REPORT OF THE CONTROLLER AND AUDITOR GENERAL

THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE

TANZANIA ELECTRIC SUPPLY COMPANY LIMITED (TANESCO)

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

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March 2023

AR/PA/TANESCO/2021/22

About the National Audit Office

Mandate

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 and in Section 10 (1) of the Public Audit Act, Cap 418.

Vision

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

Mission

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

Motto: "Modernizing External Audit for Stronger Public Confidence"

Core values

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

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

We do this by: -

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

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LIST OF ABBREVIATIONS

Abbreviation	Meaning
3E	Eclipse Enterprise Edition
ADF	African Development Fund
AFD	African Fund Development
AfDB	African Development Bank
AMR	Automatic Meter Reader
ARC	Audit and Risk Committee
BTIP	Backbone Transmission Investment Project
CAG	Controller and Auditor General
CMS	Corporate Management System
CSC	Customer Service Committee
CWIP	Capital Work in Progress
EDCF	Economic Development Cooperation Fund
ECLs	Expected Credit Loss
EIB	European Investment Bank
ESIA	Environmental and Social Impact Assessment
ETDCO	Electrical Transmission, Distribution and Maintenance Company Limited
FIOC	Finance, Investment and Operations Committee
GARC	Governance and Human Resources Committee
IAS	International Accounting Standards
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
IPPs	Independent Power Producers
IPTL	Independent Power Tanzania Limited
JICA	Japan International Development Agency
KAWEU	Kampeni Kamata Wezi wa Umeme
Km	Kilometers
LGD	Loss Given Default
M	Million
MVA	Mega Volt Amp
MW	Mega Watts
NBAA	National Board of Accountants and Auditors
NCI	Non-controlling interest
OCI	Other Comprehensive Income
PABX	Private Automatic Branch Exchange
PAPs	Project Affected Persons
PMU	Procurement Management Unit
PPE	Property, Plant and Equipment
PSMP	Power System Master Plan
RAP	Resettlement Action Plan
REA	Rural Energy Agency
RoW	Right of way
RPU	Revenue Protection Units
SCBHK	Standard Chartered Bank Hong Kong
SDR	Special Drawing Rights
SEA	Strategic Environmental Assessment
SEPC	Shanghai Electric Power Company Limited
SPGC	Shangtan Power Generation Company Limited
TCPMC	Tanzania Concrete Poles Manufacturing Company Limited
TEDAP	Tanzania Energy Development and Access Expansion Project
TGDC	Tanzania Geothermal Development Company Limited
TL	Transmission line
UA	Ukrainian Hryvnia
URT	The United Republic of Tanzania

1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Chairman of the Board,
Tanzania Electric Supply Company Limited,
P.O. Box 453,
Dodoma, Tanzania.

1.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Unqualified Opinion

I have audited the accompanying consolidated and separate financial statements of Tanzania Electric Supply Company Limited (the "Group), which comprise the consolidated and separate statement of financial position as at 30 June 2022, and the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated and separate financial statements present fairly in all material respects, the financial position of Tanzania Electric Supply Company Limited (TANESCO) as at 30 June 2022, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the manner required by the Public Finance Act, Cap. 348.

Basis for Opinion

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

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

Emphasis of Matter

I draw attention to the matter below. My opinion is not modified in respect of this matter.

Trade receivable balances of TANESCO as at 30 June 2022 includes outstanding debt from ZECO amounting to TZS 217 billion. However, there is a dispute between TANESCO and ZECO following ZECO disagreement on the approved energy charged tariff imposed by EWURA from January 2008. As a result, a total outstanding balance of TZS 205 billion has never been paid by both ZECO and Ministry of Energy (as it was agreed that the bills are to be allocated between ZECO (69%) and Ministry of Energy (31%)).

Following the discussions between Government of United Republic of Tanzania, ZECO and TANESCO, on 23 November 2021 special resolution was made by the TANESCO's Board of Directors for the management to initiate the process of writing off the disputed outstanding energy debt.

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. I have determined that there are no key audit matters to communicate in my report.

Other Information

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

1.2 REPORT ON COMPLIANCE WITH LEGISLATIONS

1.2.1 Compliance with the Public Procurement laws

Subject matter: Compliance audit on procurement of works, goods and services
I performed a compliance audit on procurement of works, goods and services in the TANESCO for the financial year 2021/22 as per the Public Procurement laws.

Conclusion

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

Under Implementation of Annual Procurement Plan by 43%

TANESCO Annual Procurement Plan for the financial year 2021/2022 reported to implement 599 procurements of Works, Goods, Non-Consultancy Services and Consultancy Services planned to be implemented. However, the review of its implementation noted that up to 30 June 2022 the Company managed to implement 342 procurements which is equivalent to 57% of the total procurements planned and leaving 257 equivalents to 43% procurements being not implemented, which is contrary to Regulation 69(3) of the Public Procurement Regulations, 2013.

1.2.2 Compliance with the Budget Act and other Budget Guidelines

Subject matter: Budget formulation and execution
I performed a compliance audit on budget formulation and execution in the TANESCO for the financial year 2021/22 as per the Budget Act and other Budget Guidelines.

Conclusion
Based on the audit work performed, I state that, except for the matters described below, Budget formulation and execution of TANESCO is generally in compliance with the requirements of the Budget Act and other Budget Guidelines.

Absence of system commitment control for budget utilisation

During the audit of the Company's payment processes, I discovered non-compliance with the Budget Act, CAP 439 R.E 2015, specifically Section 52 (1). The Company lacks an adequate commitment control system for budget execution and monitoring. Budget monitoring is done via an Excel sheet, contrary to the Act's requirements, raising concerns about accuracy and reliability. Additionally, the ISCALA System is not integrated with the Plan Rep system, leading to potential over-utilization and misallocation of funds, causing financial and operational risks.

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

March 2023.

1. COMPANY INFORMATION

Registered Office

Tanzania Electric Supply Company Limited
Plot No 114 Block G,
Dar es salaam Road,
P.O. Box 453,
Dodoma, Tanzania.

Main Bankers

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

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

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

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

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

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

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

Lawyers

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

Company Secretary

Advocate Zaharani Kisilwa
Plot No 114 Block G,
Dar es salaam 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.

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

2.1. INTRODUCTION

The Directors submit their report together with the Group and company financial statements for the year ended 30 June 2022, which disclose the operating results and state of affairs of Tanzania Electric Supply Company Limited (the ''Company'' or ''TANESCO'') and its three subsidiaries. The Subsidiaries are Tanzania Geothermal Development Company Limited (TGDC), Electrical Transmission, Distribution and Maintenance Company Limited (ETDCO) and Tanzania Concrete Poles Manufacturing Company Limited (TCPM) (together, the "Group") as at that date.

2.2. INCORPORATION

The Company was incorporated under the Indian Companies Act of 1913 in 1931 as private Company Limited by shares. It was then known as Tanganyika Electric Company Limited. On 09 August 1968 the Board of Directors passed a resolution to change the Company name to Tanzania Electric Supply Company Limited (TANESCO) which name endures to date.

Currently the Company is operating 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.

On the other hand, the subsidiary companies were incorporated as follows: TGDC on 19th November 2013, ETDCO on 7th June 2016 and TCPM on 16th December, 2014, each as a limited liability company. The subsidiaries are each 100% owned by TANESCO.

2.3. VISION STATEMENT

The vision of the Company is to be a leading regional provider of quality and affordable electric power.

2.4. MISSION STATEMENT

The Mission of the Company is to deliver electricity in a most effective, competitive and sustainable manner.

2.5. THE COMPANY CORE VALUES AND STRATEGIC THEMES

The Company core values are;

- Customer Kwanza,
- Safety,
- Integrity,
- Teamwork,
- Innovation and
- Passion.

The Company Strategic Themes are;

- People,
- Customer,
- Efficiency,
- Strategic Projects,
- Communication and Stakeholders Engagement,
- Resource Mobilization and
- Risk Management and Governance.

2.6. PRINCIPAL ACTIVITIES

The Company's principal activities are generation/purchasing, transmission, distribution and selling electricity to the Mainland Tanzania as well as in bulk supply to Zanzibar. Currently, electricity is generated at seven (7) hydro power plants connected to the national grid which are Kidatu 240MW, Mtera 80MW, Kihansi 180MW, New Pangani Falls 68MW, Hale 21MW, Nyumba ya Mungu 8MW and Uwemba 0.843MW.The company also generates electricity though Twelve (12) thermal power plants connected to the grid which are Kinyerezi I 150MW, Kinyerezi II 248MW, Ubungo I Gas plant 102MW, Tegeta Gas Plant 45MW, Ubungo II Gas plant 129MW, Ubungo III Gas plant 112MW, Nyakato 60MW Power Plant, Zuzu 7.4MW, Somanga Gas plant 7.5MW, Mtwara Gas plant 30.6MW, Biharamulo 1.25MW and Ngara 1.25MW. Furthermore, the company generates electricity by nine (9) thermal power plants in isolated areas of Kigoma 8.5MW, Mafia 3MW, Mpanda 5MW, Inyonga 1.1MW, Kibondo 2.5MW, Kasulu 3.75MW, Sumbawanga 2.5MW and Bukoba 2.4MW.

For the purpose of reducing power deficits, the Company imports power from Uganda 24MW and Zambia 11MW for Kagera and Rukwa regions, respectively, and has long term power purchase agreements with Independent Power Producers and Small Power Producers (IPPs and SPPs), namely, Songas Limited 189MW, Tanganyika Wattle Company Limited (TANWAT) 1.5MW, TPC Limited 9MW, Andoya 1MW, Mwenga 4MW, Tulila 5MW, Yovi 0.95MW, Matembwe 0.59MW and Darakuta 0.32MW, Luponde 0.9MW and Kigoma solar project 5MW

2.7. CURRENT DEVELOPMENT AND PERFORMANCE

During the period under review the company has implemented various development projects, some of which were financed by the company's internal sources of funds and others were financed through the Government and Donors. As at the date of this report, these projects which comprise power generation, transmission and distribution were at various stages of completion whereby some were still ongoing while others were completed. The projects are detailed as follows:

2.7.1 POWER GENERATION PROJECTS

(a) Ongoing Projects

During the period under review the company had been implementing different power generation projects which include the following:

i) **Julius Nyerere Hydro Power Project (JNHPP) 2115MW**

This project is for construction of 2115 MW Hydroelectric Power Plant at Stiegler's Gorge along the Rufiji River under the EPC Contract modality for Engineering, Procurement and Construction . The contract price is estimated at TZS 6,558,000 million (equivalent to USD 2,900 million) fully financed by the Government of the United Republic of Tanzania.

