was signed on 3rd January 2014 and currently the contractor has completed Installation of Transformers, MV and LV networks and 9,250 Customers, these make overall progress 95% Transformer installation, MV and LV networks for 122 villagies are completed 100% by 30th June 2019, and connection of customers is up to 30th September 2019.
 - ii. 220kV Transmission Line :The Contract No. PA/0001/13/HQ/W/004-Lot A with price of USD 24.43 million (TZS 55,933 million) and TZS 14,645 million was signed on 5th August 2015 and construction is completed and Transmission line was energized on 15th September 2018.
 - iii. Three 220/33kV Substations: The Contract No. PA/0001/13/HQ/W/004-Lot B with price of USD 10.25 million (TZS 23,467 million) and TZS 3,396 million was signed on 5th August 2015 for Implementation of three 220/33kV Substations of Makambako, Madaba and Songea. The substations were energized on 15th September 2018.
- g) Construction of 400kV Transmission line 414 kms from Singida to Namanga under the Kenya-Tanzania Power Interconnection Project. The Government has concluded Financing Agreements with Lenders for the project (African Development Bank (AfDB) and Japan International Development Agency (JICA). Currently the project is in construction stage. The EPC contractors for construction of Transmission line and three (3) Substations in the towns of Dodoma, Arusha and Singida continue with foundation works, erection of towers and supply of materials and equipment for transmission line and substations. Construction which continues in Dodoma and Singida for upgrading the substations from 220/33kV to 400/220/33kV as part of Backbone Phase II co-financed by the AfDB and JICA. The other part of the Backbone Phase II is for upgrading the Iringa and Shinyanga substation of which construction is yet to start awaiting conclusion of signing of the Amendment No. 4 to the financing agreement between the EIB and the Government of the United Republic of Tanzania. The KTIPI is expected to be completed by 31st December 2020.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

**REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 30 JUNE 2019**

5. PRINCIPAL ACTIVITIES (Continued)

Projects implemented or continued to be implemented during the year (Continued)

- h) Rehabilitation of protection and control system at Singida- The project involved replacement of obsolete protection and control system at Singida 220/33kV substation. The project cost was 979,747 USD and it was 100% implemented through TANESCO internal funds. Completed on 31st August 2018.
- i) Rehabilitation and upgrade of 132/33/11kV Ubungo substation and Musoma, Nyakato, Sabasaba, Karatu 33/11kV substations. The total cost of installation and rehabilitation is TZS 17,600 million implemented through TANESCO internal funds, completion expected by 31st December 2020
- j) Installation of 300MVA, 220/132kV power Transformer at Ubungo substation. The total cost of installation is TZS 13,342.0 million , The project is implemented through TANESCO internal funds and expected to be completed on 24th December 2019. As of February 2020 the project was completed on 19th December 2019 and now is under defect liability period.Construction of 2x90MVA, 220/33kV substation at Luguruni. The total cost of installation is TZS 15,000 million implementing through TANESCO internal funds, completion expected date is 30th December, 2020.
- k) Installation of 65MVA, 132/33kV Transformer at Kunduchi substation. The total cost of installation is TZS 2,500 million implementing through TANESCO internal funds, completion expected date is 30th December 2020.
- l) Installation 35MVA, 220/33/11kV transformer at Mufindi substation and 15MVA, 66/33kV transformer at Sumbawanga substations. The total cost of installation is TZS 7,900 million implementing through TANESCO internal funds, the work expect to be completed by 30th December, 2020
- m) Major rehabilitation of control and protection system at Shinyanga substation to replace obsolete system with new ones. The total cost of installation is TZS 2,400 million implementing through TANESCO internal funds, as per status of February 2020 The work was completed on 30th January, 2020.
- n) Upgrading of substation telephone exchange systems (ECS-FD400) for Kidatu, Kihansi, Iringa, Singida and Babati substations. The total cost of project is EURO 539,000(TZS 1,403 million) completion expected by 30th August, 2020
- o) Upgrading of Power Line Carrier (PLC) for Babati, Kondoa, Mbulu and Karatu substations restoring communication in the 66kV network. The cost of the project is CHF 270,000 (TZS 632 million).
- p) Upgrading of substation telephone exchange systems (ECS-FD400) for Kidatu, Kihansi, Iringa and Singida. The total cost of project is EURO 539,000 (TZS 1,403 million).

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

**REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 30 JUNE 2019**

5. PRINCIPAL ACTIVITIES (Continued)

Projects implemented or continued to be implemented during the year (Continued)

- q) Major overhaul of 48VDC DC system of sixteen (16) grid substation with optical fiber equipment. Estimate project cost is TZS 672 million, implemented under TANESCO internal fund. The expected completion date is 30th August 2020.
- r) Extension of Kurasini – Kigamboni 132kV Transmission line with 13.95km route length and construction of Kigamboni 132/33kV substation started after kick of meeting of November 21st, 2018. Estimate project cost is TZS 24,760 million implementing through TANESCO internal funds. The project completion date is estimated to be 30th October 2020.
- s) Replacement of aged insulators on 220kV Shinyanga – Bulyanhulu and 132kV Chalinze-Morogoro transmission lines at an estimated cost of TZS1,200 million implementing through TANESCO internal funds. Insulators have been delivered and replacements have been started along 220kV Shinyanga – Bulyanhulu transmission line. The expected completion date is 30th May 2020.
- t) 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 31st December 2020.
- u) Extension of 395 kms, 132kV Transmission line from Tabora to Kigoma (Kidahwe) with associated substations at Urambo and Nguruka. The project will cost TZS 141,401 million. Construction of substation structures at Urambo substation started. A proposal for requesting to solicit funds from Development Partners for implementation of the project underway. It is Government funded under framework contract.
- v) Construction of 381 kms, 132kV Transmission line from Tabora to Katavi (Nsimbo) via substations at Ipole, Inyonga and Mpanda. The project will cost TZS 135,093 million. Construction of substation structures at Mpanda already started. Structures for Inyonga and Ipole substation will start on 30th March, 2020 and it is a framework contract under TANESCO internal fund. TANESCO Transmission Grid Rehabilitation & Upgrade Project (TTGRUP), which includes rehabilitation of nine (09) grid, connected substations, extension of optical fiber telecommunication network a distance of 1,345 kilometers, upgrading of SCADA/EMS System and Technical assistance is under AFD financing through a concessional loan of Euro 53 millions (TZS 137,932 million), and GoT Financing of TZS 3,498 millions). The project is expected to take off in 31st October, 2020 and completion date will be July, 2022.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

**REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 30 JUNE 2019**

5. PRINCIPAL ACTIVITIES (Continued)

Projects implemented or continued to be implemented during the year (Continued)

The project objectives includes but not limited to improving quality of power supply, reducing transmission losses, improving grid operations and maintenance, improve grid power connections capacity as well as improvement of corporate financial performance. The project is under implementation and is earmarked for completion on 31st December, 2021.

The operational performance of the Company during the year ended 30th June 2019 are summarised as follows:

	Plan 30 th June 2019	Actual 30 th June 2019	Actual 30 th June 2018	Percentage change against Plan	Notes
Service lines completed during the year	290,000	225,879	199,483	-22%	A
Number of pending service line applications	-	41,895	45,187	N/A	
Units sold during the year (million)	6,796	6,551	5,729	-4%	
Additional 33kV and 11kV lines during the period/year (km)	750	1,279	3,283	71%	B
Total length of 33kV and 11kV distribution lines completed during the period/year (km)	39,570	40,406	38,820	2%	
Total length of low voltage lines by the end of the period/year (km)	66,807	68,820	64,469	3%	
Distribution transformers installed during the period/year	1,499	1,302	2,100	-13%	C
Total number distribution transformers by the end the period/ year	20,294	20,155	18,795	-1%	
Total number of consumers by the end of the period/year	2,508,018	2,443,897	2,218,018	-3%	
Total number of staff	8,914	6,975	6,784	-22%	D
Consumer/staff ratio	281	350	327	-20%	E

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued) FOR THE YEAR ENDED 30 JUNE 2019

5. PRINCIPAL ACTIVITIES (Continued)

Projects implemented or continued to be implemented during the year (Continued)

Notes:

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

- A. The main reason for the recorded adverse variance of 22% was insufficient of customer connection materials experienced during the year. However, the Company is expecting to connect all pending customers timely because material has started to flow in various regions.
- B. The favorable variance of 71% in additional length of 33Kv AND 11Kv lines during the period/year was a result of completion of various distribution extension projects including REA Projects.
- C. The adverse variance of 13% in distribution transformers was a result of partial deliveries of transformers from Suppliers.
- D. The adverse variance of 22% in numbers of staff was a result of failure to employ the planned number of new employees due to various reasons.
- E. The adverse variance of 20% in consumer/staff was a result of failure to employ the planned number of new employees due to various reasons.

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 2019 TZS 67,520 million was used in the rehabilitation and maintenance of assets. (At 30th June 2018 it was TZS 35,509 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 2019 was as follows: -

- i) Tariff 3: The cumulative number of customers installed with AMR meters as at 30th June 2019 is 743 (At 30th June 2018 it was 694 meters)
- ii) Tariff 2: The cumulative number of customers installed with AMR meters as at 30th June 2019 is 2,913 (At 30th June 2018 it was 2,765 meters)
- iii) Tariff 1: The cumulative number of customers installed with AMR meters as at 30th June 2019 is 25,368 (At 30th June 2018 it was 27,660 meters)

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued) FOR THE YEAR ENDED 30 JUNE 2019

5. PRINCIPAL ACTIVITIES (Continued)

Projects implemented or continued to be implemented during the year (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 One (1) customer for Tariff 2 for the period ended 30th June 2019.
2. Increase of average monthly revenue collection due to increased number of Tariff 1 customers with AMR meters. These can be disconnected remotely whereby 2,546 Tariff 1 AMR-metered customers were remotely disconnected with debt amounting to TZS 2,491 billion while 2,201 AMR meters were remotely reconnected after payment, in which a total of TZS 1,304 billion was collected for the period ended 30th June 2019.
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:

Energy losses	Target 30 th June 2019	Actual 30 th June 2019	Actual 30 th June 2018
Distribution loss (%)	11.00%	10.35%	11.83%
Transmission loss (%)	5.00%	5.86%	5.91%
Total loss%	16.00%	16.21%	17.74%

Meter audit through Revenue Protection Units (RPU)

During the year ended 30th June 2019 the Company's Revenue Protection Units (RPU) continued to carry out the operational campaigns against energy theft, known as 'Kampeni Kamata Wezi wa Umeme (KAWEU)' in all regions.

Meter audit through Revenue Protection Units (RPU)(Continued)

Out of 92,783 customers inspected during the period ended 30th June 2019 total of 1,210 customers equivalent to 1.3% of all customers inspected had metering discrepancies. A total of TZS 1,760 million was established as revenue loss. The Company billed the amounts and a total of TZS 236 million was collected which is equivalent to 13.4%.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued) FOR THE YEAR ENDED 30 JUNE 2019

5. PRINCIPAL ACTIVITIES (Continued)

Projects implemented or continued to be implemented during the year (Continued)

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 provided information on vandalism and power theft. During the year ended 30th June 2019, the Company continued to pursue the following activities in the front:

In the year of 2018-2019, 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, Mbeya, Tanga, Mwanza, Iringa and Ruvuma regions.

6. COMPOSITION OF THE BOARD OF DIRECTORS

The directors of the Company who have served during the year ended 30th June 2019 and up to the date of signing of financial statement, except for those indicated with new appointment or resigned are indicated below:

S/N	Name	Position	Age	Qualification/ Discipline	Nationality	Date Appointed/ Re-appointed/ Resigned
1.	Dr. Alexander L. Kyaruzi	Chairman	65	Ph.D. (Electrical Engineering) Consulting Engineer	Tanzanian	Reappointed 13 th Nov.2019
2.	Amb. Dr. James Mwasi Nzagi	Member	71	Ph.D. (Economic Science and Economic Management)	Tanzanian	Reappointed 13 th Nov.2019
3.	Mr. David E. Alal	Member	45	CPA (NBAA) MBA (Finance)	Tanzanian	Resigned 31 st May 2019
4.	Dr. Lugano Wilson	Member	55	Ph.D. (Energy Engineering), Ph. Licentiate (Engineering)	Tanzanian	Reappointed 13 th Nov. 2019

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued) FOR THE YEAR ENDED 30 JUNE 2019

6. COMPOSITION OF THE BOARD OF DIRECTORS (Continued)

S/N	Name	Position	Age	Qualification/ Discipline	Nationality	Date Appointed/ Re-appointed/ Resigned
5.	Ms. Anna B. Ngowi	Member	43	LLM Oil and Gas Law	Tanzanian	Resigned 31 st May 2019
6.	Eng. Gilay C. Shamika	Member	44	MSc.(Engineerig Management)	Tanzanian	Reappointed 15 th Nov. 2019
7.	Dr. John S. Kihamba	Member	52	Ph.D (Public Administration)	Tanzanian	Appointed 13 th Nov. 2019
8.	Mr. Bubi J. Kulwa	Member	55	CPA (NBAA)	Tanzanian	Appointed 13 th Nov. 2019
9.	Mr Denis M. Manumbu	Member	47	Msc (Mathematical and Computer Science & Engineering)	Tanzanian	Appointed 13 th Nov. 2019
10.	Mr. Mathew M.Kirama	Member	54	M.A in Public Administration	Tanzanian	Appointed 13 th Nov. 2019
11.	Eng. Dr. Gema K. Modu	Member	59	Ph.D (Executive Doctorate in Bussiness Administration	Tanzanian	Appointed 13 th Nov. 2019

7. CORPORATE GOVERNANCE

The current Board of Directors consists of nine (9) Directors at the date of signing, 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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued) FOR THE YEAR ENDED 30 JUNE 2019

7. CORPORATE GOVERNANCE (Continued)

During the period ended 30th June 2019, 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 were the members of the committee:

S/N	Name	Position	Qualification /Discipline	Nationality	Date Reappointed/ Appointed/Resigned
1.	Dr. Lugano Wilson	Chairman	Ph.D. (Energy Engineering), Ph. Licentiate (Engineering)	Tanzanian	Reappointed 13 th Nov. 2019
2.	Mr. Denis M. Manumbu	Member	Msc (Mathematical and Computer Science & Engineering)	Tanzanian	Appointed 13 th Nov. 2019
3.	Dr. John S. Kihamba	Member	Ph.D (Public Administration)	Tanzanian	Appointed 13 th Nov. 2019

The CGC reports to the Board of Directors of the Company. CGC conducted three (3) ordinary meetings during the year ended 30th June 2019.

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

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

S/N	Name	Position	Qualification/ Discipline	Nationality	Date Appointed/ Resigned
1.	Eng. Dr. Gema K. Modu	Chairman	Ph.D (Executive Doctorate in Bussiness Administration	Tanzanian	Appointed 13 th Nov 2019
2.	Amb. Dr. James Mwaswi Nzagi	Member	Ph.D. (Economic Science and Economic Management)	Tanzanian	Reappointed 13 th Nov 2019
3.	Eng. Gilay C. Shamika	Member	MSc. (Master of Engineering Management)	Tanzanian	Reappointed 13 th Nov 2019

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

**REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 30 JUNE 2019**

7. CORPORATE GOVERNANCE (Continued)

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

The IPOC reports to the Board of Directors of the Company. IPOC conducted three (3) ordinary meetings during the year ended 30th June 2019.