Initially the contract was expected to be completed in forty-two (42) months including six months of mobilization works from the date of commencement of the project. Construction of the project commenced on 15th June 2019 and was expected to be completed on 14th June 2022. However, the completion date has been revised to 14th June 2023.

The project completion progress as of December 2022 is 78.68%.

ii) **Kinyerezi I Extension 185MW**

The project started in November 2016 and involves construction of 185MW natural gas- powered plant at Kinyerezi Complex in Dar es Salaam. The project cost is estimated at USD 188 million equivalent to TZS 433,189.6 million and it is 100% financed by the Government of Tanzania. The project completion status for the power plant portion as at the reporting date is 92% whereby Gas Turbine 5 and Gas Turbine 6 generate total of 83MW, Gas Turbine 7 is under initial commission to contribute to the Grid around 30MW and is expected to be completed by February, 2023.

Also, to strengthen power evacuation capacity at Kinyerezi complex, there is a project of reconductoring of 132 kV of 3.5 km transmission line from Kinyerezi to Gongolamboto, including 2X150MVA, 220/132kV transformers at Kinyerezi, 1X100MVA, 132/33 each at Gongolamboto and Mbagala Substations. Installation of transformer will also include construction of line bays.

The project completion status for the transmission line portion as at the reporting date is 35% and it is expected to be completed by July, 2023.

iii) **Rusumo 80MW Hydro Power Project**

This project involves construction of 80MW Hydro Power Plant at Rusumo Water Falls along Kagera River. The project is financed by the World Bank in collaboration with the Governments of Burundi, Rwanda and Tanzania. The estimated total project cost is USD 340 million (equivalent to TZS 782 billion). The project was expected to be completed in December 2021, however the project was delayed due to late mobilization of Civil Contractor, demobilization of Electromechanical Contractor in mid-2021 due to Covid 19 pandemic related lockdown on Rwanda side. Further delay was also caused by temporary stoppage of construction by the Financier (World Bank) due to complaints raised by surrounding communities concerning the effects of blasting. The project is now expected to be completed in February 2023 and the Commercial Operation Date (COD) is expected to be in June 2023.

iv) Hale Rehabilitation Project

This project is for rehabilitation of the power plant with installed capacity of 21MW.

The project is financed by the Government of Tanzania through TANESCO and the Swedish Government through Swedish International Development Cooperation Agency (SIDA) at 40 to 60 percent respectively. Specific Agreement has been entered between Sweden and the United Republic of Tanzania on Rehabilitation of Hale Hydropower Station. The total cost for the Project is estimated at USD 21.2 million equivalent to TZS 48,706 million. The contracts were signed on 16 June 2022 with two Lots, Lot 1 civil works for the new escape tunnel awarded to M/s Sinohydro Corporation Limited from China and Lot 2 for Supply and Installation of electromechanical equipment awarded to M/s Dongfang Electric International Corporation from China. The kick off meeting was held on 12th to 16th July 2022 at site (Hale hydropower station in Tanga region) and the project is expected to be completed in three (3) years.

(b) Completed Projects

As at December 2022, only one Power Generation project was completed. This is Kikagati - Murongo Hydro Power Project. This project involved construction of a 14MW Power Plant at Kagera River on the border between Tanzania and Uganda. The project is being implemented by a private company registered in Uganda. Being a shared resource, the capacity of power generated is shared equally between Tanzania and Uganda. That is, the share for each country is 7MW. The project was commissioned in February 2022. Due to constraint of power evacuation infrastructure, TANESCO is currently taking 4.0MW per hour. As per the contract, from February 2025 TANESCO is supposed to be taking 7.0MW per hour.

2.7.2 TRANSMISSION PROJECTS

(a) Ongoing Projects

During the period under review the company had been implementing several power transmission projects detailed as follows:

i) Tanzania - Zambia Transmission Interconnector Project (TAZA)

This project aims at extending the 400kV transmission backbone in the South-Western parts of Tanzania to allow regional power trade between Southern African Power Pool (SAPP) and Eastern Africa Power Pool (EAPP) and to increase availability of reliable power to under-served areas in both countries. It consists of the following components: -

1. Transmission Infrastructure (400kV) Extension with associated substations at Iringa, Kisada, Mbeya, Tunduma and Sumbawanga.
2. TANESCO Transmission System Readiness for Interconnection, and Corporate Commercial Management Improvements.
3. Project Implementation Support and Capacity Building.
4. Technical Assistance to EAPP.

The overall project cost is estimated at USD 610 million equivalent to TZS 1,405,562 million. The Project is mainly financed by International Development Association (IDA) of the World Bank (WB) at USD 455 million. Other financiers are Agence Française de Development (AFD) at USD 115 million, European Union (EU) at USD 30 million and the URT at USD 10 million. Currently, the TAZA project is at procurement phase, with over 80% of the procurement timelines. The project is expected to commence in January 2023 and to be completed in January, 2025.

ii) TANESCO Transmission Grid Rehabilitation and Upgrade Project (TTGRUP)

This project involves rehabilitation, expansion, reinforcement and upgrading of power grid transmission lines and substations. The objective of the project is to improve power supply reliability and quality to all TANESCO consumers connected to power grid which includes domestic - households, commercial, industrial and mining to a significantly accepted optimum point. The project also aims at improving social services to the entire country's population and thus alleviate poverty.

The overall estimated cost of the project is EUR 53 million equivalent to TZS 144,850 million financed by the Government of the United Republic of Tanzania through a concessional loan from the French Development Agency known as "Agence Française de Dévelopement" (AFD). The EPC Contracts signed in June 2022 and project duration is 21 months.

iii) 400kV Julius Nyerere Power Evacuation Project

The project is intended to evacuate power from Julius Nyerere Hydropower Plant to the National Grid. The project has been divided into four (4) components, whereas two (2) components has already been commenced detailed as follows:

1. Construction of 160km, 400kV double circuit transmission line from Julius Nyerere Hydropower Plant to Chalinze at estimated cost of USD22.35 million equivalents to TZS 51,493 million and local component of TZS 39,118 million. This portion is financed by the Government of Tanzania. As at the date of this report, the overall project progress is 54% and it is expected to be completed in January 2023.

2. Construction of 400/220/132/33kV 250 MVA Substation at Chalinze in Pwani Region at estimated cost of TZS 128,000 million. The Procurement of contractor is completed and the contract was signed on 6th September, 2021. Overall project progress is 83.1% and it is expected to be completed in February 2023.

iv) 400kV Nyakanazi-Kigoma Transmission Line Project

This project involves construction of 280 km of high voltage alternating current (HVAC) 400kV double circuit transmission line running from Nyakanazi to Kigoma in the North Western part of Tanzania, Construction of new 400/132/33kV substation in Kigoma (Kidahwe), Extension of 220/400kV Nyakanazi Substation, Integration of existing Kigoma/Kasulu 33 kV distribution networks (75km) to the main grid and Construction of 100km low voltage lines. The Project's overall cost is estimated at USD 186.93 million equivalent to TZS 431,877.46 million and will be co-financed by the Government of the United Republic of Tanzania (USD 18.54 Million), the African Development Bank (AfDB), (USD 123.39 Million)) and EDCF of Korea (USD 45 Million). The procurement of EPC contractor for transmission line has been completed and the contractor is at site undertaking preliminary works. The procurement of EPC Contractor for substation and rural electrification components is in progress. The expected completion date of the project is January 2024.

v) 220kV Geita-Nyakanazi Power Transmission System Project

This involves construction of 220kV Geita-Nyakanazi Transmission line with a distance of 144km, extension of Geita Substation and construction of new 220/33kV, 2x40 MVA Nyakanazi substation and electrification of 32 villages along the transmission line from Nyakanazi to Kakonko.

The project cost is EURO 41.6 million equivalent to TZS 109,313 million co-financed by German Development Bank (KfW), French Development Agency (AFD), and European Union - Africa Infrastructure Trust Fund (EU-AITF).

The project completion progress is as follows: Transmission Line which is being implemented by KALPATARU Power Transmission Limited as the main contractor is at 99% completion. Substation works which are being implemented by M/s Larsen and Toubro as the main contractors are at 99%. The Rural Electrification Component which is under M/s SINOTEC Company Limited has attained an overall progress of 24%. The project is expected to be completed in July, 2023.

vi) 220kV Rusumo-Nyakanazi Power Transmission Line Project

This project involves construction of 220 kV Rusumo-Nyakanazi Power Transmission Line of 94km long. The project cost is USD 35million equivalent to TZS 80,141 million financed by African Development Bank (AfDB). The project overall progress is 97.5% and is expected to be completed on 30 January 2023.

vii) 220 kV Morogoro - Dodoma Transmission Line Project-SGR

The scope of this project involves construction of 414 km of 220kV transmission line from Morogoro to Dodoma. The project cost is estimated at USD 71.5 million equivalent to TZS 165,190 million financed by the Government of Tanzania. The project is implemented in two (2) lots, Lot 2-1: Morogoro-Ihumwa 237.6km and

Lot 2-2: Ihumwa-Makutupora 176km whereby completion progress, is at 90.9% and 90.6%, respectively. This project is expected to be completed in April, 2023

viii) 132kV Tabora-Katavi Transmission Line Project

This project involves construction of 381km, 132kV Transmission Line from Tabora to Katavi (Nsimbo) via substations at Ipole, Inyonga and Mpanda. The overall project cost is estimated at TZS 124,000 million financed by the Government of the United Republic of Tanzania under Grid Stabilization Projects. Currently, the project is at preliminary stages of implementation and is expected to be completed in October, 2023.

ix) 132kV Tabora-Kigoma Transmission Line Project

This project involves construction of 395 km, 132kV Transmission Line from Tabora to Kigoma (Kidahwe) with associated substations at Urambo and Nguruka. The overall project cost is estimated at TZS 97,900 million expected to be financed through Government of Tanzania. Currently, the project is at preliminary stages of implementation and is expected to be completed in October, 2023.