(iii) Audit and Risk Committee (ARC)

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

S/N	Name	Position	Qualification/ Discipline	Nationality	Date Re-appointed/ Resigned
1.	Mr. Bubi J. Kulwa	Chairman	CPA (NBAA)	Tanzanian	Appointed 13 th Nov 2019
2.	Eng. Gilay C. Shamika	Member	Msc. (Master of Engineering Management)	Tanzanian	Reappointed 13 th Nov 2019
3.	Mr. Denis M. Manumbu	Member	Msc (Mathematical and Computer Science & Engineering)	Tanzanian	Appointed 13 th Nov. 2019

The ARC reports to the Board of Directors of the Company. ARC conducted three (3) ordinary meetings during the year ended 30th June, 2019

(iv) Human Resources and Remuneration Committee (HRC)

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

S/N	Name	Position	Qualification/ Discipline	Nationality	Date Appointed/ Retired
1.	Mr. Mathew M. Kirama	Chairman	M.A in Public Administration	Tanzanian	Appointed 13 th Nov 2019
2.	Amb. Dr. James Mwasi Nzagi	Member	Ph.D. (Economic Science and Economic Management)	Tanzanian	Reappointed 13 th Nov 2019
3.	Dr. John S. Kihamba	Member	Ph.D (Public Administration)	Tanzanian	Appointed 13 th Nov 2019

HRRC reports to the Board of Directors of the Company. HRRC conducted three (3) meetings during the year ended 30th June 2019.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

**REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 30 JUNE 2019**

7. CORPORATE GOVERNANCE (Continued)

Meetings of Board and Committees

During the year ended 30th June 2019, the Board of Directors had seventeen (17) meetings as tabulated in the table below:

S/N	Meeting	Board of Directors	Corporate Governance Committee	Investment Planning and Operations	Audit Risk Committee	Human Resources and Remuneration Committee
1.	Ordinary meetings	3	3	3	3	3
2.	Special Meetings	9	2	4	3	1
		12	5	7	6	4

8. CAPITAL STRUCTURE

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

SHARE CAPITAL	30 th June 2019 TZS 'million	30 th June 2018 TZS 'million
Authorised: Ordinary Shares		
120,000,000,000 ordinary shares of TZS 20 each	<u>2,400,000</u>	<u>2,400,000</u>
Issued and fully paid:		
49,335,830,882 ordinary shares of TZS 20 each	<u>986,717</u>	<u>986,717</u>

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

ADVANCE TOWARDS SHARE CAPITAL	30 th June 2019 TZS 'million	30 th June 2018 TZS 'million
At start of year	751,518	716,713
Amount received during the year	-	10,482
Fair value of low interest loans	<u>56,228</u>	<u>24,323</u>
At end of year/period	<u>807,746</u>	<u>751,518</u>

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

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued) FOR THE YEAR ENDED 30 JUNE 2019

9. SHAREHOLDERS OF THE COMPANY

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

Shareholder	2019		2018	
	Shares in million		Shares in million	
	Ordinary	Preference	Ordinary	Preference
Government of Tanzania	49,336	-	49,336	-

10. 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 & Company Secretariat and Public Relations. There is also an independent unit of Internal Audit, which administratively reports to Managing Director and functionally to the ARC.

11. 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 780,723 million). The modality of funding and implementing the project is still under negotiation.
- b) Construction of 44.8MW Malagarasi hydropower project at an estimated cost of USD 149.2 million (TZS 341,366 million). The basic design are completed. The project is planned to commence on 30th December 2020.
- c) Construction of 87MW Kakono Hydropower Project at an estimated cost of USD 379.4 million (TZS 868,640 million). Requests have been sent to the Development Partners for soliciting financing USD 385 million (TZS TZS 881,461 million). Lenders have requested supplementary studies on environment. The Consultant is finalizing preparation of project basic design and tender documents. The project is planned to commence on 30th December 2019.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued) FOR THE YEAR ENDED 30 JUNE 2019

11. FUTURE DEVELOPMENTS PLANS (Continued)

1. Implementations of projects identified in PSMP are as follows(Continued)

- d) Kikonge Multipurpose Dam, Hydropower (300MW) and Irrigation project. African Development Bank (AfDB) has approved a grant to finance project studies with a cost of Euro 1.99 million (TZS 5,179 million) from Africa Water Facility, Euro 0.26 million(TZS 683 million) from CRIDIF and Euro 0.21million(TZS 677 million) from Government of Tanzania (GoT) in kind contribution. Consultants for Technical feasibility study and for Strategic Environmental & Social Assessment (SESA) study were engaged in December 2018. Grant Agreement between GoT and AfDB was signed on 24th July 2017.
- e) Construction of 358MW Ruhudji Hydropower Plant and 400kV Transmission Line from Ruhudji to Kisada substation in Iringa at estimated cost of USD 460.6 million (TZS 1,054,548 million). Procurement of consultants for updating feasibility studies and ESIA is ongoing. Consultant are expected to be on board end of July, 2019. The project is planned to commence on 30th May 2020 and commissioning date is expected to be 30th April 2023.
- f) Construction of 222MW Rumakali Plant at estimated cost of USD 337 million(TZS 771,565 million) basing on feasibility study of 1998 by SwedPower jv Norconsult. Currently process of procuring consultant to update the feasibility studies and ESIA is ongoing. Consultant are expected to be on board on 30th July 2019. The project is scheduled for completion in 36 months from commencement date.
- g) 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 are underway.
- h) Construction of 400kV North West grid power transmission line project from Iringa - Mbeya – Tunduma – Sumbawanga – Mpanda – Kigoma - Nyakanazi will be implemented in three phases:
- i. Phase I: Covering a portion from Iringa - Mbeya - Tunduma to Sumbawanga a distance of 624 kms and scheduled for completion in 30 months from commencement date. Valuation of properties for compensation to acquire wayleave for construction of Transmission line in the portion from Iringa to Mbeya is completed and for a portion from Mbeya to Sumbawanga is in final stage. The project is financed by the World Bank, l'Agence Francaise de Development (AFD) and the European Union (EU).
 - ii. Phase II: Covering a portion from Nyakanazi – Kigoma at a distance of 280km is scheduled for completion in 24 months from commencement date. The project will be financed by AfDB for transmiison line component and EDCF of Korea for the Substtaion component.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

**REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 30 JUNE 2019**

11. FUTURE DEVELOPMENTS PLANS (Continued)

I. Implementations of projects identified in PSMP are as follows(Continued)

- iii. Phase III: Covering a portion from Kigoma- Mpanda to Sumbawanga a distance of 480 kms is scheduled for completion in 26 months from commencement date. Currently, solicitation of financing for the project implementation is in progress. ESIA certificates for Iringa - Mbeya-Tunduma-Sumbawanga portion and that of Sumbawanga-Mpanda-Kigoma-Nyakanazi portion have been acquired. Valuation of properties for compensation completed for portion of Kigoma to Nyakanazi, Iringa to Mbeya while Mbeya to Sumbawanga is ongoing.
- i) Construction of 400 kV Rufiji - Chalinze –Dodoma Power Transmission Line, a distance of 512 kms. The project estimated cost is USD 276.36 million (TZS 632,729 million). The Project will also cover 115 kms of 400kV from Chalinze to Kinyerezi, Chalinze – Segera - Tanga and Kibaha Bagamoyo The project is scheduled for completion in December 2021. The process of properties compensation for portion of Kinyerezi – Chalinze is underway while Chalinze to Segera field work is completed.
- j) Development of 600MW coal power projects at Mbeya/Mchuchuma/Ngaka/Rukwa was done through competitive bidding process which also included auctioning of 150MW of Solar and 200MW of Wind.
- k) The construction of 220kV Transmission Line Project from Dar es salaam to Morogoro for electrification of Standard Gauge Railway (SGR) line (lot 1). The scope of TANESCO in this project involves the construction of 160 kms 220kV transmission line from TANESCO Kinyerezi substation (Dar es Salaam) to Kingolwira (Morogoro) and extension of 220kV line bay at Kinyerezi substation. The Contractor M/s Larsen &Toublo limited signed a contract for construction works in December 2018 and started implementation in January 2019 The work is scheduled to end in December 2019. Estimated cost of the project is USD 31.25 million (TZS 72,692 million).

Consultancy of the project is to contractor “AF Consult Switzerland” at a cost of USD 2.22 million (TZS 5,083 million). (Therefore total Project cost is USD 33.47 million Equivalent To Tzs 76,630 million). PAP's Compensation Costs is estimated to be TZS 40,000 million.

- l) Construction 150MW Solar Power Plant at Kishapu District Shinyanga Region;The Consultant will submit the final Feasibility Study report in July 2019. Further, additional studies on ESIA are expected to be completed in August 2019.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued) FOR THE YEAR ENDED 30 JUNE 2019

11. FUTURE DEVELOPMENTS PLANS (Continued)

II. Other projects include:

- a) 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 Consulting 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 86,000 million.

- b) 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 3,892 million). The project is at 60% and all equipment are at site. The project is expected to be completed on 30 June 2020.
- c) 400kV Transmission Line from Somanga to Kinyerezi: The project involves construction of 400kV, about 198 kms of transmission line from Somanga to Kinyerezi with associated substation bay at Kinyerezi in order to evacuate power from gas fired power plants at Somanga & Lindi as well as extending National Grid coverage to southern regions of Lindi and Mtwara. The Consultant has completed Review of feasibility study, Draft Conceptual Design and Soil Investigation Reports have been submitted for for review and approval. Payment of compensation of properties is continuing whereas, TZS 56,000 million out of TZS 69,000 million (i.e. 81%) has been paid to People Affected with Projects (PAPs).

12. TRANSMISSION SYSTEM REHABILITATION AND UPGRADES

a. Completed Projects

During the financial year 2018/2019 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 1,800 million and the completion date of the project was 31st August 2018.
- ii. Rehabilitation of protection and control system at Singida completed on 31st August 2018. The cost of the project is TZS 2,200 million.
- iii. Supply, installation and commissioning of Private Automatic Branch Exchange (PABX) for Head Office and branches and it was completed on 31st December 2018. The cost of the project is TZS 2,500 million.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued) FOR THE YEAR ENDED 30 JUNE 2019

12. TRANSMISSION SYSTEM REHABILITATION AND UPGRADES

a. New Construction Projects in Pipeline

- i. Supply, Installation and commission of 90/120MVA, 220/33kV transformer at Msamvu substation. The estimated cost of the project is TZS 7,000 million. The expected completion date is 31st December 2020.
- ii. Supply, Installation and commission of 60/90MVA, 220/33kV transformer at Bulyanhuru substation. The estimated cost of the project is TZS 7,000 million. The expected completion date is 31st December 2020.
- iii. Supply, Installation and commission of 60MVA, 220/132/33kV transformer at Nyakato substation. The estimated cost of the project is TZS 7,000 million. The expected completion date is 31st December 2020.
- iv. Rehabilitation and upgrade of Mwanza south, Mzakwe, and Dodoma town substations. The estimated cost of the project is TZS 9,000 million. The expected completion date is 31st December 2020.
- v. Rehabilitation of protection and control system at Ubungo 220/132kV substation. The estimated cost of the project is TZS 5,000 million. The expected completion date is 31st December 2020.

13. RESULTS AND DIVIDEND

During the year ended 30th June 2019, the Group incurred a net loss of TZS 34,228 million (30th June 2018: Loss TZS 112,523 million) the loss has decreased by 70%. The group has significant accumulated losses, therefore, the Directors do not recommend the payment of dividend for the year. Nevertheless, the Company paid TZS 1,436 million as contribution to the Government (30th June 2018: nil).

14. 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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued) FOR THE YEAR ENDED 30 JUNE 2019

14. RISK MANAGEMENT AND INTERNAL CONTROL (Control)

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 2019 and is of the opinion that they met accepted criteria.

Company risk management is a process monitored 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).

15. 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 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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

**REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 30 JUNE 2019**

16. 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 2019. There were no industrial unrest 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.

(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 2019 the Company recruited 314 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 2018 – 30 th June 2019.	314	179	135	268	46
1 st July 2017 – 30 th June 2018.	805	490	315	702	103

During the same year 238 employees ceased to be employees of the Company due to retirement, death, termination on disciplinary grounds and resignation. (12-month period ended 30th June 2018: 558).

S/No	Category	1 st July 2018 to 30 th June 2019	Technical	Non-Technical
1.	Retired	176	89	87
2.	Terminated	11	4	7
3.	Resigned	9	4	5
4.	Deceased	29	18	11
	Total	225	115	110

S/No	Category	1 st July 2018 to 30 th June 2019	Technical	Non-Technical
1.	Absconded	2	2	0
2.	Seconded	2	2	0
3.	Unpaid Leave	9	3	6
	Total	13	7	6

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 30 JUNE 2019

16. EMPLOYEES' WELFARE

Management and Employee's Relationship (Continued)

(iii) *Capacity Building.*

During the year ended 30th June 2019 the Company utilized TZS 3.217 million for staff training at Corporate level in order to improve employee's technical skills and productivity as compared to 12 month period ended on 30th June, 2018 which was TZS 3,040 million. The Company trained 7,218 employees in various capacity building programs as compared to 4,216 which was for 12 month period that ended on 30th June, 2018. The total of 7,036 staff were trained locally and 182 staff were trained abroad through various sponsoring international agencies such as Government of India, World Bank, European Union, JICA, AfDB and others.

A total 2,111 staff were trained through internal arrangement under TANESCO Training Schools which implemented 14 training programs with a total of 37 training sessions. These trainings were meant to improve employee's practical skills in areas such as low tension line construction on Aerial Bundled Conductor (ABC), Transformer installation and its protection, AMR meter for Billing Accountants, Maintenance Planning, GPS & GIS Training, AutoCAD Engineering Drawing, Load Management, Meter installation and Grid substation & switching operations.

(ii) *Medical Assistance*

During the year under review medical services were provided through NHIF

▪ **HIV/AIDS Programs:**

- (i) Training on HIV/AIDS including Drug adherence education was conducted in Arusha, Mbeya and Manyara regions in collaboration with Regional AIDS Coordinators
- (ii) Supportive group for employees living with HIV was initiated whereby inauguration of "Mashujaa Club" was done on 31st January 2019 in Dodoma where 34 employees with HIV positive status attended. It is expected that Health training for them will be held on July, 2019. Forty seven (47) out of 60 infected employees have agreed to participate in the club and seminar as well and sensitization to accommodate more employees to attend is carried out.
- (iii) Provision of Nutritional Food Supplement to the infected staff who request for Company assistance is carried out whereby employees receive supplements monthly.

▪ **Hepatitis B**

Awareness campaign and vaccination for all TANESCO Employees (Including STEs and Temporary staff) commenced on 1st April 2019 at all regions. 90% of the planned activities in the exercise have been covered, whereby first and second vaccination doses have been provided to staff, while the final dose (third dose) will be provided after six months.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued) FOR THE YEAR ENDED 30 JUNE 2019

16. EMPLOYEES' WELFARE (Continued)

(iv) 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.

(v) Insurance Pension

During the year ended 30th June 2019, the Company paid TZS 30,427 million (Year ended 30th June 2018: TZS 34,557 million) as contributions to Public Administered Pension Schemes i.e. Public Sector Social Security Fund (PSSSF) TZS 24,311 million; National Social Security Fund (NSSF) TZS 5,432 million; and Workers Compensation Fund (WCF) TZS 792 million.

(vi) 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.

17. GENDER PARITY

During the year ended 30th June 2019, the Company had 6,975 employees (12-month year ended 30th June 2018: 6,784), out of which 1,396 (20%) are female and 5,579 (80%) are male. (12-month year ended 30th June 2018: Female 1,368 (20%) and Male 5,416 (80%)).

18. RELATED PARTY TRANSACTIONS

Details of transactions and balances with related parties are included in note 40 to the financial statements.

19. POLITICAL AND CHARITABLE DONATIONS

The Company did not make any political donations during the year ended 30th June 2019 (30th June 2018: Nil), the company donated only to charitable organizations. The total donations made during the year ended 30th June 2019 amounted to TZS 312 million (30th June 2018: TZS 63 million).

20. 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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued) FOR THE YEAR ENDED 30 JUNE 2019

20. ENVIRONMENTAL CONTROL PROGRAMME (Continued)

For all new projects, the company undertakes Environmental and Social Impact Assessment (ESIA) and Environmental auditing of existing power infrastructures. It also implements Environmental and Social Mitigation and monitoring measures for all ongoing projects to comply with EIA certificates and lenders requirements.

The Company has all along 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 ; and JICA Environmental and Social Consideration guidelines. In order to improve Company environmental performance, the Company established its unit headed by a Manager to spearhead the environmental and social management measures.

The Company must receive EIA clearance certificates from the Vice President's Office before implementing any project. Therefore, during the year ended 30th June 2019 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 EIA and Environmental Audit (EA) process for some projects will continue to be implemented in year 2019/20.

The concluded/ongoing projects include:

i. Environmental Impact Assessment (EIA) and Resettlement Action Plan (RAP) Studies:

- a) EIA and RAP for Mtwara – Lindi 132kV Transmission Line.
- b) EIA and RAP for Somanga 250MW Combine Cycle Turbine Gas power plant.
- c) EIA for Mbeya – Tunduma 400kV Transmission Line (under Zambia – Tanzania – Kenya power interconnector project).
- d) EIA for Lake Ngozi exploration drilling for geothermal power.
- e) EIA and RAP for Geita – Nyakanazi 220kV Transmission Line.
- f) RAP study for Rusumo – Nyakanazi 220kV Transmission line.
- g) EIA for Electrification of Rural Areas of Katavi and Rukwa regions.
- h) EIA and RAP for 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) EIA 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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

REPORT OF THE DIRECTORS (Continued) FOR THE YEAR ENDED 30 JUNE 2019

20. ENVIRONMENTAL CONTROL PROGRAMME (Continued)

i. Environmental Impact Assessment (EIA) and Resettlement Action Plan (RAP) Studies:

- k) Strategic Environmental Assessment (SEA) for the Power System Master Plan update.
- l) EIA for construction of TANESCO office buildings (Somanga Residential Complex in Kilwa District, Mtwara, and Kibaha training school).
- m) EIA for Hale Hydropower Plant Rehabilitation project.
- n) SEA for RHPP
- o) EIA for RHPP
- p) EIA Transmission Line Rufiji –Chalinze 400Kv ongoing
- q) EIA Electrification of SGR I
- r) EIA for Electrification of SGR II ongoing
- s) EIA Mtwara 300 MW Gas Power Plant and TL Mtwara –Somanga 400kv ongoing
- t) EIA Somanga 330 MW Power Plant
- u) EIA Transmission line 132 kv Tabora – Kaliua ongoing
- v) Kakono HPP and 132kv Transmission Line
- w) EIA for Ruhuji 358 MW Power Plant to Kisada SS - initiated
- x) Rumakali 222 MW Power Plant and Transmission line to Mbeya SS initiated

ii. Environmental Audit and Monitoring for the: -

1. Environmental Audit for Tunduru thermal power station.
2. Environmental and Social monitoring for Kihansi catchment management for the hydropower station.
3. Monitoring of implementation of Environmental and Social Management Plan (ESMP) for Backbone Transmission Investment Project (BTIP) 400kV TL
4. Monitoring of implementation of ESMP for Singida – Namanga (ZTK) 400kV TL.
5. Environmental Audit for Kigoma Power Station.
6. Environmental monitoring for Ubungo I Power station.
7. Environmental Monitoring and ESMP implementation for Kinyerezi I and II gas power plants.
8. Environmental Audit for Pangani Hydro system.
9. Environmental Audit for Nyumba ya Mungu
10. Environmental Audit for Nyakato Thermal Plant
11. Environmental Audit for Tegeta Gas Plant
12. Environmental Audit for Mtwara Gas Plant
13. Environmental Audit for Kidatu HPP

Also during the year ended 30th June 2019, 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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

**REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 30 JUNE 2019**

20. ENVIRONMENTAL CONTROL PROGRAMME (Continued)

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.

21. 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 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 30th June 2019, 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.

22. 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. 11 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 2019.

BY ORDER OF THE BOARD

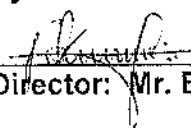
Approved by the Board of Directors on 13th March 2020, and signed on its behalf by;



Chairman: Dr. Alexander L.
Kyaruzi

13/03/2020

Date



Director: Mr. Bubi J. Kulwa

13.03.2020

Date

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

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.

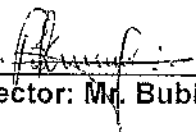
The consolidated and separate financial statements for the year ended 30th June 2019, were approved by the Board of Directors for issue and signed on its behalf by:



Chairman: Dr. Alexander L. Kyaruzi

13/03/2020

Date



Director: Mr. Bubi J. Kulwa

13.03.2020

Date

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

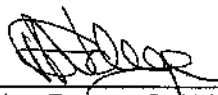
DECLARATION OF HEAD OF FINANCE ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR YEAR ENDED 30 JUNE 2019

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

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view position of the entity in accordance with international accounting standards and statutory reporting requirements. Full legal responsibility for financial statements rests with the Board of Directors as under Directors 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 2019 have been prepared in compliance with applicable accounting standards and statutory requirements.

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



Signed by: Renata C. Ndege

Position: Chief Financial Officer

NBAA Membership No. ACPA 1721

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

REPORT OF THE CONTROLLER AND AUDITOR GENERAL

The Chairman,
Board of Directors,
Tanzania Electric Supply Company Limited,
Germain Road,
P. O. Box 453,
DODOMA, TANZANIA.

REPORT OF THE CONTROLLER AND GENERAL ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF TANZANIA ELECTRIC SUPPLY COMPANY LIMITED FOR THE YEAR ENDED 30TH JUNE 2019

Unqualified Opinion

I have audited the consolidated and separate financial statements of Tanzania Electric Supply Company Limited (the "Group"), which comprise the consolidated and separate statements of financial position as at 30 June 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of Tanzania Electric Supply Company Limited as at 30 June 2019, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis of Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of my report. I am independent of

the Tanzania Electric Supply Company Limited 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 under note 38 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 ruling (Award) issued on 11th October 2019 that required TANESCO to pay SCBHK US\$185.4 million (approximately TZS 424.59 billion) together with interest on the amount owing on the basis of simple six-month LIBOR plus 2% starting from 1st September 2018 until the date of final payment. 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 to the date of this report. The 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 to the 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.

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

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

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

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

Key Audit Matters

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Further, Sect. 48(3) of the Public Procurement Act No.7 of 2011 (as amended in 2016) 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 on Other Legal and Regulatory Requirements

Compliance with the Public Procurement Act, 2011 (as amended in 2016)

In view of my responsibility on the procurement legislation and taking into consideration the procurement transactions and processes I have reviewed as part of this audit, I state that, Tanzania Electric Supply Company Limited procurement transactions and processes have generally complied with the

requirements of the Public Procurement Act No.7 of 2011 (as amended in 2016) and its underlying Regulations of 2013 (as amended in 2016).



Charles E. Kichere
CONTROLLER AND AUDITOR GENERAL

National Audit Office,
Dodoma, Tanzania.

20th March, 2020



TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated		Separate	
		30 th June	30 th June	30 th June	30 th June
		2019	2018	2019	2018
		TZS 'm	TZS 'm	TZS 'm	TZS 'm
Revenue	9	1,535,040	1,436,153	1,535,040	1,436,153
Cost of sales	10	(1,525,729)	(1,444,981)	(1,525,729)	(1,444,811)
Gross (loss)/profit		9,311	(8,828)	9,311	(8,658)
Other income	11	229,660	202,826	228,020	202,148
Impairment of Financial Assets	12(a)	(22,403)	(13,881)	(22,076)	(13,881)
Operating expenses	12(b)	(171,474)	(202,262)	(166,572)	(198,911)
Operating (loss)/profit		45,094	(22,145)	48,683	(19,302)
Interest income on bank deposits	13(b)	397	551	397	551
Finance cost	13(a)	(81,267)	(96,060)	(81,267)	(96,060)
Net finance cost		(80,870)	(95,509)	(80,870)	(95,509)
Share of loss in associate	21	(454)	(802)	-	-
Loss before tax		(36,231)	(118,456)	(32,187)	(114,811)
Income tax credit/(charge)	14	2,003	5,933	3,600	5,940
Loss for the year		(34,228)	(112,523)	(28,587)	(108,871)

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

FOR THE YEAR ENDED 30 JUNE 2019

Other comprehensive income (net of tax)

Remeasurement of Defined

Benefit Plan	47	-	47	-
Unrealized gain on equity	34,482	-	34,482	-
	<u>34,529</u>	-	<u>34,529</u>	-
Deferred tax at 30%	(10,359)	-	(10,359)	-
Other Comprehensive income net of Tax	<u>24,170</u>	-	<u>24,170</u>	-
Total comprehensive (loss)/profit for the year	<u>(10,058)</u>	<u>(112,523)</u>	<u>(4,417)</u>	<u>(108,871)</u>

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

CONSOLIDATED AND SEPERATE STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

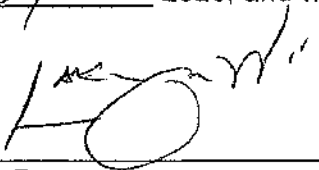
	Note	Consolidated		Separate	
		30 th June 2019	30 th June 2018	30 th June 2019	30 th June 2018
		TZS 'm	TZS 'm	TZS 'm	TZS 'm
Non-current assets					
Property, plant and equipment	16	7,065,414	6,260,209	7,061,941	6,258,198
Capital work in progress	17	2,862,803	1,833,176	2,862,564	1,826,641
Intangible asset	18	426	526	408	490
Investment property	19	136	181	136	181
Investment in subsidiary	20	-	-	26,394	16,346
Investment in associate	21	208	202	3,184	2,724
Other investments	22	35,538	1,056	35,538	1,056
Capacity charges prepayment	23	22,751	27,237	22,751	27,237
Restricted cash	27(b)	19,776	32,499	19,776	32,499
		10,007,052	8,155,086	10,032,692	8,165,372
Current assets					
Inventories	25	12,482	13,020	12,482	13,020
Trade and other receivables	26	222,614	234,288	222,788	234,816
Prepayments		50,526	62,551	50,526	62,551
Withholding tax recoverable		3,057	356	3,057	356
Restricted cash	27(b)	9,741	13,353	9,741	13,353
Bank balances and cash	27(a)	136,542	285,263	113,901	262,339
		434,962	608,831	412,495	586,435
Total assets		10,442,014	8,763,917	10,445,187	8,751,807
Capital and reserves					
Share capital	28(a)	986,717	986,717	986,717	986,717
Advance towards share capital	28(b)	807,745	751,518	807,745	751,518
Accumulated losses		(2,356,712)	(2,303,824)	(2,337,923)	(2,290,685)
Reserves		2,325,210	2,301,040	2,325,210	2,301,040
Total equity		1,762,960	1,735,451	1,781,749	1,748,590
Non-current liabilities					
Deferred tax liability	24	1,123,848	1,102,435	1,123,784	1,102,435
Grants	29	4,567,187	2,892,213	4,545,435	2,870,310
Borrowings – Non-current portion	30	968,470	716,895	968,470	716,895
Consumer deposits	33	16,376	16,418	16,373	16,426
Asset Retirement Obligation	37	1,419	7,334	1,419	7,334
Deferred income		-	949	-	-
Other employment benefits	31	28,954	26,404	28,954	26,404
		6,706,254	4,762,648	6,684,435	4,739,804

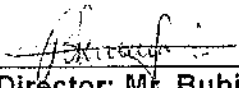
TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

CONSOLIDATED AND SEPERATE STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	Consolidated		Separate	
		30 th June 2019	30 th June 2018	30 th June 2019	30 th June 2018
		TZS 'm	TZS 'm	TZS 'm	TZS 'm
Current liabilities					
Trade and other payables	32	1,138,120	1,261,829	1,145,859	1,259,435
Borrowings – Current portion	30	727,940	903,296	727,940	903,296
Provisions	36	96,564	90,701	96,564	90,701
Income tax payable	35	10,176	9,992	8,640	9,981
		<u>1,972,800</u>	<u>2,265,818</u>	<u>1,979,003</u>	<u>2,263,413</u>
Total liabilities		<u>8,679,054</u>	<u>7,028,466</u>	<u>8,663,438</u>	<u>7,003,217</u>
Total equity and liabilities		<u>10,442,014</u>	<u>8,763,917</u>	<u>10,445,187</u>	<u>8,751,807</u>

The financial statements were authorised for issue by the Board of Directors on 13/03/ 2020, and were signed on its behalf by:


Chairman: Dr. Alexander L. Kyaruzi


Director: Mr. Bubi J. Kulwa

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

CONSOLIDATED	Share capital	Advance towards share capital	Revaluation reserve	Fair value reserve of Financial assets	Other Accumulated Reserve	losses	Total
	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Year ended 30th June 2019							
Balance at 1 st July 2018	986,717	751,518	2,299,985	1,055	(2,303,834)		1,735,441
Impact of initial application of IFRS 9	-	-	-	-	(18,651)		(18,651)
Balance at 1st July 2018 -restated	986,717	751,518	2,299,985	1,055	(2,322,485)		1,716,790
Loss for the year	-	-	-	-	(34,228)		(34,228)
Other comprehensive income (OCI)	-	-	-	24,137	33		24,170
Total Comprehensive Income	-	-	-	24,137	33		(10,058)
Remeasurment of shares	-	-	-	-	-		-
Fair valuation of interest-free Loans on initial recognition	-	80,325	-	-	-		80,325
Deferred tax liability on fair valuation of interest-free Loans on initial recognition	-	(24,097)	-	-	-		(24,097)
Transactions with owners:							
Advance towards Share capital	-	-	-	-	-		-
Balance as at 30th June 2019	986,717	807,746	2,299,985	25,192	33	(2,356,712)	1,762,960

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY (Continued)
FOR THE YEAR ENDED 30 JUNE 2019

SEPARATE	Share capital	Advance towards share capital	Revaluation reserve	Fair value reserve of Financial assets	Other Accumulated Reserve	losses	Total
	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Year ended 30 th June 2019							
Balance at 1 st July 2018	986,717	751,518	2,299,985	1,055	(2,290,685)	(18,651)	1,748,589
Impact of initial application of IFRS 9	-	-	-	-	-	(18,651)	(18,651)
	986,717	751,518	2,299,985	1,055	(2,309,336)		1,729,938
Profit/Loss for the year	-	-	-	-	(28,587)		(28,587)
Other comprehensive income:	-	-	-	24,137	33		24,170
Total Comprehensive income	-	-	-	24,137	33	(28,587)	(4,417)
Remeasurement of share	-	-	-	-	-		-
Fair valuation of interest-free	-	-	-	-	-		-
Loans on initial recognition	-	80,325	-	-	-		80,325
Deferred tax liability on fair valuation of interest-free Loans on initial recognition	-	(24,097)	-	-	-		(24,097)
Transactions with owners:							
Advance towards Share capital	-	-	-	-	-		-
Balance as at 30th June 2019	986,717	807,746	2,299,985	25,192	33	(2,337,923)	1,781,749

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY (Continued)
FOR THE YEAR ENDED 30 JUNE 2019

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	751,518	2,301,040	-	(2,303,827)	1,735,449

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY (Continued)
FOR THE YEAR ENDED 30 JUNE 2019

SEPARATE	Share capital	Advance towards share capital	Revaluation reserve	Fair value reserve	Accumulated loss	Total
	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Period ended 30 th June 2018	986,717	716,713	2,299,985	1,055	(2,181,815)	1,822,656
balance at 1 st July 2017						
Total Comprehensive income:						
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
Balance as at 30th June 2018	986,717	751,518	2,299,985	1,055	(2,290,685)	1,748,589

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

	Note	CONSOLIDATED		SEPARATE	
		30 th June	30 th June	30 th June	30 th
		2019	2018	2019	June
		TZS 'm	TZS 'm	TZS 'm	2018 TZS 'm
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operating activities	34	245,045	345,921	251,621	352,565
Interest paid	30	(13,873)	(28,263)	(13,873)	(28,263)
Tax paid		(13,555)	(4,311)	(13,549)	(4,311)
Net cash from operating activities		217,617	313,347	224,199	319,991
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to capital work in progress		(2,226,844)	(592,023)	(2,225,082)	(585,489)
Transfer to subsidiary Property & Equipment		-	-	-	-
Acquisition of Property, Plant & Equipment		(1,907)	(558)	-	-
Acquisition of subsidiary	20	-	(14,346)	(10,048)	(14,346)
Addition of intangible		-	(36)	-	-
Acquisition of other investment	21	(461)	(910)	(461)	(910)
Net cash used in investing activities		(2,229,212)	(607,873)	(2,235,591)	(600,745)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings	30	184,596	94,764	184,596	94,764
Loan repayments	30	(93,391)	(71,307)	(93,391)	(71,307)
Change in restricted cash	27	16,335	23,510	16,335	23,510
Proceeds from grants	29	1,755,483	394,292	1,755,564	372,141
Proceeds towards share capital		-	24,827	-	10,481
Net cash generated from financing activities		1,863,023	466,086	1,863,104	429,589
Net increase/decrease in cash and cash equivalents		(148,572)	171,560	(148,288)	148,835

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

	Note	CONSOLIDATED		SEPARATE	
		30 th June	30 th June	30 th June	30 th
		2019	2018	2019	June
		TZS 'm	TZS 'm	TZS 'm	TZS 'm
Movement in cash and cash equivalents					
Cash and cash equivalents at beginning of year		285,263	113,703	262,339	113,504
Increase during the year		(148,572)	171,560	(148,288)	148,835
Cash and cash equivalents at end of year	27	136,691	285,263	114,051	262,339

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

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 2019 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 and construction of transmission and distribution networks.