x) 60MVA Transformer - Nyakato Substation Project

This project involves Design, Supply and Installation of 60MVA, 220/132/33kV Transformer at Nyakato Substation. The total project cost is estimated at TZS 7,400 million implemented through the Company's internal sources of funds. The project is expected to be completed in May 2023.

xi) 90/120MVA Transformer - Ubungo Substation Project

This project involves Supply and Installation of 90/120MVA, 132/33/11kV Transformer at Ubungo Substation. The total project cost is estimated at TZS 3,800 million implemented through the Company's internal sources of funds. The project is expected to be completed in January, 2023

xii) 45 MVA Transformer - Makumbusho Substation Project

This project involves Design, Supply and Installation of 45MVA, 132/33kV Transformer at Makumbusho Substation. The total project cost is estimated at TZS 4,100 million implemented through the Company's internal sources of funds. The project is expected to be completed in April 2023

xiii) 90MVA Transformer-Msamvu and 90MVA Transformer-Bulyanhulu Project

This project involves Design, Supply and Installation of 90MVA, 220/33kV Transformers at Msamvu Substation and 90MVA, 220/33kV Transformer at Bulyanhulu Substation. The total project cost is estimated at TZS 19,200 million implemented through the Company's internal sources of funds. The project is expected to be completed in July, 2023.

xiv) 400kV North West Grid Power Transmission Line Project

This project involves construction of 400kV North West grid power transmission line project from Iringa to Nyakanazi through Mbeya, Tunduma, Sumbawanga, Mpanda and Kigoma. The project will be implemented in three phases, phase one and phase three are yet to be commenced. Regarding phase two, covering a portion from Nyakanazi - Kigoma at a distance of 280km is scheduled for completion in 24 months from January, 2022. The project is financed by AfDB for the transmission line component (USD 123.39 million), EDCF of Korea (USD 45 million) for the Substation component and the Government of the United Republic of Tanzania (compensation - USD 18.54 million). The transmission line component is under implementation and is expected to be completed on 13th January 2024.

(b) Completed Projects

As at 30 June 2022 the following Transmission Projects were reported to have been completed:

i) 65MVA Transformer-Kunduchi Substation Project

This project involved Design, Supply and Installation of 65MVA, 132/33kV Transformer at Kunduchi Substation. The total project cost was TZS 2,500 million implemented through the Company's internal sources of funds. The project was completed in February 2022.

ii) 35MVA Transformer-Mufindi and 15MVA Transformer-Sumbawanga Project

This project involved Design, Supply and Installation of 35MVA, 220/33/11kV Transformer at Mufindi Substation and 15MVA, 66/33kV Transformer at Sumbawanga Substation. The total project cost was TZS 7,900 million implemented through the Company's internal sources of funds. The project was completed in March, 2022 for Mufindi Substation and May, 2022 for Sumbawanga Substation.

iii) 2x90MVA Substation-Luguruni Project

This project involved Design, Supply and Installation of 2x90MVA, 220/33kV substation at Luguruni in Dar es Salaam region. The total project cost was TZS 15,270 million implemented through the Company's internal sources of funds. The project was completed in June 2022.

iv) Major Overhaul of Tap Changers and Circuit Breakers Project

This project involved major overhaul of Tap Changers and circuit breakers at Bunda, Kidatu and Tagamenda. The total project cost is TZS 840 million implemented through the Company's internal sources of funds. The project was completed in March 2022.

v) Replacement of 48VDC DC System Project

This project involved replacement of 48VDC DC System for sixteen (16) grid substations with optical fibre equipment. The total project cost was TZS 670 million implemented through the Company's internal sources of funds. The project was completed in February 2022.

vi) Kenya Tanzania Power Interconnection Project (KTPIP)

This project involved construction of 400kV Transmission Line of 414km from Singida to Namanga. The project also included two other main components namely, Construction of Substations and Rural Electrification along the Transmission Line.

The contract price of the project was UA 167,260 million equivalent to TZS 384,700 million co-financed by African Development Bank (AfDB), Japan International Development Agency (JICA) and the United Republic of Tanzania. The project was completed in December 2021.

vii) Backbone Phase II Project

This project involved upgrading of substations in Dodoma, Singida, Iringa and Shinyanga from 220/33kV to 400/220/33kV. For implementation, the project was split into two (2) lots namely, Lot T6-1 and Lot T6-2 for Iringa & Shinyanga, and for Dodoma and Singida, respectively. The project was completed in September, 2021.

viii) Rehabilitation of protection and control system at Majani Mapana and Ubungo Substations

This project involves rehabilitation of protection and control system at Majani Mapana and Ubungo Substations. The total project cost is TZS 4,600 million implemented through the Company's internal sources of funds. The project was completed in 25th November 2022 for Majani Mapana and in 15 November 2022 for Ubungo Substations.

ix) 220kV Kingolwira - Msamvu Transmission Project

The project involves construction of 12km, 220kV Transmission line from Kingolwira to Msamvu and extension of line bay at Msamvu substation. The project cost is estimated at TZS 9,800 million financed by the Government of Tanzania through TANESCO. The Procurement of contractor is completed and the contract was signed on 4th March, 2022.The project was completed in December 2022. 2022.

xv) 30MVA Transformer - Buzwagi Substation Project

This project involves Design, Supply and Installation of 30MVA, 220/33kV transformer at Buzwagi Substation. The total project cost is TZS 8,019 million implemented through the Company's internal sources of funds. The project was completed in December 2022.

xvi) 220kV Dar es Salaam - Morogoro Transmission Line Project -SGR

This project involves construction of 159km, 220kV Transmission Line from Dar es Salaam to Morogoro for electrification of the Standard Gauge Railway (SGR) line (Lot1). The overall project cost is USD 31.25 million equivalent to TZS 72,690 million financed by the URT through TRC.

The original scope has been completed by 100%. Also, the additional scope which involves the installation and commissioning of telecommunication (VHF Radio) in the traction power stations was completed in September,2022.

2.7.3 DISTRIBUTION PROJECTS

(a) Ongoing Projects

During the period under review the company had been implementing several strategic distribution projects including the following;

i) Government Funded Phase III Round Two Electrification Projects

These projects involve electrification of 3,917 villages with 75,622 initial customers to be connected in 24 regions of mainland Tanzania. The total estimated cost for the projects is TZS 1,240,000 million funded by the Government through Rural Energy Agency. As at 30 June 2022 the overall project progress was 19% completed.

ii) Dodoma City Power Distribution System Improvement Project

This project involves development and construction of 220kV Transmission lines from Zuzu to Msalato and from Zuzu to Ihumwa for the purpose of improving power distribution system in Dodoma City. The project also involves construction of two (2) Primary Substations at Ihumwa (2x100MVA, 220/33kV) and Msalato (2x50MVA, 220/33kV). The total cost for the project is estimated at USD 167.7 million implemented through the company's internal sources of funds. As at reporting date, the valuation of properties for Compensation of substations areas, and demarcation of way-leaves of transmission is completed and preparations for valuation of properties for Project Affected Persons (PAP's) is underway. The project is expected to be completed in September 2023.

(b) Completed Projects

As at 30 June 2022, Only one distribution project was completed. This is

Installation of 20MVA at Ifakara

This project involves Supply and installation of 220/33kV, 1x20MVA substation in Ifakara, and 70 km extension of Distribution power lines in Kilombero and Ulanga Districts. The estimated cost for the project is Euro 8 million and the project is financed by the United Republic of Tanzania and the European Development Fund (EDF). The project was completed in April 2022.

2.7.4 OTHER PROJECTS

During the year under review, and in the context of this report, there is only one project falling under this category, and this is the Corporate Management System Project (CMS).

This project is an enterprise-wide project to implement a state of art Enterprise Resource Planning (ERP). The project is being implemented in two phases by M/s Tech Mahindra. The finance module is being implemented during phase I which is within the first year of the project implementation period. This phase is expected to be completed in February 2023. The estimated project cost is USD 31 Million equivalent to TZS 72,000 million financed by the World Bank under TAZA Project. The project commenced in February 2022 and expected to be completed in 30 months period.

2.7.5 FINANCIAL PERFORMANCE

The Company's financial health has improved in the past few years. The financial performance for the year improved slightly with most of the financial ratios better than in 2021

During the year under review, the company earned a net Profit of TZS 113,900 million (30 June 2021: TZS 74,052 million). The total revenue increased by TZS 180,060 million to 1,821,079 million in the current year mainly due to the increase in revenue from T1-General Use Tariff category and T3-Industrial Customer where new customers were connected with electricity during the year.

In a bid to increase revenue, the company in collaboration with the Government has vigorously been implementing strategic projects in order to deliver electricity in the most effective, competitive and sustainable manner.

Furthermore, in reviewing the performance of the company for the year under review, the following key Financial Indicators have been explored:

a) **Gross Profit Margin**
For the year under review, the company's gross profit margin was 10% which is higher compared to the previous year margin 4% by 6%. This shows that there was improved efficiency in managing the primary costs.

b) **Operating Profit Margin**
For the year under review, the company's profit margin was 14.68% which is higher compared to the previous year margin (8.99%) by 5.69%. This is due to increase in revenue and improved efficiency in managing costs including decrease in depreciation expenses.

c) **Current ratio**
The current ratio for the year under review has decreased by 27% from 0.59:1 to 0.43:1 due to decrease in trade and other receivable by TZS 333,391 million and Prepayment by TZS 207,921. The ratio still indicates that the company is not in a position to meet its matured short-term obligations on a timely basis. However, it is expected the increased power generation and sales resulting from the investment to improve working capital significantly.

2.7.6 BUDGET PERFORMANCE INFORMATION

The company prepares its budget on annual basis for which an assessment is done to compare the actual performance against the budget. For the period under review, the company's actual performance is summarized in the following table 2:

Table 2: Budget Performance

	Actual (TZS'million)	Budget (TZS'million)	Variance (%)	Notes
Revenue				
Electricity Sales	1,821,079	1,787,387	2%	A
Other Income	435,066	205,912	111%	B
Total Revenue	**2,256,145**	**1,993,299**	13%	
Expenditures				
Cost of Generation	916,226	855,221	-7%	C
Repair and Maintenance	109,460	113,341	3%	D
Administration Cost	722,399	509,594	-42%	E
Depreciation and Finance Cost	394,160	491,839	20%	F
Total Expenditures	2,142,245	1,969,995	-9%	
Profit	113,900	23,304		

Explanation of variance of the actual achievement against budget

Note A: Achievement realized in new customer connections was a reason for the positive variance in electricity sales.

Note B: The variance was caused by among others TZS 121 billion received from the Government for settlement of Dowans claims.

Note C: Decrease in generation from hydropower plants due low water inflow which necessitated utilization of expensive generation sources was the cause of the noted negative variance.

Note D: This item covers repairs and maintenance relating to the Grid system, Distribution, Administrative and ICT infrastructures. The noted positive variance was a result of cost control measures.

Note E: The costs include the settlement of Dowans claim amounting to TZS 121 billion.

Note F: The noted positive variance was a result of Asset Valuation and the management efforts to improve service delivery by, for example, replacing wooden poles with concrete ones. This has extended the lifetime of plant resulting in lower depreciation charges than before.

2.8. FUTURE DEVELOPMENT AND PERFORMANCE

The Company continuously undertakes various strategic measures in order to improve its performance. Among the measures include contemplating implementation of various future development projects in line with the Power System Master Plan (PSMP) lastly updated in 2020. The company also plans to implement other future strategic projects not identified in PSMP. The envisaged prospective projects which are of short, medium and long term include:

i) Malagarasi Hydro Power Plant Project 49.5MW

This project involves construction of 49.5MW Hydro Power Plant at Igamba Water Falls along Malagarasi river in Kigoma region. The project also involves construction of 132kV Transmission Line and 33kV Distribution Line Project in Kigoma region. The Project's overall cost is estimated at USD 144.14 million and will be covered by the Bank Group (from the ADB sovereign window), Africa Growing Together Fund (AGTF) and the Government of the United Republic of Tanzania, each contributing USD 120.00 million equivalent to TZS 276,504 million (83%), USD 20.00 million equivalent to TZS 46,084 million (14%) and USD 4.14 million equivalent to TZS 9,539 million (3%), in local currency respectively. The Loan agreement was signed between the Government of Tanzania and the Banks on 26th May, 2021. The project is under procurement stage (Project Management Consultant and EPC Contractors), and is expected to start in September 2022 and to be completed in 42 months.

ii) Ruhudji Hydro Power Project-358MW

This project involves construction of 358MW Hydro Power Plant at Ruhudji Water Falls along Ruhudji river in Njombe region. The project also involves construction of 400kV Transmission Line of 170Km to Kisada Substation in Iringa region. The Project's overall cost is estimated at USD 867.414 million equivalent to TZS 2,014,000 million for Power Plant and USD 53.2 equivalent to TZS 123,530 million for Transmission line. Implementation of the project is expected to commence in August, 2023 and to be completed in July, 2027.

iii) Rumakali Hydro Power Project-222MW

This project involves construction of 222MW Hydro Power Plant at Rumakali Water Falls along Rumakali river in Njombe region. The project also involves construction of 220kV Transmission Line of 65Km to Mbeya Substation. The Project's overall cost is estimated at USD 612.788 million equivalent to TZS 1,422,000 million for Power Plant and USD 32 Million equivalent to TZS 743,000 million for Transmission line. Implementation of the project is expected to commence in August, 2023 and to be completed in July, 2027.

iv) Kakono Hydro Power Project-87MW

This project involves construction of 87MW Hydro Power Plant at Kakono along Kagera river in Kagera region. The project also involves construction of 220kV Transmission Line of 38.5Km to Kyaka Substation. The Project's overall cost is estimated at USD 310.1 million equivalent to TZS 714,532.4 million and will be co-financed by four (4) Development Partners namely, AfDB, AFD, EU and NORAD. Implementation of the Project is expected to take three (3) years from commencement date.

v) Kikonge Hydro Power Project-300MW

This project involves construction of 300MW Hydro Power Plant at Ruhuhu Water Falls along Ruhuhu river in Njombe region. The project also involves construction of 220kV Transmission Line of 53Km to Madaba Substation and Irrigation Infrastructures within the area. The Project's overall cost is estimated at USD 750 million equivalent to TZS 1,764,090 million. Implementation of the project is expected to commence in November, 2022 and to be completed in December, 2025.

vi) Mtwara Combined Cycle Gas Power Plant-300MW

This project involves development and construction of 300MW CCGT Power plant, heavy duty with one (1) block comprising two (2) Gas Turbines, two (2) Heat Recovery Steam Generators and one (1) Steam Turbine (2x2x1) plant configuration which will be located at Kisiwa/Namgogoli area in Mtwara Region. The project also involves construction of 400kV Power transmission line from Mtwara to Somanga Fungu. The estimated cost for power plant is USD 661 million equivalent to TZS 1,530,000 million. The construction works are expected to commence in July, 2023, and to be completed in June, 2026.

vii) 400kV North West Grid Power Transmission Line Project

This project will involve construction of 400kV North West grid power transmission line project from Iringa to Nyakanazi through Mbeya, Tunduma, Sumbawanga, Mpanda and Kigoma. The project will be implemented in three phases detailed as follows:

1. **Phase I**: Covering a portion from Iringa - Mbeya - Tunduma to Sumbawanga a distance of 620km and scheduled for completion in 24 months from a commencement date. The project will be co-financed by the World Bank USD 455 million equivalent to TZS 1,048,411 million, l'Agence Francaise de Development (AFD) USD 115 million equivalent to TZS 264,983 million, the European Union (EU) USD 30 million equivalent to TZS 69,126 million and the Government of United Republic of Tanzania USD 10M equivalent to TZS 23,042 million for compensation. The compensation phase is expected to commence in January 2023.

2. **Phase III:** Covering a portion from Kigoma- Mpanda to Sumbawanga a distance of 480km is scheduled for completion in 26 months from commencement date. Currently, procurement of consultant is underway and the contract is expected to be signed in February 2023.

viii) 350MW Renewable and 600MW Coal Power Generation Projects

This is a generation capacity expansion plan through private sector participation by implementing 950MW which includes 200MW of wind, 150MW of solar and 600MW of coal energy projects. This project will involve procurement of 350MW Renewable Large Power Generation and 600MW Coal Power.

ix) 150MW Solar Power Plant Project

This project will involve construction of 150MW Solar Power Plant at Kishapu District, Shinyanga Region. The project development cost is USD 112 million equivalent to TZS 257,210 million and will be implemented in two phases starting with 50MW at a cost of USD 43 million equivalent to TZS 98,750 million which will be financed by AFD. Currently, the finalization of procurement process for phase one (50MW) is underway and the request for no objection submitted to financier.

x) 7MW Wind-Solar-Diesel Hybrid Power Plant Project

This project will involve construction of 7MW Wind-Solar-Diesel Hybrid Power Plant in Mafia Islands. The Final Feasibility Study report has been submitted to TANESCO. ESIA and RAP studies have been registered to NEMC for the purpose of acquiring ESIA Certificate. The cost associated with all Feasibility and ESIA studies is TZS 300 million.

xi) 400kV Transmission Line Somanga - Kinyerezi Project

The project will involve construction of 400kV transmission line of 198km long from Somanga to Kinyerezi. The project will also involve construction of a substation bay at Kinyerezi in order to evacuate power from the gas fired power plants at Somanga and Lindi as well as power evacuation from Julius Nyerere Hydro Power Plant and extending National Grid coverage to southern regions of Lindi and Mtwara. Amendment of contract for consultancy services to include Kibiti substation for JNHPP power evacuation is in progress. Payment of compensation of properties is in progress whereas the amount of TZS 61,350 million out of TZS 69,140 million (i.e. 89%) has been paid to Project Affected Persons (PAPs).

xii) 220kV Shinyanga-Simiyu Transmission Line Project

This project will involve construction of 220kV Transmission line of 110km long from Shinyanga to Simiyu and establishment of Grid substation in Simiyu Region at estimated price of TZS 75,000 million. The project will also involve extension of bay at Ibadakuli substation for the line. The project will be financed by the URT through TANESCO. The project is expected to start on September 2022 and will take 18 months to completion.

xiii) **Julius Nyerere Power Evacuation Project**
The project is intended to evacuate power from Julius Nyerere Hydropower Plant to National Grid. The project has been divided into four (4) components, whereby two (2) components have already been commenced, and the other two (2) components are detailed as follows:

1. Construction of 438km, 400kV Double circuit transmission from Kinyerezi to Dodoma via Chalinze and Kinyerezi substation. The estimated project value is USD 274 million equivalent to TZS 631,350 million. The tender documents have been prepared awaiting for tender initiation.
2. Construction of 373km, 400km transmission line from JNHPP to Kinyerezi via Kibiti and Kibiti substation. This component has not yet started.

xiv) **National Grid Stabilization (Grid Imara) Projects**

These projects involve construction of 220kV,132kV,66kV Transmission lines, 33kV Distribution lines, establishment of new substations, upgrade of existing substations and procurement of various tools and equipment for improvement of power supply and grid stabilization such as transformers, reactors, capacitors and telecommunication infrastructures. The project's overall estimated cost is USD 1,945.49 million equivalent to TZS 4,482,798 million.

The project is expected to start implementation in January 2023 and will be completed in two (2) years. The projects will be financed by the Government of Tanzania and to start with, it has set aside TZS 500,000 million for financial year 2022/23.

2.9. KEY STRENGTHS AND RESOURCES AVAILABLE TO THE BUSINESS

In pursuit of our objectives, the key strengths and resources (both intangible and tangible) available to the Company are:

2.9.1 KEY STRENGTHS

(a) Leading power supplier
With fewer competitors, the company assures a large market share and readily available demand for every unit produced.

(b) Availability of power infrastructure
Existing owned generation, transmission and distribution infrastructure gives our business a competitive edge.

(c) Competent Personnel
Availability of experienced and youthful employees with observable and measurable knowledge, skills, abilities and good personal attributes contribute to organizational success.

(d) Clear internal Policies and Procedures
Existence of well outlined procedures and guidelines give guidance for decision making and streamline internal processes.

(e) Optic Fibre Technology

Existence of the technology enhances internal business processes.

(f) Wide Coverage of Power Network

TANESCO network has managed to cover, to a great extent, all Regions, Districts and a number of villages.

(g) Existence of Subsidiary Companies

TANESCO has three subsidiary companies in operation with potential of becoming profit making entities in a near future.