The registered office is:

Gematin Road,
P.O. Box 453,
Dodoma, Tanzania

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 2019. 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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

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.
- c. IFRS 9 –Financial instrument (Expected credit losses impairment of Trade receivables and other receivables).

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 Group 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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

4 USE OF JUDGEMENT AND ESTIMATES (Continued)

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.

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

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements as at reporting date.

▪ Amendments to References to Conceptual Framework in IFRS Standards.

The main changes to the principles in the framework have implications for how and when assets and liabilities are recognised and derecognised in the financial statements. It is expected that inconsistencies between accounting policies and the new guidance will be rare

▪ Definition of a Business (Amendments to IFRS 3).

The amendments provide more guidance on the definition of a business. The effect of these changes is that the new definition of a business is narrower. This could result in fewer business combinations being recognized

▪ Definition of Material (Amendments to IAS 1 and IAS 8).

The definition of 'material' has been refined and practical guidance on applying the concept of materiality has been issued. The revised definition of material is: 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity

▪ IFRIC 23 Uncertainty over income tax treatments

IFRIC 23 clarifies that where it is unclear how tax law applies to a particular transaction or circumstance, an entity will have to assess whether it is probable that the tax authority will accept the entity's chosen tax treatment. Where it is probable that the tax authority may not accept the chosen tax treatment, disclosure about judgements made, assumptions and other estimates used; and the potential impact of uncertainties that are not reflected may be required.

The interpretation also requires the entity to reassess the judgements and estimates applied if the facts and circumstances change

Plan amendments, curtailment or settlement— amendments to IAS 19

The amendment to IAS 19 clarifies current service and net interest in the accounting for defined benefit plans

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

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

New and changes to standards and interpretations that are effective (continued)

IFRS 16: Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 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.

This standard will become effective for financial year commencing on 1 January 2019 with early adoption encouraged. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16 and will adopt the standard from 1 July 2019.

6 GOING CONCERN

The Group incurred a net loss of TZS 34,228 million (Loss for the Company: TZS 28,587 million) for the year ended 30th June 2019 (30th June 2018: Group incurred a net loss of TZS 112,523 million and Company: TZS 108,871 million).

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 on going construction of Julius Nyerere Hydro Power Project 2115MW (JNHPP) funded by the Government at an expected cost of TZS 6.5 trillion will enable the Company to significantly continue enjoying cost saving from using this source to generate power in comparison to the cost of power purchased from independent Power Producers (IPP's). Inline with, the Government in its financial year 2018/2019 has set aside TZS 1,005,300 million for construction of JNHPP, extension of Kinyerezi I gas fired power plant and construction of 220 kV Makambako –Songea transimission line.
- b) 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 I 150 MW gas-fired power plant commissioned on 31st 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 31st August 2019.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

6 GOING CONCERN (Continued)

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.

- c) construction of 400 kV North West Grid transmission line (Mbeya-Sumbawanga-Mpanda-Kigoma-Nyakanazi), construction of 220 kV Bulyanhulu-Geita transmission line, extension of North East Grid to 400 kV Dar-Tanga-Arusha transmission line, extension of Singida-Arusha-Namanga 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). 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

a. Basis of consolidation

i. Subsidiary

Subsidiary is the entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

During the year, the group adopt IFRS 15 in recognition of Revenue from Contract with customers which require the revenue to be recognize at point in time when electricity is consumed by the customer (when control is transferred). Revenue is measured based on consideration specified in a contract with a customer and excludes amount collected on behalf of third parties.

No change significantly on initial recognition of IFRS 15 is impacted in the financial statement as compared to the revenue recognition under IAS 18, management has not raise any adjustment to restate the retained earnings in the statement of financial position.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Revenue recognition (Continued)

Revenue represents income arising in the course of Group's ordinary activities, which leads to an increase of economic benefits during the accounting period. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The five-step model stipulated in IFRS 15 Revenue from contracts with customers is applied when accounting for revenue from contracts with customers. The Group accounts for a revenue contract with a customer only when all the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- The Group can identify each party's rights regarding the goods or services to be transferred;
- The Group can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance (i.e., the risk, timing or amount of future cash flows is expected to change as a result of the contract); and
- It is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer

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 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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Property, plant and equipment (Continued)

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.

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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Borrowings (Continued)

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.

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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Asset held for sale (Continued)

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 re-measurement 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.

p) 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.

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:

- (i) 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
- (ii) 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:

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Current and deferred income tax (Continued)

Deferred tax (Continued)

- (i) 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
- (ii) 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
- (iii) 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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) 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.

r) 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.

(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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Impairment (Continued)

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 (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU 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 CGU. 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.

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 asset's 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.

(v) 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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Financial liabilities

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.

(i) 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.

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.

t) 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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

u) 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.

v) 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 costs, 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).

w) 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, dividend income.

x) 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.

y) 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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

z) 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.

All of the Group's employees were 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. However, following Government decision to merge all pension funds into one defined pension fund, all staff have been effective March 2019 been enrolled to Public Service Social Security Fund(PSSSF) a newly merged pension fund. The Group and employees both contribute a total of 20% of the employees' gross salaries to the pension funds.

Defined benefit plan

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 calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method

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(OCI) and all expenses related to defined benefit plans in employee benefit expense in profit and loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

z) Employee benefit obligation (Continued)

Other long-term employee benefit

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

aa) 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.

bb) 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.

cc) Customer deposits

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;

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

8 FINANCIAL INSTRUMENTS RISK MANAGEMENT, OBJECTIVES AND POLICIES (Continued)

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.

Financial instruments -- initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

8 FINANCIAL INSTRUMENTS RISK MANAGEMENT, OBJECTIVES AND POLICIES (Continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

8 FINANCIAL INSTRUMENTS RISK MANAGEMENT, OBJECTIVES AND POLICIES (Continued)

Financial assets at fair value through OCI (debt instruments) (Continued)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net

**8 FINANCIAL INSTRUMENTS RISK MANAGEMENT, OBJECTIVES AND POLICIES
(Continued)**

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 Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

8 FINANCIAL INSTRUMENTS RISK MANAGEMENT, OBJECTIVES AND POLICIES
(Continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets

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	35,538	35,538	-	-	35,538	35,538
	<u>35,538</u>	<u>35,538</u>	<u>-</u>	<u>-</u>	<u>35,538</u>	<u>35,538</u>

During the year the fair value levels has been changed as the result of share valuation exercise.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

8 FINANCIAL INSTRUMENTS RISK MANAGEMENT, OBJECTIVES AND POLICIES
(Continued)

a) Accounting classification and measurement of fair values

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	2019		2018	
	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 and other receivables	222,614	222,614	229,195	229,195
Restricted deposits/funds	29,517	29,517	45,852	45,852
Cash and cash equivalents	136,692	136,692	285,263	285,263
	<u>388,823</u>	<u>388,823</u>	<u>560,310</u>	<u>560,310</u>
Financial liabilities not measured at fair value				
Borrowings	(1,696,411)	(1,696,411)	(1,620,191)	(1,620,191)
Trade payables and other payables*	(934,294)	(934,294)	(993,776)	(993,776)
	<u>(2,630,705)</u>	<u>(2,630,705)</u>	<u>(2,613,966)</u>	<u>(2,613,966)</u>
Separate	2019		2018	
	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 and other receivables	183,518	183,518	229,195	229,195
Restricted deposits/funds	29,517	29,517	45,852	45,852
Cash and cash equivalents	114,052	114,052	262,339	262,339
	<u>327,086</u>	<u>327,086</u>	<u>537,386</u>	<u>537,386</u>
Financial liabilities not measured at fair value				
Borrowings	(1,696,411)	(1,696,411)	(1,620,191)	(1,620,191)
Trade payables and other payables*	(944,921)	(944,921)	(993,913)	(993,913)
	<u>(2,641,332)</u>	<u>(2,641,332)</u>	<u>(2,614,103)</u>	<u>(2,614,103)</u>

*Accrued expenses are not included.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

8 FINANCIAL INSTRUMENTS RISK MANAGEMENT, OBJECTIVES AND POLICIES (Continued)

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.

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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

8 FINANCIAL INSTRUMENTS RISK MANAGEMENT, OBJECTIVES AND POLICIES
(Continued)

Risk management framework (Continued)

i) Credit risk (Continued)

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	
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Cash and cash equivalents	136,692	285,263	114,052	262,339
Restricted deposits/funds	29,517	45,852	29,517	45,852
Trade receivables	183,190	229,195	183,518	229,195
Other receivables*	26,405	21,054	26,304	21,582
	<u>375,804</u>	<u>581,364</u>	<u>353,391</u>	<u>558,969</u>

*Does not include deposits and VAT recoverable balance

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	
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Past due but not impaired:				
- by up to 30 days	19,090	19,200	19,090	19,200
- by 31 to 60 days	16,173	14,213	16,173	14,213
- by 61 to 90 days	15,587	14,900	15,587	14,900
- Over 91 days	229,611	241,670	229,611	241,670
Total past due but not impaired	<u>324,713</u>	<u>289,983</u>	<u>324,713</u>	<u>289,983</u>
Allowance for ECLs/impairment	222,076	183,520	221,749	183,520
Gross debtors (Note 26)	<u>502,536</u>	<u>473,503</u>	<u>502,209</u>	<u>473,503</u>

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

8 FINANCIAL INSTRUMENTS RISK MANAGEMENT, OBJECTIVES AND POLICIES
(Continued)

b) Financial risk management (Continued)

i) Credit risk (Continued)

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

	<u>Consolidated</u>	<u>Separate</u>
	TZS 'm	TZS 'm
Balance at 1 st July 2017	166,011	166,011
Impairment loss recognized during the period	15,161	15,161
Amounts utilized	-	-
Balance at 30th June 2018	181,172	181,172
Balance at the start of year	181,172	181,172
Impact of IFRS 9 on initial application	18,467	18,467
Restated balance	199,639	199,639
The impairment recognized during the year	22,437	22,109
Write off during the year	-	-
Balance at 30th June 2019	222,076	221,749

Cash and cash equivalents

The Group held cash and cash equivalents of TZS 136,692 million (Company: TZS 114,052 million) at 30th June 2019 (2018: TZS 285,263 million for Group and TZS 262,339 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.

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

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

8 FINANCIAL INSTRUMENTS RISK MANAGEMENT, OBJECTIVES AND POLICIES
(Continued)

b) Financial risk management (Continued)

ii) Liquidity risk (Continued)

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 2019						
Borrowings	1,696,411	1,696,411	695,720	785	27,251	370,746
Trade and other payables	1,138,120	1,138,120	1,138,120	-	-	-
	<u>2,834,531</u>	<u>2,834,531</u>	<u>1,833,840</u>	<u>785</u>	<u>27,251</u>	<u>370,746</u>

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 2019						
Borrowings	1,696,411	1,696,411	695,720	785	27,251	370,746
Trade and other payables	1,145,859	1,145,859	1,145,859	-	-	-
	<u>2,842,269</u>	<u>2,842,269</u>	<u>1,841,578</u>	<u>785</u>	<u>27,251</u>	<u>370,746</u>

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

8 FINANCIAL INSTRUMENTS RISK MANAGEMENT, OBJECTIVES AND POLICIES
(Continued)

b) Financial risk management (Continued)

ii) Liquidity risk (Continued)

Consolidated	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 - 2 years	Between 2- 5 years	Over 5 years
	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Non-derivative financial liabilities						
At 30th June 2018						
Borrowings	1,620,191	1,618,816	331,643	2,861	466,910	733,162
Trade and other payables	<u>1,261,829</u>	<u>1,261,829</u>	<u>1,261,829</u>	-	-	-
	<u>2,882,019</u>	<u>2,880,645</u>	<u>1,593,472</u>	<u>2,861</u>	<u>466,910</u>	<u>733,162</u>
Separate	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 - 2 years	Between 2- 5 years	Over 5 years
	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Non-derivative financial liabilities						
At 30th June 2018						
Borrowings	1,620,191	1,618,816	331,643	2,861	466,910	733,162
Trade and other payables	<u>1,259,435</u>	<u>1,259,435</u>	<u>1,259,435</u>	-	-	-
	<u>2,879,625</u>	<u>2,878,251</u>	<u>1,591,078</u>	<u>2,861</u>	<u>466,910</u>	<u>733,162</u>

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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

8 FINANCIAL INSTRUMENTS RISK MANAGEMENT, OBJECTIVES AND POLICIES
(Continued)

c) Financial risk management (Continued)

iii) Market risk (Continued)

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:

Equivalent amounts in shillings (in millions)	2019		2018	
	USD	EURO	USD	EURO
Consolidated				
Trade and other receivables	5,590	-	12,670	-
Cash and cash equivalents	2,499	19	13,097	24
Borrowings	(229,225)	(68,064)	(61,823)	(48,141)
Trade and other payables	(227,886)	(1,064)	(595,296)	(6,555)
Net exposure	(449,022)	(69,109)	(631,352)	(54,671)
Separate				
Trade and other receivables	5,590	-	8,317	452
Cash and cash equivalents	2,360	19	11,424	4,117
Borrowings	(229,225)	(68,064)	(74,773)	(45,523)
Trade and other payables	(227,886)	(1,064)	(248,470)	(1,947)
Net exposure	(449,160)	(69,109)	(304,502)	(42,901)

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

	Average rate		Reporting rate	
	2019	2018	2019	2018
USD	2,290	2,267	2,301	2,278
Euro	2,602	2,628	2,616	2,641
GBP	2,911	2,964	2,926	2,979
Rand	162	164	163	165
SEK	247	252	248	253

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

**8 FINANCIAL INSTRUMENTS RISK MANAGEMENT, OBJECTIVES AND POLICIES
(Continued)**

b) Financial risk management (Continued)

iii) Market risk (Continued)

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.

Consolidated	Strengthening		Weakening	
	Profit or loss	Equity*	Profit or loss	Equity*
30th June 2019				
USD-10% movement (Loss)/gain	(44,902)	(31,432)	44,902	31,432
Euro-10% movement (Loss)/gain	(6,911)	(4,838)	6,911	4,838
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
Separate	Strengthening	Weakening		
	Profit or loss	Equity*	Profit or loss	Equity*
30th June 2019				
USD-10% movement(Loss)/gain	(44,916)	(31,441)	44,916	31,441
Euro-10% movement (Loss)/gain	(6,911)	(4,838)	6,911	4,838
30th June 2018				
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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

8 FINANCIAL INSTRUMENTS RISK MANAGEMENT, OBJECTIVES AND POLICIES
(Continued)

iii) Market risk (Continued)

Profile

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

	Consolidated Carrying amount		Separate Carrying amount	
	2019 TZS 'm	2018 TZS 'm	2019 TZS 'm	2018 TZS 'm
Fixed rate instruments				
Financial assets	-	-	-	-
Financial liabilities	(1,696,410)	(1,343,969)	(1,696,410)	(1,343,969)
	<u>(1,696,410)</u>	<u>(1,343,969)</u>	<u>(1,696,410)</u>	<u>(1,343,969)</u>
Variable rate instruments				
Financial assets	-	-	-	-
Financial liabilities	(431,409)	(216,663)	(431,409)	(216,663)
	<u>(431,409)</u>	<u>(216,663)</u>	<u>(431,409)</u>	<u>(216,663)</u>

Fair value sensitivity analysis for fixed rate instruments

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 Profit or loss		Separate Profit or loss	
	100 bp increase TZS 'm	100 bp decrease TZS 'm	100 bp increase TZS 'm	100 bp decrease TZS 'm
2019				
Variable rate instruments	(4.31)	(4.31)	(4.31)	(4.31)
	<u>(4.31)</u>	<u>(4.31)</u>	<u>(4.31)</u>	<u>(4.31)</u>
2018				
Variable rate instruments	(2.13)	2.16	(2.13)	2.16
	<u>(2.13)</u>	<u>2.16</u>	<u>(2.13)</u>	<u>2.16</u>

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

8 FINANCIAL INSTRUMENTS RISK MANAGEMENT, OBJECTIVES AND POLICIES
(Continued)

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 2019 and 30th June 2018 were as follows:

	Consolidated		Separate	
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Total borrowings	1,696,411	1,620,191	1,696,411	1,620,191
Less: cash and cash equivalents	(136,692)	(285,263)	(114,052)	(262,339)
Net debt	1,559,719	1,334,928	1,582,359	1,357,852
Total equity	1,762,960	1,735,447	1,781,749	1,748,589
Gearing ratio	0.88:1	0.77:1	0.89:1	0.78:1