2.9.2 RESOURCES

(a) Human Resources

The most important singular resource of the Company is its human capital. The Company's operations are managed by competent and qualified management team who drive the day to day activities to achieve the Company's objectives. The management team is supported by committed and highly skilled employees who are well experienced. The Company employs qualified and competent personnel and also invests in their training.

(b) Market Position

The company is implementing strategic and tactical marketing plans for marketing Company's product and services in the most effective manner through marketing and sales innovations, marketing research, monitoring and evaluation, event marketing and promotions, Corporate and product brand management, service delivery innovations and connectivity strategies.

(c) Intellectual Resources

The company has a license to carry out all distribution, transmission and generation activities within the country. Further, under section 28 of the Electricity Act No. 10 of 2008 TANESCO has the power to disconnect the supply of electricity to a customer who Unlawfully connected to the electricity systems or Is in breach of his contractual obligation in respect of electricity supply.

(d) Social and relationship resources

The company's social and relationship capital is based on interactions with customers, suppliers, communities and the public in general. The company contributes in many ways towards development, including enabling economic growth through the supply of reliable electricity, constantly electrifying new households in company's licensed areas of supply, job creation, skills development as well as improving the lives of many citizens through the company corporate social investment (CSI) and socio-economic development activities. Strong stakeholder relationships are critical to the company ability to create value and therefore one of the main areas of focus is restoring trust of the company's stakeholders.

2.10. STATEMENT OF SERVICE PERFORMANCE INFORMATION

The company generates electricity by transforming inputs from the natural environment (water, natural gas and liquid fuels) using different power generating plants. Together with power generated by the company, private power producers (IPPs and SPPs) also add the power capacity by selling their electricity to the company. The available electricity is supplied to a wide range of customers, thereby supporting national economic growth and improving the living standard of the people.

The company's manufactured capital items comprise power generating plants, transmission and distribution infrastructures. The company improves manufacturing capital base by commissioning new infrastructures, as well as through maintenance and refurbishment of existing infrastructures.

The company's human capital is contributed by employees, service providers and contractors with their competencies, capabilities and experience. The company provides equal opportunity on employment and therefore the process of recruitment is transparent, thereby improving employee base. Furthermore, the company continues to enhance human capital by developing new skills and training to employees. The company also continues to engage with service providers and maintain good business relationships.

The company's social and relationship capital is based on interactions with customers, suppliers, communities and the public in general. The company contributes in many ways towards development, including enabling economic growth through the supply of reliable electricity, constantly electrifying new households in company's licensed areas of supply, job creation, skills development as well as improving the lives of many citizens through the company corporate social investment (CSI) and socio-economic development activities. Strong stakeholder relationships are critical to the company ability to create value and therefore one of the main areas of focus is restoring trust of the company's stakeholders.

The company intellectual capital includes technology, a key enabler of the business, which comprises telecommunications, information and operational technology; organizational knowledge, systems, policies and procedures; as well as research and innovation to industrialize future technologies and improve current operations.

The company also plays a significant developmental role in supporting the National Development Plan by supporting job creation, economic and skills development, transformation and other national initiatives. This is in addition to the company mandate of providing a stable electricity supply in a sustainable and efficient manner, to assist in lowering the cost of doing business in the country and enabling economic growth.

The key performance objective of the company is the delivery of electricity to its customers in the most effective and efficient way. The company has a number of customers to whom service is provided ranging from manufacturing industries, commercial, domestic and small power users.

To assess whether the company has achieved its performance objective, the company reviews its planned operational performance by comparing actual performance against the budgeted during the year. The operational performance of the Company during the year under review is summarized in the table 1 as follows:

Operational Performance

Activities	Plan 30th June 2022	Actual 30th June 2022	Actual 30th June 2021	Percentage change against Plan	Notes
Service lines completed during the year	300,000	504,366	415,416	68%	A
Number of pending service line applications	-	37,383	26,410	N/A	
Units sold during the year (GWh)	7,613	7,765	7,002	2%	B
Additional 33kV and 11kVlines during the period/year (km)	2,856	3,060	5,080	7%	C
Total length of 33kV and 11kV distribution lines completed during the period/ year (km)	62,832	63,036	59,976	0.3%	C
Total length of low voltage lines by the end of the period/year (km)	94,579	96,540	88,570	2%	C
Distribution transformers installed during the period/year	1,679	1,807	3,863	8%	D
Total number distribution transformers by the end the period/ year	28,117	28,245	26,438	0.5%	D
Total number of customers by the end of the period/year	3,544,046	3,788,207	3,244,046	7%	E
Total number of permanent staff	8,739	7,065	7,136	-19%	F
Customer/staff ratio	406	536	442	32%	G

Explanation on major variation of the actual achievement against plan

Note A: The plan was to construct 300,000 Service Lines in accordance to the Company Business Plan. The number of actual constructed service lines stands at 504,366 being 68% more than what was estimated to be constructed. The following are the reasons for the variation:

i. Semi urban projects funded by Rural Energy Agency (REA) with subsidized consumers' contribution of TZS 27,000
ii. Implementation of REA Projects phase III.
iii. Increased demand of electricity

Note B: The increase of units sold was attributed by increased number of customers.

Note C: The increase is attributed to completion of TANESCO distribution projects and REA projects phase III.

Note D: The increase is attributed to completion of TANESCO distribution projects and REA projects phase III.

Note E: The increased in number of consumers has been increased due completion of TANESCO, REA projects and Nikonekt program.

Note F: The reduction is due to delays in employment to replace the additional staff planned to be recruited during the year (Await approval from the Government) and retired, deceased and those dismissed for disciplinary grounds.

Note G: The increase is based on the fact that there have been significant increase customers while the number of employees has been reduced as noted above.

2.11. ENTITY OPERATING MODEL

2. The Company is wholly owned by the Government of Tanzania. In undertaking its core functions TANESCO is guided by the National Energy Policy of 2003 and the Electricity act of 2008. TANESCO Ltd functions under the regulatory guidance of the Energy and Water Utilities Regulatory Authority (EWURA) established by the EWURA Act of 2001.

The Company generates electricity by transforming inputs from the natural environment (water, natural gas and liquid fuels) using different power-generating plants namely hydro and thermal generation plants. The core operating activities of the company includes generation, transmission, distribution and sale of electricity to the mainland of Tanzania, as well as the selling of power in bulk to the island of Zanzibar.

The company's Generation System consists mainly of Hydro and Thermal Power Plants. Thermal Power plants contribute the largest share of company's Grid Power Generation around 60.27% of total installed capacity, while Hydro Plants contributes 33.91 %, Biomass 0.62% and Diesel contribute 5.20%.

2.1. COMPANY'S OBJECTIVES AND STRATEGIES

In order to achieve Vision and Mission, the Company through its Interim Corporate Strategic Plan (CSP) 2021/22 - 2022/23 has formulated seven (7) strategic themes as follows:

(a) People

Company's staff are the most important asset that underpins success of all strategic themes. The theme focuses on improving staff engagement through managing talents, improving rewards and benefits; enhancing performance management; creating conducive working environment; capacity building;

promotion of positive culture and values; and enhancing organization structure and recruitment processes.

(b) Customers

TANESCO is primarily a service organization with so many variables that need to be managed well so as to provide good service to its customers. Understanding what services the Company offers (service catalogue), having right processes for each service that is offered(process reengineering), putting up right technology that will support service offering (Unified contact center for both social media and calls), and having the right geography of service channels from district level, and corresponding tools of trade to serve its customers are some of the key variables that need to be managed to improve service offering to customers and drive more revenues.

(c) Efficiencies

TANESCO operations are largely manual, and there is no working integrated Enterprise Resource Planning System yet. Moreover, the power losses stand at around 16%, largely caused by inefficient power infrastructure, expired and defective meters as well as energy theft.

With interventions on infrastructure, technology, internal business processes, cost effectiveness, and financial efficiencies, there is an opportunity to bolster organization efficiency which will drive desired results.

(d) Strategic projects

TANESCO has several strategic projects which are informed by Tanzania Vision 2025, Party Manifesto, and Energy policy and regulations. However, the implementation of these projects faces challenges that include inadequate prioritization of potential projects, projects delays, and recurring and unpredictable changes in laws and regulations. These challenges have negative impact on project cost, time and quality. Accordingly, the Company has set out strategies to ensure its vision and mission are attained. These strategies include investing in Hydro Power Plants, Transmission lines, Power Distribution systems as well as investing in Technology.

(e) Communication and Stakeholder's Engagement

Management is responsible to ensure that it has a well-crafted communication and stakeholder's management strategy and plan. This will ensure that all stakeholders are kept abreast with plans and projects that will improve the situation of power availability and reliability in their areas and more so the service to the consumers.

(f) Resources Mobilization

The Company has insufficient cash flow to support simultaneous implementation of strategic projects in the short and long terms. It is therefore important to solicit funds from different sources to execute potential projects in the short term as per the priority order. In particular, this theme will focus in securing of funds, human capital and material resources with the aim of achieving company strategic objectives.

(g) Risk Management and Governance

The Company needs to manage its risks strategically and systematically in carrying out its vision and mission through a comprehensive and formalized Enterprise Risk Management. As such, the Company is committed to implement the National Anti-Corruption Strategy for the fight against corruption and strengthen effectiveness, transparency and accountability of service delivery.

Likewise, the company through its five (5) years Corporate Strategic Plan (CSP) 2021/22 - 2025/26 has formulated twelves (12) strategic objectives to achieve the Strategic themes results, the strategic objectives are identified as:

(a) Reducing HIV/AIDS infections

The objective aims at providing a window for implementing the Tanzania AIDS control programs at workplaces. This objective is about encouraging staff to join peer groups, demystifying HIV/AIDS, creating awareness for prevention of new infections, providing health care to staff including provision of protective gears, management and support to staff living with HIV/AIDS and encouraging voluntary testing and conducting outreach programs.

(b) Strengthening anti-corruption mechanism

The objective aims at strengthening anti-corruption mechanism by adopting the National Anti-Corruption Strategy and Action Plan (NACSAP) III. This objective is about ensuring adherence to codes of ethics, National laws and regulations, Detection and prevention of corruption and elimination of non-technical losses.

(c) Increasing customer satisfaction

The company intends to increase level of Customer Satisfaction so as to build trust on delivered services and always opt for TANESCO as a utility of choice. This can be achieved through improving customer care, timely response to customer concerns including attending technical breakdowns (TBs) and service lines (S/Ls) connections and providing adequate information.