9 REVENUE

	Consolidated		Separate	
	30 th June 2019	30 th June 2018	30 th June 2019	30 th June 2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Domestic low usage	34,827	35,656	34,827	35,656
General use	753,239	700,595	753,239	700,595
Low voltage supply	164,455	157,261	164,455	157,261
High voltage supply	489,643	447,604	489,643	447,604
Zanzibar Electricity Corporation	81,077	73,148	81,077	73,148
Bulyanhulu Gold Mines	11,799	21,889	11,799	21,889
	1,535,040	1,436,153	1,535,040	1,436,153

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

10 COST OF SALES

	Consolidated		Separate	
	30 th June	30 th June	30 th June	30 th June
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Own generation and transmission	599,463	545,316	599,463	545,316
Purchased electricity	289,971	272,710	289,971	272,710
Distribution expenses	268,796	256,336	268,796	256,336
Depreciation	367,499	370,450	367,499	370,450
Subsidiary-ETDCO		170		-
	<u>1,525,729</u>	<u>1,444,981</u>	<u>1,525,729</u>	<u>1,444,811</u>

11 OTHER OPERATING INCOME

	Consolidated		Separate	
	30 th June	30 th June	30 th June	30 th June
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Government contribution	-	-	-	-
Customer contributions on works orders	97,810	65,324	97,810	65,324
Gas sales by Songas	28,743	28,137	28,743	28,137
Revenue Grant from various donors	918	-	489	-
Interest on overdue electricity bills	7,229	13,417	7,229	13,417
Reconnection fees	37	93	37	93
Rental income	1,940	1,685	1,940	1,685
Profit on disposal of property, plant and equipment	-	(19)	-	(19)
Amortisation of deferred capital grants	81,674	75,430	80,439	75,066
Other miscellaneous income	11,309	18,759	11,333	18,444
	<u>229,660</u>	<u>202,826</u>	<u>228,020</u>	<u>202,148</u>

12 (a) IMPAIRMENT OF FINANCIAL ASSETS

	Consolidated		Separate	
	30 th June	30 th June	30 th June	30 th June
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
<u>Expected Credit Losses</u>				
Trade and other receivable	22,437	13,881	22,109	13,881
Bank deposits	(33)	-	(33)	-
	<u>22,403</u>	<u>13,881</u>	<u>22,076</u>	<u>13,881</u>

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

12 (b) OPERATING EXPENSES BY NATURE

	Consolidated		Separate	
	30 th June 2019	30 th June 2018	30 th June 2019	30 th June 2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Staff costs (note 15)	79,892	69,101	77,770	67,796
Depreciation	18,307	19,067	17,863	18,654
Amortisation of intangibles	155	146	137	128
Depreciation charge on investment property	45	45	45	45
Write (off)/back of provision for obsolete inventories	-	(118)	-	(118)
Repairs and maintenance costs	1,164	1,471	838	989
Legal expenses	3,678	4,616	2,729	4,616
Consultancy expenses	549	1,555	549	1,555
Transport and travel expenses	17,006	10,786	16,630	10,535
Audit fees	1,474	817	1,474	771
Insurance	5,090	6,959	5,090	6,959
Bank charges and commission	2,564	1,225	2,551	1,215
Cable and telegram (bandwidth)	10,500	8,440	10,500	8,440
Advertisement expenses	1,641	1,417	1,583	1,370
Security expenses	1,751	1,844	1,722	1,830
Consumable office and stores	426	101	373	77
Other administration expenses	13,538	43,724	13,026	42,982
Suppliers interest	32,648	32,507	32,648	32,507
Foreign exchange differences	(18,955)	(1,440)	(18,955)	(1,440)
Loss on revaluation of fixed assets	-	-	-	-
	<u>171,474</u>	<u>202,262</u>	<u>166,572</u>	<u>198,911</u>

Depreciation on property, plant and equipment charged to:

- Cost of sales	367,499	370,450	367,499	370,450
- Operating expenses	<u>18,897</u>	<u>18,654</u>	<u>17,863</u>	<u>18,654</u>
Total depreciation charge (Note 16)	<u>386,396</u>	<u>389,104</u>	<u>385,362</u>	<u>389,104</u>

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

13 FINANCE COST - NET

	Consolidated		Separate	
	30 th June 2019	30 th June 2018	30 th June 2019	30 th June 2018
(a) Finance cost	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Foreign exchange loss on borrowings	2,732	8,808	2,732	8,808
Interest expense	34,847	51,131	34,847	51,131
Discount unwinding on borrowing	43,688	36,121	43,688	36,121
	<u>81,267</u>	<u>96,060</u>	<u>81,267</u>	<u>96,060</u>
Discount unwinding relates to the following borrowings;				
Government on lent loan (USD 100M)	6,079	5,678	6,079	5,678
Government of Tanzania (Deferred capacity charges)[Note 30(c)]	20,844	16,652	20,844	16,652
EDCF(KOREA)- TEDAP	1,304	1,217	1,304	1,217
ADF - Electricity V	1,289	1,219	1,289	1,219
OPTICAL CABLE (Long term)	-	-	-	-
TA 3569	2,944	-	2,944	-
EIB- BTIP	2,279	2,367	2,279	2,367
IDA Credit 4798 TA-BTIP	-	2,784	-	2,784
EDCF(KOREA) BTIP	1,847	1,724	1,847	1,724
ADF – BTIP	1,523	1,324	1,523	1,324
ADF-KTPIP	1,384	652	1,384	652
JICA – BTIP	2,149	1,844	2,149	1,844
JICA-KTPIP	1,766	586	1,766	586
ADF-RUSUMO	83	36	83	36
AFD Geita Nyakanazi	24	7	24	7
KFW Geita Nyakanazi	-	21	-	21
OFID Bulyahulu Geita	66	-	66	-
AFD Grid Rehab and Upgrade project	29	-	29	-
BADEA	77	10	77	10
Government on lent IDA	-	-	-	-
	<u>43,688</u>	<u>36,121</u>	<u>43,688</u>	<u>36,121</u>
(b) finance income on bank deposits	<u>397</u>	<u>551</u>	<u>397</u>	<u>551</u>

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

14 INCOME TAX CHARGE

	Consolidated		Separate	
	30 th June 2019	30 th June 2018	30 th June 2019	30 th June 2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Current tax charge	1,133	-	-	-
Deferred income tax (credit)/charge	(13,042)	(10,836)	(13,106)	(10,836)
Tax Paid	-	-	-	-
Alternative Minimum Tax (AMT)	9,907	4,903	9,506	4,896
	<u>(2,003)</u>	<u>(5,933)</u>	<u>(3,600)</u>	<u>(5,940)</u>

15 EMPLOYEE BENEFIT EXPENSE

	Consolidated		Separate	
	30 th June 2019	30 th June 2018	30 th June 2019	30 th June 2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
<i>Staff costs charged to cost of sales and operating expenses accounts comprise:</i>				
Salaries and wages	241,421	233,156	241,421	233,156
Social security costs (defined contribution scheme)	25,341	27,789	25,341	27,789
Long service awards (other employee benefits)	1,371	1,980	1,371	1,980
Skills and Development Levy	8,225	8,255	8,225	8,255
	<u>276,358</u>	<u>271,179</u>	<u>276,358</u>	<u>271,179</u>
Classified as:				
Cost of sales	198,635	203,383	198,635	203,383
Operating expenses	77,723	67,796	77,723	67,796
	<u>276,358</u>	<u>271,179</u>	<u>276,358</u>	<u>271,179</u>

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

16 PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED

Cost/Valuation	Hydro	Thermo	Transmissi	Distribution	Land and	Motor	Strategic	Office	Total
	generation TZS 'm	generation TZS 'm	on systems TZS 'm	systems TZS 'm	Buildings TZS 'm	vehicles TZS 'm	spares TZS 'm	equipment TZS 'm	TZS 'm
Balance at 1 st July 2018	759,690	1,087,314	1,556,684	3,286,474	294,895	96,457	21,210	113,134	7,215,860
Additions (Transfer from CWIP)	-	770,770	128,794	253,199	3,409	3,366	43,696	9,044	1,212,278
Disposal	-	-	-	-	-	(185)	-	-	(185)
Impairment	-	-	-	(17,748)	-	-	-	-	(17,748)
Written-off ARO	(4,378)	(1,163)	-	-	-	-	-	-	(5,541)
Balance at 30th Jun 2019	755,312	1,856,921	1,685,478	3,521,926	298,304	99,638	64,906	122,178	8,404,664

Accumulated depreciation and impairment
losses

Balance at 1 st July 2018	140,041	121,715	95,455	432,820	8,126	72,998	4,188	80,328	963,265
Depreciation for the period	35,624	56,697	61,474	212,995	4,192	7,841	709	6,274	385,807
Disposal	-	-	-	-	-	(185)	-	(2)	(187)
Impairment	-	-	-	(2,040)	-	-	-	-	(2,040)
Balance at 30th Jun 2019	175,665	178,411	156,930	643,776	12,318	80,654	4,896	86,600	1,346,844

Carrying Amounts

At 30 th June 2018	619,649	965,599	1,461,229	2,853,654	286,769	23,459	17,022	32,807	6,260,189
At 30 th June 2019	579,647	1,678,510	1,528,549	2,878,150	285,986	18,984	60,010	35,578	7,065,414

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

SEPARATE	Hydro	Thermo	Transmissio	Distribution	Land and	Motor	Strategic	Office	Total
	generation	generation	n 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 2018	759,690	1,087,314	1,556,684	3,286,474	294,151	95,724	21,210	111,825	7,213,072
Additions (Transfer from CWIP)	-	770,770	128,794	253,199	2,929	3,366	43,696	8,268	1,211,022
Disposal	-	-	-	-	(465)	(413)	-	-	(878)
Impairment	-	-	-	(17,748)	-	-	-	-	(17,748)
Written-off ARO	(4,378)	(1,163)	-	-	-	-	-	-	(5,541)
Balance at 30th Jun 2019	755,312	1,856,922	1,685,479	3,521,926	296,615	98,677	64,906	120,092	8,399,928
Accumulated depreciation and impairment losses									
Balance at 1 st July 2018	140,041	121,715	95,455	432,820	8,124	72,652	4,188	79,879	954,874
Depreciation for the period	35,624	56,697	61,474	212,995	4,177	7,680	709	6,006	385,362
Disposal	-	-	-	-	(23)	(185)	-	-	(208)
Impairment	-	-	-	(2,040)	-	-	-	-	(2,040)
Balance at 30th Jun 2019	175,665	178,411	156,930	643,776	12,278	80,147	4,896	85,885	1,337,988
Carrying Amounts									
At 30 th June 2018	619,649	965,600	1,461,229	2,853,654	286,027	23,072	17,022	31,945	6,258,198
At 30 th June 2019	579,647	1,678,510	1,528,549	2,878,150	284,338	18,530	60,010	34,207	7,061,941

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

16 PROPERTY, PLANT AND EQUIPMENT (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>	<ul style="list-style-type: none"> (i) Selling price of similar pieces of land as subject plots reviewed. (ii) Cost of construction per square-meter (compared with indicative rates provided by the National Construction Council); (iii) Depreciation (usually ranging from 5%, 15% and 30% depending on the type of building); (iv) 2016 Indicative land rates published by the Ministry of Lands, Housing and Human Settlements (for benchmarking land rates).

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

17 CAPITAL WORK IN PROGRESS

	Consolidated		Separate	
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
At start of year	1,833,176	1,269,691	1,826,641	1,269,691
Capitalised borrowing costs	519	2,992	519	2,992
*Transfer from stores	144,945	165,740	144,945	165,740
Expenditure during the year	2,095,392	394,752	2,101,480	388,218
	<u>4,074,032</u>	<u>1,833,176</u>	<u>4,073,586</u>	<u>1,826,641</u>
Transfer to subsidiary				
Transfer to stores	-	(-)	(-)	(-)
Transferred to property, plant and equipment	(1,211,229)	(-)	(1,211,022)	(-)
At end of year	<u>2,862,803</u>	<u>1,833,176</u>	<u>2,862,564</u>	<u>1,826,641</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 145 billion (30th June 2018:TZS 166 billion) from inventory to Capital Work in progress.

18 INTANGIBLE ASSETS

At the start of year	526	618	490	618
Addition during the year	55	36	55	-
Amortization charge	(155)	(128)	(137)	(128)
At the end of the year	<u>426</u>	<u>526</u>	<u>408</u>	<u>490</u>

The intangible assets contains License and Software. The License paid to EWURA for Electricity generation, Electricity distribution and cross boarder trade, Electricity supply, Electricity transmission and corss boarder trade, each licence will for term of twenty years commencing from 1st March 2013 TANESCO paid Licence fees amounting to USD 240,000(TZS 549 million), and Software available for the period under reviews.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

19 INVESTMENT PROPERTY

	Consolidated		Separate	
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Cost				
Balance at beginning of the year	906	906	906	906
At the end of the year	906	906	906	906
Accumulated depreciation				
Balance at start of year	(725)	(679)	(725)	(679)
Depreciation charge for the year	(45)	(45)	(45)	(45)
At the end of the year	(770)	(725)	(770)	(725)
Net Book value at the end of year	136	181	136	181

The Group investment property comprises the property leased to the Consortium of medical doctors - Tumaini Hospital at Magore Street. During the year ended 30th June 2019, investment property rentals were not recognized in the books pending court judgment.

20 INVESTMENT IN SUBSIDIARIES

	Consolidated		Separate	
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Investment in Tanzania Geothermal Development Company Limited	-	-	14,618	10,509
Investment in ETDCO	-	-	10,940	5,610
Investment in TCPM	-	-	836	227
Balance at 30th June	-	-	26,394	16,346

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

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

21 INVESTMENT IN ASSOCIATES

	Consolidated		Separate	
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Investment in Shangtan Power Generation Company Limited	202	93	2,724	1,813
Additions during the year	461	911	461	911
Share of Comprehensive loss for the year	(454)	(802)	-	-
Balance at 30 June	<u>208</u>	<u>202</u>	<u>3,184</u>	<u>2,724</u>

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 3,184,418,000 (US\$1,600,000) 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 2018 this is consistent with prior year.

The following table analyses the financial information about the associate.

	Consolidated		Separate	
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Current assets	1,815	1,452	898	1,452
Non-current assets	7,090	5,672	5,658	5,672
Current liabilities	(7,657)	(6,126)	(6,248)	(6,126)
Non-current liabilities	-	-	-	-
Net assets (100%)	<u>1,248</u>	<u>998</u>	<u>308</u>	<u>998</u>
Group share of net assets (40%)	499	399	123	399
Foreign exchange difference on initial recognition	85	(197)	85	(197)
Carrying amount of interest in associate	<u>208</u>	<u>202</u>	<u>208</u>	<u>202</u>
Revenue				
Profit from continuing operations	(1,136)	(2,004)	(1,136)	(2,004)
Other comprehensive income				
Total comprehensive income	<u>(1,136)</u>	<u>(2,004)</u>	<u>(1,136)</u>	<u>(2,004)</u>

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

21 INVESTMENT IN ASSOCIATE (Continued)

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

	Consolidated		Separate	
	2019 TZS 'm	2018 TZS 'm	2019 TZS 'm	2018 TZS 'm
Carrying amount of interest in associates	202	93	2,724	1,813
Share:				
Additional Capital injected during the year	461	911	461	911
Comprehensive loss for the year	(454)	(802)	-	-
Balance at 30th June	208	202	3,184	2,724

22 OTHER INVESTMENTS

		Consolidated		Separate	
		2019 TZS 'm	2018 TZS 'm	2019 TZS 'm	2018 TZS 'm
East African Cables Limited	(a)	-	1	-	1
Songas Limited	(b)	1,055	1,055	1,055	1,055
		1,055	1,056	1,055	1,056
Add: Fair Value changes					
East African Cable Ltd		1,215	-	1,215	-
Songas		33,267	-	33,267	-
		35,538	1,056	35,538	1,056

As at 30th June 2019, 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. The fair value of the investment is amounting to a gain of TZS 1,216 million as the result of Share valuation performed during the period. Therefore the fair value carrying amount of the investment has been adjusted.
- b) 10,000 shares of US\$ 100 each in Songas Limited representing 9.56% of total issued share capital of the company. The fair value of the investment is amounting to a gain of USD 15 million (TZS 34,343 million) as the result of share valuation performed during the period.

The management believes the recorded fair value represents the current value of investment as at 30th June 2019.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

23 CAPACITY CHARGES REPAYMENT

	Consolidated		Separate	
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
At the start of the year	27,237	31,723	27,237	31,723
Amortisation charge	(4,486)	(4,486)	(4,486)	(4,486)
At the end of year	<u>22,751</u>	<u>27,237</u>	<u>22,751</u>	<u>27,237</u>

In 2003, TANESCO, as allowed under the "Amended and Restated Shareholders Agreement" relating to the Songo Songo Gas-to-Electricity Project paid to Songas Limited an amount of USD 10 m (TZS 22,895 m) as the prepayment of the amount of Allowance for equity Funds used During Construction (AFUDC). This is being amortised over a period of 20 years from 31st July 2004. The effect of the prepayment is to reduce the rate at which the Company is charged for purchase of electricity from Songas Limited.

In 2009 company paid USD 3m (TZS 6,896m) to Songas Limited for future reduction in capacity charges. Under the same arrangements, World Bank paid USD 42m (TZS 96,159 m) to Songas Limited to reduce capacity charges for 15 years starting 1st August 2009. Grant received from World Bank is off set against capacity charges payable to Songas Limited

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:

Year ended 30 th June 2019	At start of period	At end of period
	TZS 'm	TZS 'm
Consolidated		
<i>Deferred income tax liabilities</i>		
Accelerated capital deductions	423,186	478,549
Revaluations	985,708	985,708
Fair Valuation of loans	207,587	231,685
Fair valuation through OCI	-	10,359
Other – subsidiaries	-	163
	<u>1,616,481</u>	<u>1,706,464</u>
<i>Deferred income tax assets</i>		
Tax loss carried forward	(1,105,056)	(1,059,939)
Revaluations	(90,862)	(103,968)
Provisions	(73,929)	(81,934)
Other – Subsidiaries	-	(98)
	<u>(1,269,847)</u>	<u>(1,245,939)</u>
Net deferred tax asset/(liability)	<u>346,634</u>	<u>460,524</u>
Net deferred tax asset not recognized	(755,800)	(663,324)
Net deferred tax liability recognized	1,102,434	1,123,848
Net deferred tax asset/(liability) reconciled	<u>346,634</u>	<u>460,524</u>

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

24 DEFERRED INCOME TAX (ASSET)/LIABILITY (Continued)

	At start of period <u>TZS 'm</u>	At end of period <u>TZS 'm</u>
Year ended 30th June 2019		
Separate		
<i>Deferred income tax liabilities</i>		
Accelerated capital deductions	423,014	478,530
Revaluations	985,708	985,708
Fair valuation of loans	207,587	231,685
Fair value charges through OCI		10,359
	<u>1,616,309</u>	<u>1,706,282</u>
<i>Deferred income tax assets</i>		
Tax loss carried forward	(1,102,311)	(1,057,642)
Revaluations	(90,862)	(103,968)
Provisions	(73,928)	(81,930)
	<u>(1,258,111)</u>	<u>(1,243,540)</u>
Total deferred tax assets/(liabilities)	358,198	462,741
Net deferred tax asset not recognized	(744,236)	(661,042)
Net deferred tax liability recognized	1,102,434	1,123,783
Deferred tax assets/(liabilities) reconciled	<u>358,198</u>	<u>462,741</u>
Year ended 30th June 2018		
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
Deferred tax assets/(liabilities) reconciled	<u>532,009</u>	<u>492,315</u>

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

24 DEFERRED INCOME TAX (ASSET)/ LIABILITY (Continued)

	At start of period	At end of period
	TZS 'm	TZS 'm
Year ended 30th June 2018		
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
Deferred tax assets/(liabilities) reconciled	533,110	489,364

There is a potential deferred tax asset of TZS 663,324 million (30th June 2018: TZS 755,800 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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

25 INVENTORIES

	Consolidated		Separate	
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
General stores and meter stocks	5,900	5,565	5,900	5,565
Engine and vehicle parts	829	771	829	771
Combustibles	7,081	8,179	7,081	8,179
Others	152	221	152	221
	13,962	14,736	13,962	14,736
Provision for obsolete items	(1,480)	(1,716)	(1,480)	(1,716)
Net inventory balance	12,482	13,020	12,482	13,020

The Group reclassifies specific inventory items from inventory to capital work in progress. These items includes 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 149 billion (2018: TZS 166 billion).

26 TRADE AND OTHER RECEIVABLES

	Consolidated		Separate	
	2019	2018	2019	2018
	TZS m'	TZS m'	TZS m'	TZS m'
General trade receivables	199,393	202,962	199,393	202,962
Government trade receivables	205,873	209,753	205,873	209,753
	405,266	412,715	405,266	412,715
Allowance for ECLs/impairments*	(222,076)	(183,520)	(221,749)	(183,520)
Net trade debtors	183,190	229,195	183,518	229,195
Other debtors:				
Rural electrification refund	-	7,538	-	7,538
Other balances due from the Government				
Loan material to contractors	4,448		4,448	
Chargeable work orders	1,085	834	1,085	834
Receivable from Independent Power Tanzania Limited	2,978	3,200	2,978	3,200
Receivable from Subsidiaries				
Deposits	11,535	11,535	11,535	11,535
Staff debtors	2,826	1,768	2,700	1,699
Intercompany receivable	-	-	-	596

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

26 TRADE AND OTHER RECEIVABLES (Continued)

	Consolidated		Separate	
	2019 TZS 'm	2018 TZS 'm	2019 TZS 'm	2018 TZS 'm
Value Added Tax recoverable	1,459	(27,497)	1,431	(27,497)
Sundry debtors	25,034	22,362	25,034	22,362
	49,365	19,740	49,212	20,268
Provision for other receivables (impairment)	(9,942)	(14,648)	(9,942)	(14,647)
Net other debtors	39,424	5,092	39,270	5,620
Net total debtors	222,614	234,288	222,788	234,816

The Company exposure to credit and market risks and impairment losses related to trade receivable are disclosed into note 8(b).

Movement in ECLs/impairment	Consolidated		Separate	
	2019	2018	2019	2018
At the start: 1 st July	181,172	181,172	181,172	181,172
Impact of initial application of IFRS 9	18,467	-	18,467	-
At the start : 1 st July Restated	199,639	181,172	199,639	181,172
Increase/(decrease) in ECLs	22,437	-	22,109	-
At the end: 30 th June	222,076	229,195	221,749	181,172

The allowance for ECLs/impairment is made up as follows:

On Trade receivables	222,076	181,172-	221,749	181,172
On other receivables	-	-	-	-
	222,076	181,172	221,749	181,172

The ECLs are based on the Company's provisioning matrix. The matrix considers the historical default rate by analyzing monthly aging analysis of 42 months from January 2016 to June 2019. All balances with more than 120 days past due were considered to be in default

Loss given Default (LGD) was determined by using six month subsequent payment after the assessment date wg=high acts as recovery for the outstanding balances.

We have also used government consumptions as a macro economic variable (MEV) to adjust historical loss rate.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

27 BANK AND CASH BALANCES

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

	Consolidated		Separate	
	2019 TZS 'm	2018 TZS 'm	2019 TZS 'm	2018 TZS 'm
Cash	213	624	213	624
Bank balances	136,479	284,639	113,839	261,715
Gross cash and bank balances	136,692	285,263	114,052	262,339
Expected credit losses:				
At 1 st July	-	-	-	-
Impact of initial application of IFRS 9	(184)	-	(184)	-
At 1 st July- Restated	(184)	-	(184)	-
Decrease/(increase)	33	-	33	-
At 30 th June	(150)	-	(150)	-
Net Carrying amount	136,542	285,263	113,901	262,339

The expected credit loss is calculated as the product of the probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The EAD is amortized cost value of the respective deposit. We have used the Standard and Poor (S&P) Global Recovery rates to determine the Loss given default (LGD).

We have used the Standard and poor (S&P) Marginal Corporate Probability of default to determine the PD for the corporates and Standard and Poor (S&P) Marginal Sovereign probability of default to determine PD for the country.

The bank balances are low credit risk assets as there is no history of default and the banks are regulated by Bank of Tanzania which monitors the financial performance and standing of the banks.

The carrying amount disclosed above reasonably approximate fair value at the reporting date.

b. *Restricted cash*

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)).	19,776	32,918	19,776	32,918
Other cash covers	9,741	12,934	9,741	12,934
	29,517	45,852	29,517	45,852

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

27 BANK AND CASH BALANCES (Continued)

	Consolidated		Separate	
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Presented as:				
Current	9,741	13,353	9,741	13,353
Non-current	19,776	32,499	19,776	32,499
	<u>29,517</u>	<u>45,852</u>	<u>29,517</u>	<u>45,852</u>

The Group also 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 29,517 million (30th June 2018: TZS 45,853 million) from bank and cash balances to restricted deposits/funds. Cash collaterals and cash covers are not liquid asset.

28 (a) SHARE CAPITAL

	Consolidated		Separate	
	2019	2018	2019	2019
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Authorised:				
120,000,000,000 ordinary shares of TZS 20 each	<u>2,400,000</u>	<u>2,400,000</u>	<u>2,400,000</u>	<u>2,400,000</u>
Issued and fully paid:				
49,335,830,882 ordinary shares of TZS 20 each	<u>986,717</u>	<u>986,717</u>	<u>986,717</u>	<u>986,717</u>

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

(b) ADVANCES TOWARDS SHARE CAPITAL

	Consolidated		Separate	
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
At start of the year	751,518	716,713	751,518	716,713
Received during the year	56,227	34,804	56,227	34,804
At the end of year	<u>807,745</u>	<u>751,518</u>	<u>807,745</u>	<u>751,518</u>

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

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

28 SHARE CAPITAL(Continued)

(b) ADVANCES TOWARDS SHARE CAPITAL (Continued)

	Consolidated		Separate	
	2019 TZS 'm	2018 TZS 'm	2019 TZS 'm	2018 TZS 'm
Cash receipts	-	10,481	-	10,481
Fair valuation of low interest loans on initial recognition, net of tax	<u>56,227</u>	<u>34,748</u>	<u>56,227</u>	<u>34,748</u>
	<u>56,227</u>	<u>45,229</u>	<u>56,227</u>	<u>45,229</u>

The advances toward share capital as at 30th June 2019 represent cash received from the Government of Tanzania . During the year no cash has been received and treated as advance toward share capital, rather the company has recognize Fair value of low interest loans on initial recognition TZS 56,227 million (30th June 2018: TZS 34,748 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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

29 GRANTS

2019
CONSOLIDATED

<u>Donor</u>	<u>Project</u>	<u>1st July 2018</u>	<u>Addition</u>	<u>Return</u>	<u>Amortisatio</u>	<u>30th June 2019</u>
		<u>TZS 'm</u>	<u>TZS 'm</u>	<u>to AfDB</u>	<u>n</u>	<u>TZS 'm</u>
					<u>TZS 'm</u>	
SIDA	Refer (i)	9,954	16,871	-	(129)	26,696
Oret (Government of Netherlands)	Refer (ii)	26,686	-	-	(2,081)	24,605
TEDAP	Refer (iii)	195,755	-	-	(4,155)	191,599
SongoSongo	Refer (iv)	14,230	-	-	(571)	13,659
Japanese Treasury-	Refer (v)	26,296	-	-	(810)	25,485
Emergency Power Treasury	Refer (vi)	226,073	-	-	(11,925)	214,147
World Bank	Refer (vii)	2,091,045	350,148	-	(49,326)	2,391,867
Orio	Refer (viii)	22,443	-	-	(3,689)	18,754
JICA Rehab KL	Refer (ix)	25,851	-	-	(1,169)	24,682
MCC T&D	Refer (x)	31,765	-	-	(719)	31,047
DCC	Refer (xi)	155,004	-	-	(4,419)	150,585
MEM,ICEIDA,UN	Refer (xii)	45,209	-	-	(1,445)	43,763
EPand AfDB Kinyerezi II 240MW Gas Power Plant	Refer (xiii)	21,689	427	(291)	(217)	21,608
Rufiji Hydro Power Project	Refer (xiv)	-	398,819	-	-	398,819
KFW Geita Nyakanazi	Refer (xv)	-	988,573	-	-	988,573
TANESCO	Refer (xvi)	-	1,152	-	-	1,152
	Refer (xvii)	214	-	-	(70)	144
		2,892,213	1,755,991	(291)	(80,725)	4,567,188

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

29 GRANTS (Continued)

2019
SEPARATE

Donor	Project	1 st July 2018 TZS 'm	Addition TZS 'm	Amortisation TZS 'm	30 th June 2019 TZS 'm
SIDA	Refer (i)	9,954	16,871	(129)	26,696
Oret (Government of Netherlands)	Refer (ii)	26,686	-	(2,081)	24,605
TEDAP	Refer (iii)	195,755	-	(4,155)	191,599
SongoSongo	Refer (iv)	14,230	-	(571)	13,659
Japanese Treasury-	Refer (v)	26,296	-	(810)	25,485
Emergency Power Treasury	Refer (vi)	226,073	-	(11,925)	214,148
World Bank	Refer (vii)	2,091,045	350,148	(49,326)	2,391,867
Orio	Refer (viii)	22,443	-	(3,689)	18,754
JICA Rehab KL	Refer (ix)	25,851	-	(1,169)	24,682
MCC T&D	Refer (x)	31,765	-	(719)	31,047
DCC	Refer (xi)	155,004	-	(4,419)	150,585
MEM,UNEP,ICEID	Refer (xii)	45,209	-	(1,445)	43,763
A & AfDB	Refer (xiii)	-	-	-	-
Kinyerezi II 240MW Gas Power Plant	Refer (xiv)	-	398,819	-	398,819
Rufiji Hydro Power Project	Refer (xv)	-	988,573	-	988,753
KFW Geita Nyakanazi	Refer (xvi)	-	1,152	-	1,152
		2,870,310	1,755,564	(80,439)	4,545,435

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

29 GRANTS (Continued)

2018
CONSOLIDATED

<u>Donor</u>	<u>Project</u>	<u>1st July</u> <u>2017</u> <u>TZS 'm</u>	<u>Addition</u> <u>TZS 'm</u>	<u>Amortisation</u> <u>TZS 'm</u>	<u>30th June</u> <u>2018</u> <u>TZS 'm</u>
SIDA	Refer (i)	10,082	-	(129)	9,953
Oret (Government of Netherlands)	Refer (ii)	28,782	-	(2,099)	26,683
TEDAP	Refer (iii)	149,909	48,646	(2,800)	195,755
Songo Songo	Refer (iv)	14,801	-	(571)	14,230
Japanese Treasury-	Refer (v)	27,109	-	(810)	26,299
Emergency Power Treasury	Refer (vi)	237,997	-	(11,925)	226,072
World Bank	Refer (vii)	1,835,671	300,238	(44,785)	2,091,044
Orio	Refer (viii)	26,134	-	(3,689)	22,445
JICA Rehab KL	Refer (ix)	3,763	23,258	(1,169)	25,851
MCC T&D	Refer (x)	32,484	-	(719)	31,765
DCC	Refer (xi)	159,849	-	(4,843)	155,006
MEM,ICEIDA,UNE	Refer (xii)	46,653	-	(1,445)	45,208
Pand AfDB Kinyerezi II 240MW Gas Power Plant	Refer (xiii)	951	21,343	(363)	21,903
Rufiji Hydro Power Project	Refer (xiv)	-	-	-	-
KFW Geita	Refer (xv)	-	-	-	-
Nyakanazi	Refer (xvi)	-	-	-	-
		2,574,185	393,485	(75,347)	2,892,214

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

29 GRANTS (Continued)

**2018
SEPARATE**

Donor	Project	1 st July 2017 TZS 'm	Addition TZS 'm	Amortisation TZS 'm	30 th June 2018 TZS 'm
SIDA	Refer (i)	10,082	-	(129)	9,954
Oret (Government of Netherlands)	Refer (ii)	28,782	-	(2,081)	26,686
TEDAP	Refer (iii)	149,909	48,646	(2,800)	195,755
Songo Songo	Refer (iv)	14,801	-	(571)	14,230
Japanese	Refer (v)	27,109	-	(810)	26,296
Treasury- Emergency Power	Refer (vi)	237,997	-	(11,925)	226,073
Treasury	Refer (vii)	1,835,671	300,238	(44,785)	2,091,045
World Bank	Refer (viii)	26,134	-	(3,689)	22,443
Orio	Refer (ix)	3,763	23,258	(1,169)	25,851
JICA Rehab KL	Refer (x)	32,484	-	(719)	31,765
MCC T&D	Refer (xi)	159,849	-	(4,843)	155,004
DCC	Refer (xii)	46,653	-	(1,445)	45,209
MEM,ICEIDA,UNE Pand AfDB	Refer (xiii)	-	-	-	-
Kinyerezi II 240MW Gas Power Plant	Refe (xiv)	-	-	-	-
Rufiji Hydro Power Project	Refer (xv)	-	-	-	-
KFW Geita Nyakanazi	Refer (xvi)	-	-	-	-
MEM,ICEIDA,UNE Pand AfDB	Refer (xiii)	-	-	-	-
		2,573,234	372,141	(74,967)	2,870,310