(d) Strengthening collaboration with stakeholders

The company intends to improve cooperation with key stakeholders which include customers, governance, service providers, development partners and financing institutions in supporting the business growth. The areas to improve include effectiveness and efficiency in provision of service, professionalism and integrity, managing and fulfilling expectations of shared development agenda. The objective is about strengthening engagement with stakeholders sharing sector investment and development plans monitoring and evaluation of stakeholder's satisfaction and getting stakeholder's buy-in.

(e) Increasing cost effectiveness

In a quest to deliver service at affordable tariff, company aims at optimizing operation and capital investment costs so that the needs of the business are met at the lowest possible cost. The areas to be considered for cost optimization, including but not limited to, costs overruns, compensation costs, contracts management and redundant processes and functions. The objective is about budgetary control and monitoring, cost management and obtaining value for money projects.

(f) Increasing revenue

The objective aims at increasing electricity sales, revenue collection and other income to improve financial sustainability of the Company. This objective aims at Installation of smart meters, increasing customer base, improving debt collection, strengthening revenue protection, strengthening subsidiary companies and creating new lines of business.

(g) Strengthening compliance

The company intends to improve and maintain an internal control system through undertaking effective and independent oversight, providing audit assurance, ensuring compliance with applicable statutory policies, legislation, and improving law and enforcement while maintaining effective governance structure. This objective is about reviewing and implementing internal policies and procedures and meeting regulatory obligations, building compliance culture, strategic risks identification and management.

(h) Improving business processes

The company aims at improving business processes to increase efficiency with focus on how quick the value of each process is delivered and subsequently lower cost of operations and satisfy the customers. The objective is about streamlining Internal business processes, improving efficiency of service delivery.

(i) Improving infrastructure

The objective is addressing challenges of adequacy, quality and reliability of supply due to deficit in generation resources, constraints in transmission and distribution infrastructures. The improvement of infrastructure focuses on all fundamental physical structures as well as facilities needed for business expansion and operations. This includes expansion of power generation and transmission infrastructure, diversifying power generation sources, Rehabilitation, upgrade, modernization and maintenance of power infrastructure, development and maintenance of support services infrastructures.

(j) Increasing connectivity

The objective refers to an increase in number of new customers connected to electricity by expanding distribution network coverage, to escalate the pace of electrification in rural and urban areas for economic growth. The objective is about expanding distribution networks and increasing customer connections.

(k) Increasing uptake of technology

The adoption of modern technologies into company's operations significantly improves efficiency and effectiveness of various business processes. TANESCO pursuit to increase uptake of technology aims at automation and protection of power supply chain to enhance power system reliability, availability of integrated systems, and security from cyber-attack and energy theft. The objective is about deploying appropriate technology, acquiring integrated solutions, data integrity and security and automation of business processes.

(l) Improving employee's competence, professionalism, and motivation

The company's operations are improved when employees are competent, motivated, committed and conduct in a professional manner. The employees expect to have a conducive working environment, defined career path and fair treatment. The objective aims at increasing level of expertise and knowledge, encouraging staff to attain professional requirement, promoting and supporting continuous education and career development, promoting employee's organization ownership, recognizing and rewarding high performance, encouraging teamwork.

2.2. EXTERNAL FACTORS INFLUENCING THE BUSINESS

The Company operations are influenced by a number of external factors which include the following:

(a) Emerging Competition

Availability of natural gas and other power generation sources in the country have led to some industrial and other customers opting to have self-power generation (captive power).

As a mitigating measure to address this threat, the company has continued investing in various projects for the purpose of improving customer service delivery and hence retaining and attracting more customers.

(b) Legal and Regulatory Environment

The company business operations may be influenced by legal and regulatory requirements, non-compliance of which, may lead to imposition of penalties and fines by legal and regulatory bodies.

As a mitigating measure, the company has been keen to identify potential risks related to legal and regulatory requirements and ensure compliance.

(c) Changes in Technology

Changes in technology may have adverse effects on the company business operations. These changes have influenced the ways in which the company delivers its services to customers. The Company has been compelled to invest in technology in order to provide efficient and user-friendly experience to customers in their dealings with the Company.

(d) Environmental Changes

Environmental changes have a significant influence in the Company's business operations. As far as the company business is concerned, hydrological change has been affecting the ability to generate power by using hydro power plants, thus causing the Company to use relatively expensive facilities to generate power (gas and fuel).

During the period under review, there was a noticeably unfavorable hydrology condition which adversely affected generation through Hydro power.

(e) Micro and Macro Economic Conditions

The company's business is influenced by various macro and micro-economic conditions such as changes in GDP, inflation rates, interest rates and foreign exchange rates.

As a result of initiatives undertaken by the Government on its fiscal and monetary policies in a bid to encourage industrialization, during the period under review, micro and macro-economic conditions have generally had a positive impact on the Company's business as more new customers were connected.

2.3. KEY MANAGEMENT PERSONNEL

The key management personnel who served during the year under review, are as follows:

S/No	Name	Position
1	Mr. Maharage A. Chande	Managing Director
2	Eng. Peter E. Kigadye	Ag. Deputy Managing Director - Planning, Research and Investment
3	Eng. Pakaya D. Mtamakaya	Deputy Managing Director - Generation
4	Eng. Abubakar K. Issa	Deputy Managing Director - Transmission
5	Eng. Athanasius H. Nangali	Deputy Managing Director - Distribution and Customer Service
6	CPA Renata C. Ndege	Director Finance
7	Mr. Francis N. Sangunaa	Director of Human Resources and Administration
8	Eng. Cliff N. Maregeli	Director - ICT
9	Ms. Rehema O. Shabani	Director - Procurement
10	CPA Buyamba N. Buyamba	Director Internal Auditor
11	Adv. Zaharani M. Kisilwa	Director Legal Services
12	Mr. Elihuruma Ngowi	Manager Communication and Stakeholders Engagement
13	CPA Hammerson Kibona	Ag Manager Risk and Compliance
14.	Adv. Lenin Kiobya	Ag Manager Security
15.	Mr. Martin Mwambene	Ag. Director of Customer Experience

2.4. CORPORATE GOVERNANCE

2.4.1. Code of Corporate Practice and Conduct

TANESCO is committed to the principles of good corporate governance and the Board is of the opinion that the Company currently complies with the principles.

2.4.2. Appointment and Composition of Board of Directors

The Board of Directors consists of nine (9) Directors at the date of signing, all of whom are non-executive. The Chairman of the Board is appointed by the President of United Republic of Tanzania while other Board members are appointed by the Minister of Energy. On 25th September, 2021 the President of United Republic of Tanzania appointed TANESCO Board Chairman subsequently the Minister of Energy appointed 8 Board members who served during the year under review. However, on 18th February, 2022 Mr. Lawrence Mafuru resigned and was succeeded by Mr. Leonard Mususa who was appointed on 16th July, 2022.

The names and particulars of directors of the Company who have served during the year, and up to the date of signing of financial statements were:

S/N	Name	Position	Age	Qualification/ Discipline	Nationality	Gender
1.	Mr. Omari Issa	Chairman	74	Masters of Business Administration (Columbia University New York)	Tanzanian	Male
2.	Amb. Mwanaidi S. Maajar	Member	67	Masters of Laws International Trade and Commercial Law (University of Dar es Salaam)	Tanzanian	Female
3.	Mr. Abubakar Bakhresa	Member	45	BSc (Business Administration) (George Town university)	Tanzanian	Male
4.	Eng. Abdallah Hashim	Member	52	BSc. Engineering Meng (Maintenance Management)	Tanzanian	Male
5.	Mr. Christopher Gachuma	Member	75	Businessman	Tanzanian	Male
6.	Eng. Cosmas Masawe	Member	68	MSc. (Hydraulic Engineering); U.K.	Tanzanian	Male
7.	Mr. Leonard Mususa	Member	68	FCCA/FCPA(T)	Tanzanian	Male
8.	Mr. Nehemia Mchechu	Member	48	Bcom (Finance) (University of Dar es Salaam)	Tanzanian	Male
9.	Ms. Zawadia Nanyaro	Member	49	CPA(T); MBA (University of Dar es Salaam)	Tanzanian	Female

2.4.3. Roles and Responsibilities

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 and has delegated the day-to-day management of the business to the Managing Director assisted by Executive Management Team (EMT) members. The EMT members 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 Board takes accountability for the performance of the Company. In so doing, the Board supports the Company in setting the purpose and achieving its strategic objectives. The Board continuously monitors the macro environment, risks, opportunities and stakeholder needs, which inform the Company's strategy.

The independence of the Board is achieved and maintained through a number of measures, including but not limited to clear separation of the positions of the Managing Director and that of the Chairperson and ensuring that board committees are all chaired by non-Executive Directors.

The Company is committed to the principles of effective corporate governance. The directors also recognize the three pillars of Governance namely; integrity, transparency and accountability.

2.4.4. Board Meetings

During the year under review the Board of Directors held a total of seven (7) meetings whereby three (3) were Ordinary Meetings and four (4) were Special Meetings. The three (3) ordinary meetings deliberated on matters in relation to company's operations and performance.

The Special Meetings deliberated on; Case for change 5 years Strategy; Implementation of Strategic Projects; Corporate Organization Structure; Corporate Budget 2022/23 and Business case SONGAS.

2.4.5. Board Committees

To assist the Board of Directors in discharging their duties and responsibilities, specific responsibilities have been allocated to the Board Committees, each of which has specific Terms of Reference. The Terms of Reference provide details relating to composition of the Committees, duties and responsibilities, and their scope of authority.

During the year under review, Board committees held a total of 17 meetings, of which 11 were ordinary and 6 were special meetings. The committees' members and meetings are as detailed below;

(a) Governance and Human Resources Committee (GHRC)

The GHRC deals with all matters relating to Corporate Governance and Human Resources. The Committee reports to the Board of Directors.

The following are the members of the Governance and Human Resources Committee (GHRC) from 18th October, 2022 to date;

S/N	Name	Position	Qualification/ Discipline
1.	Mr. Nehemiah K. Mchechu	Chairman	Bcom (Finance) (University of Dar es Salaam)
2.	Amb. Mwanaidi S. Maajar	Member	Masters of Laws International Trade and Commercial Law (University of Dar es Salaam)
3.	Mr. Christopher M. Gachuma	Member	Businessman

During the year under review the Committee conducted three (3) ordinary meetings whereby the following issues were discussed; the 4th quarter reports of the year 2020/21; 1st & 2nd and 3rd quarterly reports of the year 2021/22 from the following Business Units; Human Resources, Information and Technology, Company Secretariat, Procurement Management and Public Relations.