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

29 GRANTS (Continued)

(i) SIDA	Consolidated		Separate	
	2019 TZS 'm	2018 TZS 'm	2019 TZS 'm	2018 TZS 'm
Electrification of Urambo	689	724	689	724
Electrification of Serengeti	1,918	2,012	1,918	2,012
132 kV TL Makambako and Songea electrification	24,218	7,347	24,218	7,347
Amortisation charge	(129)	(129)	(129)	(129)
At the end of the year	26,696	9,954	26,696	9,954
(ii) ORET (Government of Netherlands)				
Optical fibre cable communication system	8,135	9,092	8,135	9,092
45MW Tegeta Plant	18,552	19,676	18,552	19,676
Amortisation charges	(2,081)	(2,081)	(2,081)	(2,081)
At the end of the year	24,605	26,686	24,605	26,686
(iii) TEDAP (Projects 4370 TA)				
Transmission and Distribution systems – opening	195,755	149,909	195,755	149,909
Received during the year	-	48,646	-	48,646
Amortisation charges	(4,155)	(2,800)	(4,155)	(2,800)
At the end of the year	191,599	195,755	191,599	195,755
(iv) Songo Songo (Projects 3569 TA)				
Wayleave Village Electrification Scheme(WVES)	14,230	14,801	14,230	14,801
Amortisation charges	(571)	(571)	(571)	(571)
At the end of the year	13,659	14,230	13,659	14,230
(v) Japanese Grant				
Transmission and Distribution Systems	26,296	27,106	26,296	27,106
Amortisation charges	(810)	(810)	(810)	(810)
At the end of the year	25,485	26,296	25,485	26,296

29 GRANTS (Continued)

(vi) Treasury – Emergency Power	Consolidated		Separate	
	2019 TZS 'm	2018 TZS 'm	2019 TZS 'm	2018 TZS 'm
Ubungu II Gas Plant (100MW)	119,651	126,119	119,651	126,119
Mwanza Plant (60MW)	106,422	111,879	106,422	111,879
Amortization charges	(11,925)	(11,925)	(11,925)	(11,925)
At the end of the year	214,148	226,073	214,148	226,073

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

29 GRANTS (Continued)

	<u>Consolidated</u>		<u>Separate</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>TZS'm</u>	<u>TZS'm</u>	<u>TZS'm</u>	<u>TZS'm</u>
(vii) Treasury				
1. Treasury -Wartisila &Thermo enerators				
EPP- Wartisila	57,764	61,491	57,764	61,491
Mbinga Gen Sets	2,983	3,204	2,983	3,204
Ludewa Gen Sets	2,384	2,560	2,384	2,560
Kigoma Gen Sets	10,382	11,052	10,382	11,052
Kasulu Gen Sets	6,294	6,675	6,294	6,675
Kibondo Gen Sets	6,421	6,811	6,421	6,811
Sumbawanga Gen Sets	9,799	10,393	9,799	10,393
Loliondo Gen Sets	11,058	11,728	11,058	11,728
At the end of the year	107,085	113,914	107,085	113,914
2. Treasury- Rural electrification projects				
Rural electrification	5,082	5,330	5,082	5,330
Electrification Makambako	118	122	123	122
Electrification Makambako2	35,583	35,583	35,583	35,583
Electrification Mbinga	512	528	512	528
Electrification of Msoga	157	161	157	161
Electrification of Magindu	200	205	200	205
Electrification of Mgwashi	657	675	657	675
Electrification of Malya/Sumve	564	580	564	580
Electrification of Mbewe	207	213	207	213
Electrification of Bukombe and Kagera village	144	148	144	148
Electrification of Kilolo	1,489	1,532	1,489	1,532
Electrification of Simanjiro	188	194	188	194
Electrification of Mchinga	723	747	723	747
Electrification of Tarime	82	84	82	84
Electrification of Ludewa	300	309	300	309
Electrification of Ihanja	611	628	611	628
Electrification of Bukene	86	89	86	89
Electrification of Mvumi	108	111	108	111
Electrification of Berege	55	57	55	57
Sub total	46,866	47,296	46,870	47,296

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

29 GRANTS (Continued)

	Consolidated		Separate	
	2019 TZS 'm	2018 TZS 'm	2019 TZS 'm	2018 TZS 'm
Subtotal continued	46,866	47,296	46,866	47,296
Electrification of Mkinga	68	70	68	70
Electrification of Uyui	1,166	1,204	1,166	1,204
Electrification of Bahi	1,324	1,367	1,324	1,367
Electrification of Matema beach	536	554	536	554
Power supply to Chief Osward Mang'ombe	148	153	148	153
Electrification of Ngage B	293	303	293	303
Power supply to Mto wa mbu	261	269	261	269
Electrification of Tabora-Kaliua	25	26	25	26
Electrification of Bunda	361	373	361	373
Electricity V Project	90	93	90	93
Konga, Mererani and Pangani water pumps	132	137	132	137
Electrification of Tungamalenga and electricity villages	113	117	113	117
Kigoma Generators	1,106	1,173	1,106	1,173
Electrification of Kilindi	1,352	1,395	1,352	1,395
Wayleave Villages electrification	599	618	599	618
Rural Electrification projects	18,642	19,120	18,642	19,120
GVT Kinyerezi Financing 185 MW	174,323	109,463	174,323	109,463
GVT Kinyerezi Financing 185 MW	270,281	283,152	270,281	283,152
GVT Kinyerezi Financing 240 MW	370,958	370,958	370,958	370,958
REA Funded Projects	15,794	16,199	15,794	16,199
REA funded Projects Phase I	117,769	121,486	117,769	121,486
REA funded Projects Phase II	764,447	785,107	764,447	785,107
REA II Mtwara/Lindi	26,117	26,786	26,117	26,786
REA Phase II Additional Works	21,287	12,550	21,287	12,550
REA Densification	61,713	44,542	61,713	44,542
REA VEI-BTIP	40,419	33,098	40,419	33,098
GVT Financing North west Grid	2,400	2,400	2,400	2,400
GVT Financing Iringa Shinyanga -	220	220	220	220
REA Electrification Sagamaganga Vilages	159	163	159	163
Mpanda Generating Sets II	467	486	467	486
Electrification Majengo Village & Electrification Njiro Arusha	235	241	235	241
Electrification Njiro Arusha	23	23	23	23
Electrification Biharamulo/Ngara/Mpanda	10,238	10,500	10,238	10,500
GVT Financing Orio contribution	11,213	11,500	11,213	11,500
GVT Financing TEDAP contribution	2,122	190	2,122	190
REA Funding additional rural Electrif	10,431	10,698	10,431	10,698
REA III round one	246,698	-	246,698	-
Sub total	2,220,393	1,914,03	2,220,39	1,914,031

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

29 GRANTS (Continued)

	Consolidated		Separate	
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Treasury- Transmission Line				
Construction of T/L from Mahumbika -Lindi	2,105	2,105	2,105	2,105
Kenya- Tanzania Power Interconnector	54,794	54,794	54,794	54,794
Rusumo- Nyakazi 400 kV T/L	5,200	5,200	5,200	5,200
Bulyahulu – Geita 200 KV T/L	2,290	1,000	2,290	1,000
Sub Total	64,389	63,099	64,389	63,099
	2,391,8			
Grand total	68	2,091,045	2,391,872	2,091,045
(viii) WORLD BANK – Songas Capacity Charges buydown				
Capacity Charges buydown	22,443	26,132	22,443	26,132
Amortisation charges	(3,689)	(3,689)	(3,689)	(3,689)
At the end of year	18,754	22,443	18,754	22,443
(ix) ORIO				
At the start of the year	25,851	3,763	25,851	3,763
Additions	-	23,258	-	23,258
Amortisations charges	(1,169)	(1,169)	(1,169)	(1,169)
At the end of the year	24,682	25,851	24,682	25,851
(x) JICA Rehabilitation				
Received	31,765	32,484	31,765	32,484
Amortisation charges	(719)	(719)	(719)	(719)
At the end of the year	31,047	31,765	31,047	31,765
(xi) MCC T &D				
Deferred capacity charges	155,004	159,847	155,004	159,847
Amortisation charges	(4,419)	(4,843)	(4,419)	(4,843)
At the end of the year	150,585	155,004	150,585	155,004
(xii) DCC				
At the start of the yea	45,209	46,654	45,209	46,654
Additions	-	-	-	-
Amortisation charges	(1,445)	(1,445)	(1,445)	(1,445)
At the end of the year	43,763	45,209	43,763	45,209

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

29 GRANTS (Continued)

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

	Consolidated		Separate	
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
At the start of the year	21,903	923	21,903	-
Additions	427	21,343	427	-
Amortisation charges	(287)	(363)	(287)	-
Return to AfDB	(291)	-	(291)	-
At the end of the year	21,608	21,903	21,608	-

(xiv) Kinyerezi II 240MW Gas Power Plant

	Consolidated		Separate	
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
At the start of the year	-	-	-	-
Additions	398,819	-	398,819	-
Amortisation charges	-	-	-	-
At the end of the year	398,819	-	398,819	-

(xv) Rufiji hydro power project

	Consolidated		Separate	
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
At the start of the year	-	-	-	-
Additions	988,573	-	988,573	-
Amortisation charges	-	-	-	-
At the end of the year	988,573	-	988,573	-

(xvi) KFW Geita Nyakanazi

	Consolidated		Separate	
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
At the start of the year	-	-	-	-
Additions	1,152	-	1,152	-
Amortisation charges	-	-	-	-
At the end of the year	1,152	-	1,152	-

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

30 BORROWINGS

	Consolidated		Separate	
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Loans (i)	1,696,410	1,620,191	1,696,410	1,620,191
Less: Current portion	<u>(727,940)</u>	<u>(903,296)</u>	<u>(727,940)</u>	<u>(903,296)</u>
Non-current portion	<u>968,470</u>	<u>716,895</u>	<u>968,470</u>	<u>716,895</u>

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

30 BORROWINGS (Continued)

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

Loan (Figures in TZS'm)	Re f	Balance as at 1 st July 2018	Addition during the year	Fair value adjustment	Interest	Interest adjustme nt/Reclas sification	Exchange gains/ losses	Discount unwinding	Principal paid	Interest paid	Balance as at 30 th June 2019
Government Loan	a	124,010	-	-	2,134	(15,517)	-	-	-	-	110,627
Government of Tanzania loan (Deferred capacity charge)	b	414,233	37,713	(19,110)	(-)	-	-	20,844	-	-	453,679
ING Bank – Optical Fibre	c	44,742	-	-	1,688	8,018	(429)	-	-	-	54,019
ING Bank – Tegela 45MW	d	39,619	-	-	-	-	(380)	-	-	-	39,238
IDA Credit 3569 TA – Songo songo	e	10,015	-	-	475	2,951	(33)	-	-	-	13,408
EDCF-TEDAP	f	21,241	-	-	30	-	216	1,304	-	-	22,791
ADF-Electricity V	g	21,229	-	-	-	-	(69)	1,289	-	-	22,448
EDCF-KOREA (BTIP)	h	30,029	-	-	35	-	306	1,847	-	-	32,217
EIB - BITP	i	81,813	-	-	-	-	(785)	2,279	-	-	83,308
IDA Credit 4798 TA –BITP	j	48,554	-	-	-	-	(158)	2,944	-	-	51,340
ADF – BITP	k	27,503	8,886	(3,784)	(-)	-	(23)	1,523	-	-	34,106
JICA – BITP	l	35,982	8,250	(2,840)	24	-	1,182	2,149	-	-	44,748
Syndicated loan 408Abillion facility A	m	129,555	-	-	7,368	-	-	-	(48,328)	(8,021)	80,573
Syndicated Loan 408Bbillion Facility B (USD 53.39m)	n	92,354	-	-	4,536	-	-	-	(41,223)	(5,091)	57,707
Syndicated loan 300 billi	o	(372)	-	-	-	372	-	-	(-)	-	-
On Lending Standard Bank		297,810	-	-	19,430	-	(692)	-	-	-	316,547
On Lending Ida – 3297,809.370 Years	p	105,562	-	-	2,384	-	837	6,079	-	-	114,862
BADEA	q	237	4,097	(1,473)	-	-	19	77	-	-	2,957
TIB Bridge facility	r	37,103	-	-	4,575	(4,857)	-	-	(3,839)	(761)	32,220
ADF-KTPIP	t	19,555	43,308	(18,207)	378	(5,070)	70	1,384	-	-	41,419
JICA-KTPIP	u	10,843	73,792	(32,208)	12	(1)	3,499	1,766	-	-	57,703
ADF-RUSUMO	v	3,073	3,428	(1,654)	35	(1,973)	27	83	-	-	3,020
AFD (KFW) Geita-Nyakanazi	w	1,464	-	273	(-)	(1,737)	-	-	-	-	0
SIDA-GVT-Makambako Songea	x	23,802	-	-	-	-	(498)	-	-	-	23,304
AFD Geita Nyakanazi	y	236	3,559	(955)	24	-	(2)	24	-	-	282
OFID Buliyahulu Geita	z	-	1,563	(367)	10	-	16	66	-	-	2,685
AFD Grid Rehab & Upgrade project	aa	-	-	-	-	-	(33)	29	-	-	1,202
		1,620,190	184,596	(80,325)	43,138	(17,815)	10,201	43,688	(93,391)	(13,873)	1,696,410

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

30 BORROWINGS (Continued)

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

Loan (Figures in TZS 'm)	Ref	Balance	Addition	Fair value	Interest	Exchange	Discount	Principal	Interest	Balance
		as at 1 st July		adjustment		gains/				unwinding
		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	39,291	(19,910)	-	16,652	-	-	-	414,233
ING Bank – Optical Fibre	c	41,640	-	-	1,704	-	-	-	-	44,742
ING Bank – Tegeta 45MW	d	38,332	-	-	-	-	-	-	-	39,619
IDA Credit 3569 TA – Songosongo	e	9,386	-	-	340	-	-	-	-	10,015
EDCF-TEDAP	f	19,703	-	-	-	1,217	-	-	-	21,241
ADF-Electricity V	g	19,399	-	-	-	1,219	-	-	-	21,229
EDCF-KOREA (BTIP)	h	27,852	-	-	-	1,724	-	-	-	30,029
EIB - BITP	i	76,866	-	-	-	2,367	-	-	-	81,813
IDA Credit 4798 TA –BITP	j	44,372	-	-	-	2,784	-	-	-	48,554
ADF – BITP	k	18,049	13,684	(5,864)	-	1,324	-	-	-	27,503
JICA – BITP	l	26,480	10,598	(3,657)	-	1,844	-	-	-	35,982
Syndicated loan 408A billion facility	m	183,295	-	-	16,148	-	-	(47,891)	(21,625)	129,555
Syndicated Loan 408B bill Facility	n	125,720	-	-	3,420	-	-	(22,672)	(4,076)	92,354
Syndicated loan 300 bill	o	274,468	-	-	17,222	-	-	(372)	-	297,809
On Lending Standard Bank	p	93,458	-	-	2,351	5,679	-	-	-	105,562
On Lending Ida - 30 Years	q	122	160	(59)	-	10	-	-	-	237
BADEA	r	34,499	-	-	5,167	-	-	-	-	37,103
TIB Bridge facility	s	-	-	-	-	-	-	-	(2,562)	-
NBC 15m short term facility	t	12760	8,434	(3,649)	1,826	532	-	-	-	19,555
ADF-KTPIP	u	8,815	1,869	(818)	6	586	-	-	-	10,843
JICA-KTPIP	v	354	1,329	(647)	1,966	36	-	-	-	3,073
ADF-RUSUMO	w	846	208	(56)	422	21	-	-	-	1,463
AFD(kfw) Geita -Nyakanazi	x	6,273	18,855	-	-	-	-	-	-	23,802
SIDA-GVT-Makambako Songea	y	-	336	(89)	-	7	-	-	-	236
AFD Geita Nyakanazi										
		1,560,630	94,764	(34,748)	54,840	29,044	36,002	(70,935)	28,263	1,620,190

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

30 BORROWINGS (Continued)

TERMS AND CONDITIONS ON BORROWINGS

- a) This is the balance of the amount that was converted into equity on 1st January 2004. It is owed to the Government. This amount is repayable in 9 equal instalments starting 31st December 2008 after a grace period of 2 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 31st 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 parts 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 132kV 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 starting from year 2022.
- g) This loan from African Development Fund (ADF) was received through the Government to finance Electricity V project. 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.
- 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 USD and carries an interest rate of 0.01% per annum and is repayable in 50 semi-annual instalments starting from year 2022.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

30 BORROWINGS (Continued)

TERMS AND CONDITIONS ON BORROWINGS

- 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.
- j) 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. However dully signed amortization schedule has applied the rate of 0.75% throughout the loan period, and for this financial report amortization schedule apply.
- 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 stating 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.

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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

30 BORROWINGS (Continued)

TERMS AND CONDITIONS ON BORROWINGS (Continued)

- 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 100,000,000 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) dated January 16 2011 at an interest rate of 1%. The loan is denominated in US Dollar. The repayment period is 40 years from 2026 to 2046 after 10 years grace period. 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, Ilala 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.
- 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) dated 31st December 2015 at an interest rate of 2% during the grace period and 4% thereafter. The loan is denominated in UA and repayment in semi-annual for a period of 30 years after 10 years' grace period. However dully signed amortization schedule has applied the rate of 0.75% throughout the loan period, and for this financial report amortization schedule apply. 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 dated January,2016 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 lent the loan to TANESCO during the year. This loan is lent from African Development Fund (ADF) dated 22 December 2014 at an interest rate of 1% during grace period up to 20th year 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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

30 BORROWINGS (Continued)

TERMS AND CONDITION ON BORROWINGS (Continued)

- w) KFW loan was classified as Grant based on article 1 (clause 1.1) of the financing agreement which clearly specify that the financial contribution can not be repayable unless otherwise the country fail to meet conditions stipulated in article 4.2 of the financing agreement.
- 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 semi-annually 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.
- z) Government loan from the Opec International Fund for Development (OFID) dated August 4, 2011 for the period of 15 years at an interest rate of 1.25% per annum. The loan is denominated in US Dollar. The repayment shall be affected in 30 semi-annual installments after 5 years' grace period. The loan is for financing Bulyanhulu -Geita transmission line and Geita Electrification Project.
- aa) Government on lent the loan to TANESCO during the year. This loan was lent from Agence Francaise de Development (AFD) credit facility dated 10th July 2015 at an interest rate of 1.127%. The loan is denominated in Euro and repayment in semiannual for a period of 18 years including 4 years' grace period. The loan is for financing the TANESCO Transmission Grid Rehabilitation and Upgrade Project (TTGRUP).

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

31 OTHER EMPLOYMENT BENEFITS

	Consolidated		Separate	
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
At the start of the year	26,404	22,848	26,404	22,848
Interest cost	4,938	3,688	4,938	3,688
Actuarial (loss)/gain	(47)	-	(47)	-
Current service cost	1,371	1,980	1,371	1,980
Benefits paid	(3,713)	(2,111)	(3,713)	(2,111)
<i>At the end of the year</i>	28,954	26,405	28,954	26,404

Actuarial assumptions

Discount rate per annum	18.7%	16.0%	18.7%	16.0%
Inflation rate	3.0%	3.0%	3.0%	3.0%
Ill health and disability	Probability of an event	Probability of an event	Probability of an event	Probability of an event
Mortality (pre-retirement)	Probability of an event	Probability of an event	Probability of an event	Probability of an event
Withdrawals (voluntary)	Probability of an event	Probability of an event	Probability of an event	Probability of an event
Retirement age	Age 60	Age 60	Age 60	Age 60

The Group used projected Unit Credit Method ("PUC Method") to value the liability of the Long service award Scheme. This method stipulated under the IAS 19 requirements.

The Group have assumed a long term discount of 18.7% p.a . This is in line with the forecasted 20-years government bond weighted average yields as published by Bank of Tanzania(BOT) as at 30 June 2019 a long the yield curve. We believe this rate to be appropriate for the purpose of IAS19 Diclosures.

The Group also assumed the inflation to be 3.0% p.a. The inflation rate has been derived by using the medium term inflation target as published on 6th February 2019 by the Tanzanian Monetary Policy Committee extrapolated to the maturity of the liability.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

32 TRADE AND OTHER PAYABLES

	Consolidated		Separate	
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Current				
Trade payables	934,294	993,776	944,921	993,913
Advances against work orders	14,916	53,263	14,916	53,263
EWURA and REA	21,205	17,325	21,205	17,325
Customers with credit balances	1,774	1,703	1,774	1,703
TANESCO Employees Trust Deed Fund				
Deferred revenue from government	7,492	7,899	7,492	7,899
Deferred LUKU sales	6,102	5,967	6,102	5,967
Accrued expenses	99,971	141,765	98,736	139,242
North Mara and Pangea Mining companies	-	250	-	250
Provisions for energy purchase	-	-	-	-
Related party payable- ETDCO	-	-	-	-
Other payables	52,368	39,880	50,714	39,872
	<u>1,138,120</u>	<u>1,261,829</u>	<u>1,145,859</u>	<u>1,259,435</u>

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

33 CONSUMER DEPOSITS

	Consolidated		Separate	
	2019	2018	2019	2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Consumer deposits:				
at start of the year	16,429	21,245	16,429	21,245
Addition/(Amortization)		(4,827)		(4,819)
Refund/Charge during the year	(53)	-	(56)	-
	<u>16,376</u>	<u>16,418</u>	<u>16,373</u>	<u>16,426</u>

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

34 CASH GENERATED FROM OPERATIONS

	Note	Consolidated		Separate	
		30 th June 2019	30 th June 2018	30 th June 2019	30 th June 2018
		TZS 'm	TZS 'm	TZS 'm	TZS 'm
Operating activities		-	-	-	-
Loss before tax		(27,718)	(118,456)	(32,187)	(114,812)
<i>Adjustments for:</i>					
Depreciation	16	385,807	389,510	385,362	389,104
Revaluation loss		-	-	-	-
Depreciation of investment property	19	45	45	45	45
Interest expense	30	25,323	54,025	25,323	54,025
Amortisation of AFUDC prepayment	23	4,486	4,486	4,486	4,486
Amortisation of intangible asset	18	155	128	137	128
Amortisation of grants	29	(81,457)	(75,360)	(80,439)	(75,066)
Share of loss of equity-accounted investees, net of tax	21	(454)	802	-	-
Increase/(decrease) in ECLs on receivables	26	22,109	-	22,109	-
Increase/(decrease) in ECLs on Bank Balances	27(a)	(33)	-	(33)	-
Tax expense		-	-	-	-
Gain on Defined Benefit Plan	31	47	-	47	-
Discount unwinding	30	43,688	36,121	43,688	36,121
Increase in Asset retirement Obligation	37	(5,915)	7,334	(5,915)	7,334
Other employment benefits	31	2,549	3,557	2,549	3,557
Net unrealized forex (gains)/losses		10,201	8,966	10,201	8,966
		378,833	311,159	375,375	313,889
Changes in:		-	-	-	-
- inventories	25	537	(2,111)	537	(2,111)
- trade and other receivables	26	(39,595)	4,270	(28,549)	10,924
- Related party transactions		-	-	-	-
- Prepayments		12,025	3,276	12,025	3,276
- Provisions	36	5,863	(3,994)	5,863	(3,994)
- trade and other payables and consumer deposits	32, 33	(112,477)	33,314	(113,631)	30,580
Cash used in operations		245,187	345,914	251,621	352,565

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

35 TAX PAYABLE

	Consolidated		Separate	
	30 th June 2019	30 th June 2018	30 th June 2019	30 th June 2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Opening balance	9,987	11,136	9,981	11,136
Current Tax	1,133			
Alternative Minimum Tax	9,910	6,439	9,506	6,428
Withholding Taxes paid	(321)	(5,460)	(321)	(5,460)
Instalments paid	(8,438)	(2,124)	(8,432)	(2,124)
Tax Amnesty	(2,095)		(2,095)	
Closing balance	10,176	9,991	8,640	9,981

During the year the Group paid the Alternative minimum Tax (AMT) related to prior year and two installment has been paid which related to AMT of the current year . Also the Group enjoyed the Tax Amnesty as the result of tax assessment.

36 PROVISION

	Consolidated		Separate	
	30 th June 2019	30 th June 2018	30 th June 2019	30 th June 2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Legal claims	5,867	5,150	5,867	5,150
<i>Movement during the year</i>				
Opening balance	5,150	5,389	5,150	5,389
Charge during the year	717		717	(239)
Utilized during the year	-	(239)	-	-
Closing balance	5,867	5,150	5,867	5,150
Opening balance	85,551	94,695	85,551	94,695
Additional during the year			5,146	
Utilized during the year	5,146	(9,144)	-	(9,144)
Other provisions	90,697	85,551	90,697	85,551
Total Provisions	96,564	90,701	96,564	90,701

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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

37 ASSET RETIREMENT OBLIGATION

	Consolidated		Separate	
	2019 TZS 'm	2018 TZS 'm	2019 TZS 'm	2018 TZS 'm
At 1 st July:	7,334	-	7,334	-
Additional provision during the year	-	7,334		7,334
Decrease due to change in estimates	(5,915)	-	(5,915)	
	<u>1,419</u>	<u>7,334</u>	<u>1,419</u>	<u>7,334</u>

The provision for site restoration is calculated at every reporting date based on the cost estimates prepared by the environmental specialist and Engineer. The provision is annually by management. The increase in provision is recognized in profit or loss under cost of sales while decrease are recognized under income.

The key assumption used in determining the provision are;

-The useful life of the site is estimated to be 30 years for Thermal Plant and 36 years for Hydro plant and the provision is made based on the discounted expected cost of closure at the end of this period.

-The discount rate used was 18.7% (2018: 11.8%)

-The site is of the medium risk and medium sensitivity.

-Tanzania inflation rate used is 3.0%

The inflation rate has been derived by using the medium-term inflation target as published on 6th February 2019 by the Tanzanian Monetary Policy Committee extrapolated to the maturity of the Liability.

38 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 Chartered Bank Hong Kong ("SCBHK") versus TANESCO (ICSID case No.ARB/10/20)

This is an arbitration case filed by Standard Chartered 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 (award) issued on 11th October 2019 required TANESCO to pay SCBHK US\$185.4 million (approximately TZS 424.59 billion) together with interest on the amount owing on the basis of simple six month LIBOR plus 2% starting from 1st September 2018. 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

38 CONTINGENT LIABILITIES (Continued)

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 although the Guarantor has lost, it is not probable that certain liability will arise now as the possibility of execution and finally payment of the claim still depends on fulfilment of conditions which are being now discussed focusing settlement to be out of the court. The Attorney General's efforts to settle the matter amicably out of the court is continuing. However, as at the date of signing of these financial statements no liability has been confirmed 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/HQ/W/032 for construction of Gas based power Generating plant of 100MW Gas turbine units at Ubungo- 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 2019, 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, TZS 5,390 million was provided for in the financial statements for the year ended 30th June 2018. 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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

39 COMMITMENTS

a) Capital commitments

The Board of Directors approved capital commitments for the year ended 30th June 2019 of TZS 355,650 million (30th June 2018: TZS 467,366 million). Included in the approved capital commitments is TZS 118,408 million for on-going projects, Others CWO is TZS 98,074, Voltage improvement TZS 50,821 million and TZS 88,347 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 2019	30 th June 2018
	TZS 'm	TZS 'm
Local purchase orders – (goods ordered but not yet delivered)	16,881	77,255
	<u>16,881</u>	<u>77,255</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 137,562 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.

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

40 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 related parties.

The following transactions were carried out with related parties:

	Consolidated		Separate	
	30 th June 2019 TZS 'm	30 th June 2018 TZS 'm	30 th June 2019 TZS 'm	30 th June 2018 TZS 'm
Transactions:				
Sales of electricity				
National departments/ministries	34,509	54,879	34,509	54,879
Local governments	15,814	17,382	15,814	17,382
Public entities	36,814	27,986	36,814	27,986
Zanzibar Electricity (ZECO)	8,956	8,570	8,956	8,570
	<u>96,095</u>	<u>108,817</u>	<u>96,095</u>	<u>108,817</u>
Government grants towards capacity charges, fuel and energy charges and other operating expenses				
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	118,348	368,826	118,348	368,826
Local government	3,164	1,666	3,164	1,666
Public entities	428,869	30,053	428,869	30,053
	<u>550,381</u>	<u>400,545</u>	<u>550,381</u>	<u>400,545</u>
Expenses paid for TGDC	9,509	3,217	9,509	3,217
Expenses paid for ETDCO	4,610	957	4,610	957
	<u>14,119</u>	<u>4,174</u>	<u>14,119</u>	<u>4,174</u>

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

40 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Outstanding balances (due
by related parties)

Receivables and amounts
owed by related parties

	30 th June 2019 TZS 'm	30 th June 2018 TZS 'm	30 th June 2019 TZS 'm	30 th June 2018 TZS 'm
TGDC	-	9,402	-	9,402
ETDCO	-	5,736	-	5,736
National departments/ministries	17,433	15,563	17,433	15,563
Local government	3,725	7,570	3,725	7,570
Public entities	43,642	33,041	43,642	33,041
Zanzibar Electricity Corporation	3,988	5,034	3,988	5,034
	<u>68,788</u>	<u>76,345</u>	<u>68,788</u>	<u>76,345</u>

Outstanding balances
(due to related parties)

Payables and amounts
owed to related parties

	30 th June 2019 TZS 'm	30 th June 2018 TZS 'm	30 th June 2019 TZS 'm	30 th June 2018 TZS 'm
National Departments/Ministries	10,274	380,374	10,274	380,374
Local Government	1,324	1,235	1,324	1,235
Public entities	366,955	2,241	366,955	2,241
	<u>378,553</u>	<u>383,851</u>	<u>378,553</u>	<u>383,851</u>

Borrowings

Government on lent loan	30	<u>1,361,128</u>	<u>1,251,616</u>	<u>1,361,128</u>	<u>1,251,616</u>
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Guarantees received

Government of United Republic of Tanzania	38 (b)	<u>-</u>	<u>244,790</u>	<u>-</u>	<u>244,790</u>
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TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

40 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Directors and key management personnel remuneration

Consolidated

	30 th June 2019 TZS 'm	30 th June 2018 TZS 'm Fees
<i>Non Executive directors</i>		
Dr. Alex L. Kyaruzi	99	80
Amb. Dr. James Nzagi	100	36
Mr. David Elias Alal	62	51
Dr. Lugano Wilson	77	35
Eng. Gilay Shamika	62	40
Ms Anna Ngowi	82	36
Others	68	78
Total non- executive directors	551	356

	30 th June 2019 TZS 'm	30 th June 2018 TZS 'm	30 th June 2019 TZS 'm	30 th June 2018 TZS 'm
<i>Key management</i>	Salary and post retirement		Fees and Sitting allowances	
Total	3,627	2,661	-	-

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

40 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Directors and key management personnel remuneration

Company	30 th June 2019	30 th June 2018
	TZS 'm	TZS 'm
	Fees	
<i>Non Executive directors</i>		
Dr. Alex L. Kyaruzi	99	78
Amb. Dr. James Nzagi	100	36
Mr. David Elias Alal	62	51
Dr. Lugano Wilson	77	35
Eng. Gilay Shamika	62	40
Ms Anna Ngowi	82	36
Others	68	78
Total non- executive directors	551	356

	30 th June 2019	30 th June 2018	30 th June 2019	30 th June 2018
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
	Salary and post retirement benefits		Fees and Sitting allowances	
<i>Key management</i>	1,723	1,493	-	-
Total	1,723	1,493	-	-

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

41 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:

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED

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

41 OPERATING LEASES (Continued)

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 2019 TZS'm	30 th June 2018 TZS'm	30 th June 2019 TZS'm	30 June 2018 TZS'm
Not later than one year	1,158	1,156	1,158	1,156
Later than one year and not later than five years	3,474	3,467	3,474	3,467
Later than five years	2,316	2,311	2,316	2,311
	<u>6,948</u>	<u>6,933</u>	<u>6,948</u>	<u>6,933</u>

42 ULTIMATE OWNER OF THE COMPANY

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

43 CURRENCY

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

44 COMPARATIVES

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

45 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.

45 SUBSEQUENT EVENTS

Symbion Power (Tanzania) Limited Case (Continued)

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. According to the ICC procedural order, the hearing of the case is scheduled to take place in Dar es Salaam on 7th – 10th July 2020.

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.