(b) Finance, Investment and Operations Committee (FIOC)

The Finance, Investment and Operations Committee deals with all matters relating to financial management, investment, planning and affairs of the core operations of the Company, that is Generation, Transmission and Distribution of electricity. The Committee reports to the Board of Directors of the Company.

The following are the members of the Finance, Investment and Operations Committee (FIOC) from 18th October, 2021 to date;

S/N	Name	Position	Qualification/Discipline
1.	CPA Leonard C Mususa	Chairman	FCCA/FCPA(T)
2.	Eng. Cosmas L.M. Masawe	Member	MSc. (Hydraulic Engineering); U.K.
3.	Mr Nehemia K. Mchechu	Member	Bcom (Finance) (University of Dar es Salaam)

During the period under review the FIOC conducted three (3) ordinary meetings. In referred meetings the FIOC deliberated on the 4th Quarter report of the year 2020/2021 and 1st, 2nd and 3rd Quarter reports of the year 2021/2022 from the following Business Units Finance, Generation, Transmission, Distribution and Investments.

Additionally, the Committee held four (4) Special Meetings whereby the following issues were discussed; Review of the Corporate Budget 2022/23; Revised Annual Procurement Plan; Revised Corporate budget; Business case SONGAS; The issue of ZECO; Deliberation on the Interim Corporate Strategic Plan; ToRs for preparation of the Ten Years Strategic Plan; Business case Buy/Lease; Implementation of Presidential directives on JNHPP and Board Paper on review report on Songosongo Gas to Electricity project Agreements between Songas Limited and TANESCO.

(c) Audit and Risk Committee (ARC)

The Committee is vested with the duty of overseeing the general functions on matters related to Internal Audit and Risk and Compliance. The committee is also vested with all governance matters related to External Audit of the Company. The ARC reports to the Board of Directors of the Company.

The following are the Members of the Audit and Risk Committee from 18th October, 2021 to date;

S/N	Name	Position	Qualification/ Discipline
1.	CPA Zawadia Nanyaro	Chairperson	CPA(T); MBA (University of Dar es Salaam)
2.	Eng. Abdallah Hashim	Member	BSc. Engineering Meng (Maintenance Management)
3.	Eng. Cosmas Masawe	Member	MSc. (Master of Hydraulic Engineering), UK

During the period under review the Committee conducted two (2) ordinary meetings which deliberated on the 1st, 2nd and 3rd quarter reports.

(d) Customer Service Committee (CSC)

This is a new Committee which was established by the Board of Directors on 18th October, 2021. The Committee overall duty is to advise the Board in all issues relating to the needs and priorities of the Customers to ensure that high quality and effective services are provided to the satisfaction of the Customers.

During the period under review the Committee conducted two (2) ordinary meetings which deliberated on the 1st, 2nd and 3rd quarter reports.

The following are the Members of the Customer Service Committee from 18th October to date;

S/N	Name	Position	Qualification/ Discipline
1.	Eng. Abdallah Hashim	Chairman	BSc. Engineering Meng (Maintenance Management)
2.	Mr. Abubakar Bakhresa	Member	BSc (Business Administration) (George Town university)
3.	Eng. Cosmas Masawe	Member	MSc. (Master of Hydraulic Engineering), UK

2.4.6. DIRECTORS AND EMT MEMBERS' REMUNERATION

Remuneration of the Company Directors is in accordance with the Treasury Registrar Circular No. 1 of 2020 which details all remuneration entitlements. The remuneration entitlements include Directors Fees and Traveling Allowances within the country and outside the country.

On the other hand, EMT members are remunerated in accordance with the company HR Policy which details all remuneration entitlements. The remuneration entitlements include Emoluments and Traveling Allowances within the country and outside the country.

2.5. COMPANY'S CAPITAL STRUCTURE

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

SHARE CAPITAL	30 June 2022 TZS 'million	30 June 2021 TZS 'million
Authorised: Ordinary Shares		
120,000,000,000 ordinary shares of TZS 20 each	2,400,000	2,400,000
Issued and fully paid:		
56,568,418,061 ordinary shares of TZS 20 each	1,131,368	1,131,368

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

ADVANCE TOWARDS SHARE CAPITAL	30 June 2022 TZS 'million	30 June 2021 TZS 'million
At start of year	426,572	425,027
Cash paid direct to contractor	299	1,545
Recognition of Symbion Power Plant from MEM	175,525	-
		-
		-
At end of year/period	**602,396**	**426,572**

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

2.6. COMPANY'S TREASURY POLICIES AND OBJECTIVES

TANESCO maintain a Treasury Policy which entails procedures to be adhered during opening of bank accounts, closing and maintenance, cash handling procedures, selecting and introducing signatories in approving wire cash/funds transfers and cheque payments, short term investments of surplus cash, approving short term financing of deficit, forex exchange exposure and related risk management.

The objective of the policy is to ensure that company's cash, investments and other cash related assets are adequately managed, controlled and safeguarded. Adherence to the policy and control procedures also ensures that a TANESCO's foreign exchange and other exposures are effectively managed.

During the period under review the company's treasury policy was adhered and thus there was no potential effect occurred.

However, the major financing transactions undertaken up to the date of approval of this report are:

- Interest bearing term loans from TIB Development Bank Limited. The loan was acquired purposely for financing the cost of resettlement action plan including compensation costs.
- The letter of credit/post import loan facilities from NMB and CRDB for purchasing and importation of equipment and materials for generation, rehabilitation and expansion of substations and transmission lines.

The effect of financing costs on the results for the year was a net charge of TZS 57,605 million (2021: TZS 71,945 million). This comprises of the net of interest expenses, interest income and foreign exchange and fair value losses for the year as indicated in the consolidated and separate statements of profit or loss and other comprehensive income.

2.7. COMPANY RELATIONSHIPS

TANESCO has diverse stakeholders with different interests in the Company and her operations. It is the responsibility of Management to ensure that it has a well-crafted communication and stakeholder's management strategy and plan. This will ensure that all stakeholders are kept abreast with plans and projects that will improve the situation of power availability and reliability in their areas and more so the service to the consumers. Due to the significant impact of stakeholder relationships of the business, the company aims to collaborate with communities for the benefit of all. The company reputation with stakeholders is strongly influenced by the level of trust.

For the period under review, the Company had relationships with the following stakeholders:

(a) Customers

The company has been strengthening relationships with customers through establishment of different channels of service delivery such as TANESCO App, Nikonekt, Unified call center and other social media networks. These channels enhance service delivery to customers.

During the year under review, the Company also conducted regular meetings with both large power users and normal customers through public meetings as part of awareness campaign covering Company's products and services, energy efficiency and safety issues.

(b) Service Providers and Contractors

The company has been maintaining good relationship with its Service Providers and Contractors in order to continue supporting its business continuity. This is done through regular communications with suppliers and timely payment of their due invoices.

(c) Regulatory Bodies

The company business activities are regulated by a couple of regulatory bodies. During the period under review, the company maintained good relationship with the bodies through regular communications and throughout remained compliant to rules and regulations.

(d) Government

During the period under review, the company continued to maintain good relationship with the Government. Through such relationship the company has been receiving vast support from the Government including financing strategic projects and grant on rural electrification through REA.

On the other hand, the company continued to timely pay taxes and levies to the Government.

(e) Employees

There was a continued positive relation between employees and Tanzania Union of Industrial and Commercial Workers (TUICO) and Management during the year. There was no industrial unrest reported apart from disciplinary cases to employees engaged in unethical behaviors.

The Company also continued to give equal access to employment opportunities to both males and females free from discrimination of any kind and without regard to factors like gender, marital status, tribe, religion and disability that does not impair ability to discharge duties.

Additionally, the Company has made efforts to ensure that Occupational Health and Safety are maintained and adhered to by all employees. Furthermore, the Company invested in its employees through provision of trainings and medical assistance.

(f) Lenders

The key to sustainability of a business is funding provided to the company by lenders. During the period under review, the company has maintained a positive relationship with lenders by paying the loaned amounts timely and adhering to the loan covenants.

(g) Local Communities

The company plays a critical role in skills development and economic empowerment to transform local communities by investing in community education, health and developmental projects. The rollout of Government's electrification programs still forms the company's most direct contribution in transforming societies.

2.8. SHAREHOLDERS OF THE COMPANY

The Company is 100% owned by the Government of the United Republic of Tanzania. As at 30^{th} June, 2022 issued and paid up Ordinary Shares were 56,568,418,016 valued at TZS 1,131,368 million.

2.9. MANAGEMENT OF THE COMPANY

The Management of the Company is entrusted to the Executive Management Team (EMT) which is headed by the Managing Director who reports to the Board of Directors. The company's operations are divided into the following business units: Generation, Transmission, Distribution and Customer Services, Investment, Finance, Information Communications Technology, Human Resource & Administration, Procurement. Legal Services, Communication & Stakeholders Engagement, Compliance & Risk Management, Security and Customer Experience. There is also an independent unit of Internal Audit, which administratively reports to Managing Director and functionally to the Audit and Risk Committee.

2.10. KEY PERFORMANCE INDICATORS

Performance measurement categories are distributed in five parts which are; People Management, Customer Service, Good Governance and Control, Core function of the Institution and Financial Performance.

(a) Peoples Management

This criterion measures the efficiency of various Human Resource Management practices towards enhancing organizational productivity and sustainability. It covers aspects such as human capital utilization, human capital development, Performance management systems, employee welfare, promotion of conducive working environment, care & fight of HIV/AIDS, and non-communicable disease.

(b) Customer Service

This criterion measures the capacity of the institution to provide quality and innovative services to its customers. Key parameters of interest including connectivity rate, efficiency in service delivery, patient satisfaction, service automation, and efficiency in complaints handling.

(c) Core Functions of Institutional Mandates

This criterion measures performance in the implementation of the core mandate of an institution. Specific variables for this indicator include but are not limited to efficiency in managing Company's core functions, i.e. generation, transmission and distribution of electricity power.

(d) Financial Performance

This criterion measures compliance with financial Regulations, Circulars, Standards, and Best Practices. It measures how an entity ensures profitability, control costs, generates a return to shareholders, attracts future investments & customers, and manages financial risks.

(e) Good Governance and Control

This criterion measures the adherence to Good Governance, Accountability principles and practices by an Institution. It covers several parameters of governance and accountability, including anti-corruption measures, Board efficiency and effectiveness, risk management and controls, and compliance with laws and regulations.

2.11. INVESTMENTS

During the year under review, the company maintained its investments of 100% in 3 subsidiary companies namely; Tanzania Geothermal Development Company Limited (TGDC), Electrical Transmission and Distribution and Maintenance Company Limited (ETDCO) and Tanzania Concrete Poles Manufacturing Company Limited (TCPM). Furthermore, the company hold 40% share of investment in associate from Shanghai Electric Power Company limited (SPEC). The company also maintained investments in Songas Ltd and East African Cables Ltd with shareholdings of 9.56% and 10% respectively.

2.12. DIVIDEND

Despite the fact that, for period under review the company recorded a profit of TZS 113,900 million however, the Board of Directors could not declare payment of dividend due to significant accumulated losses the company has been incurring. Nevertheless, the Company contributed TZS 2,038 million to the Government (owner). The contributed amount during the period is higher by TZS 314 million (2020/21: TZS 1,724 million).

2.13. CASHFLOWS

The Company generates cash through sales of electricity, receipt of grants and loans from URT, Development Partners and lenders such as WB, JICA, AfDB and ADB. The company also receives cash from connection of service lines to customers, interest on overdue electricity bills and other sources.

During the year, the company's cash inflows were mainly from sales of electricity amounting TZS 1,610,153 million, proceeds from grants amounting TZS 1,359,810 million and borrowings amounting TZS 81,677 million.

On the other hand, the Company's main cash outflows results from purchases of gas and energy, fuel, line materials, repair & Maintenance costs, payroll costs and other expenses.

During the period, the company's main cash outflows results from additions to Capital Work in Progress amounting to TZS 2,081,903.

The Company's projections indicate that sufficient positive cash flows will be generated from the Company's operating activities to meet its operational costs. To fund growth and meet long-term known or probable cash requirements such as the capital commitments stated in Note 37 the company relies on Government support to successfully meet such huge projects.

2.14. LIQUIDITY

The Company places a strong emphasis on managing liquidity risk and daily cash flows to ensure the company holds sufficient liquid assets to enable it to continue with its normal operations. The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Company also has lines of credit that it can access to meet liquidity needs. Net liquid assets consist of cash, inventories, asset held for sale, trade and other receivables, prepayments, withholding tax recoverable, and tax Asset.

There is no· any restriction on the ability to transfer funds from a parent or its subsidiary to meet the obligations of another part of the group.

(a) Funding approach

The Company major source of funding is sales of electricity, receipt of grants and loans from URT, Development Partners and lenders such as WB, EIB, EU, JICA, AfDB and ADB. The Group maintain a diversified and stable funding base comprising cash from connection of service lines to customers, interest on overdue electricity bills and other sources. Similarly, the company borrows fund from Development Partners and lenders through the on-lending agreement by the Government through transactions with other banks for short term liquidity requirements.

During the year, the company has not entered any covenant in financing contracts which could have the effect of restricting the use of financing arrangements or credit facilities.

(b) Liquidity management

The liquidity management process is being carried out within the Company and monitored through day-to-day funding, monitoring future cash flows to ensure financial assets that is trade and other receivables are timely collected, monitoring liquidity ratios against internal sources, managing the concentration and profile on lent Government debt to be converted to equity and monitoring of advance payment that will be amortized after completion of each stage of works upon receiving of completion certificate.

Monitoring and reporting take the form of cash flow measurement and projections for the next month and year respectively as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

2.15. FUTURE PROSPECTS

The demand of electricity in the country is expected to continue growing due to the emphasis from the Government for investment in industries from both local and foreign investors. Expansion of investment and improving social and economic services in all areas of the country, it is expected that the need for electricity especially in the rural areas will keep on increasing. In addressing this, during the year under review the company has continued to make investments in projects such as the JNHPP, construction of various transmission and distribution infrastructures which will enable the provision of electricity at a lower cost in order to meet the growing demand.

2.16. PRINCIPAL RISKS AND UNCERTAINTIES

All company's business units are responsible for identifying and reporting risks and response plans every quarter. Risks and treatment plans are continually monitored and reviewed.

The Board of Directors is ultimately responsible for the governance of risks and opportunities in the Company and sets the direction for how they should be managed through policies and procedures.

The objective of managing risk and resilience is to ensure that the company is able to formulate and execute its strategies effectively, to operate its business efficiently with minimum disruption, to proactively leverage opportunities as they arise, and to be able to respond rapidly and recover effectively from disruptions should they materialize. It is therefore important that risks that affect the company's objectives are identified, effectively managed and continuously monitored.

During the period under review, the company identified the following key risks and set out mitigating strategies as follows:

(a) Liquidity Risk/Insufficient fund

The main causes of liquidity risks to the company include but not limited to high operating expenditures, huge outstanding creditors and loans. Increase in costs due to exchange rate fluctuations and accruing of interest/charges from bank overdrafts and loans. These can result in the company's failure to meet short and long-term obligations.

To mitigate this risk, the company has taken the measures by ensuring power reliability to generate more revenues, increase customer base by connecting potential customers, operational cost cutting for unnecessary expenditures, enhanced Revenue Protection Units (RPUs) across the organization and deployment and use of technologies to protect and collect the company's revenue, including Pre-paid billing system, Automatic Meter Infrastructure (AMI), System Delivery Management system (SDM).

(b) Aging Infrastructure

To mitigate this risk, the company has undertaken major infrastructure rehabilitation & Upgrades, continuous preventive maintenance and new investment in potential infrastructure.

(c) Prolonged procurement process

To mitigate this risk, the company has taken measures to enhance compliance to PPRA Act and Regulations and continuous capacity building.

(d) Natural and manmade disasters

To mitigate this risk, the company has taken measures to diversify power sources/ generation mix, put in place corporate disasters recovery programs, and strengthen security programs.

(e) High system losses

To mitigate this risk, the company has continue investing in transmission and distribution infrastructure, rehabilitation and upgrade of transmission and distribution infrastructure and enhance infrastructure inspection through RPU.

(f) Information Systems Malfunctioning

To mitigate this risk, the company has taken measures to make improvement on ICT infrastructure and facilities, establishment of cyber security infrastructure, efficient application of internally developed policies and regulations, ensure staff capacity development and establish DRP for all critical systems.

(g) Possible Occurrence of Epidemic and Pandemic Diseases

To mitigate this risk, the company has established a Company safety policy and regulations and frequently health awareness and use of protective gears.

(h) Tarnishing of Good Corporate Image

To mitigate this risk, the company enhanced compliance to Customer Service Charter and improving customer service Use of Media Educational Programs.

(i) Unethical practices

To mitigate this risk, the company has strengthened the ethical committee and follow-up of an ethical report from the committee, establishment of incentive system and provision of conducive working environment and facilities.

(j) Embezzlement

To mitigate this risk, the company has continued to make periodic review of internal controls, Provision of conducive working environment and facilities, strengthen financial resources management through the use of technology, use of disciplinary measures and establishment of scheme of service, incentives and motivation program.

(k) Loss of customers due to competition from other electricity vendors (solar)

To mitigate this risk, the company has continued to offer better service than competitors (quality and reliability) and continue to provide affordable electricity services.

(l) Low Staff Morale

To mitigate this risk, the company has been periodically performing review of HR Policy and Manual, establishment of scheme of service and provision of in-house trainings to staff enhance monthly performance measures.

(m) Credit Risk

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

To minimizes credit risk from its trade receivables the company has been promptly disconnecting customers with overdue balances. On the other hand, cash and cash equivalents are placed with high reputable financial institutions.

(n) Fraud risk

The Company could incur losses resulting from fraudulent transactions, but controls are in place to mitigate such risks to an acceptable level.

Mitigating controls which are instituted by the Company include authorization of payments, proper procurement process and segregation of duties.

(o) Delayed Project Completion and Cost Overruns

The key cause of this risk is the due to complexity of the projects and lack of funds to pay consultants timely for the procurement of materials. This can lead to projects taking longer period to complete than planned period therefore requiring more cash outflows which in turn affect the company's profitability.

To mitigate this risk, the company has enhanced the procurement and training of contract software management and capacity building on project management.

(p) Reliability and Quality of Power

The Company could face a risk of not obtaining high quality reliable power from its internal plants due to power blackout caused by poor maintenance of generation, transmission and distribution networks. This could result in the Company not supplying a high-quality power at the required time to meet the existing demands of its customers.

To mitigate this risk, the company has invested in the rehabilitation and maintenance of generation, transmission and distribution infrastructures in order to improve the quality and reliability of power.

(q) Power Loss through Meter Tampering and Stopped Meters

The company faces a risk of energy losses due to meter tampering and stopped meters. 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. Losses are categorised as technical or non-technical in nature.

To mitigate this risk company has continued to carry out the operational campaigns against energy theft, known as '*Kampeni Kamata Wezi wa Umeme (KAWEU)*" in all regions.

(r) Vandalism of Infrastructures

The Company could face a risk of vandalism of its infrastructures including theft of conductors and transformer oils.

To mitigate this risk, the company has deployed security guards and installation of surveillance systems to company's critical infrastructure particularly at substations, enhance Corporate Social Responsibilities the company has strengthen its relationships with leaders of local communities with the objective of protecting transmission and distribution infrastructures, enhancing informer rewards system, the company has been providing incentives to citizens who provided information on vandalism and power theft, engaging village councils in protection of Electricity Networks the company has strengthen its relationships with leaders of local communities with the objective of protecting transmission and distribution infrastructures and regularly conducting public awareness on the impact of vandalism issues

(s) Hydrology Condition

Seasonal climatic changes affect the ability to generate power by using hydro power plants, thus compelling the Company to use more gas and fuel facilities to generate power. This can result into high costs of generating electricity.

To mitigate this risk, during the year under review the company has ensured that, other alternative sources of power generation are readily available to meet customers' demands. During the year under review, hydrology condition was unfavorable, this has negatively affected generation through hydropower plants.

2.17. COMPLIANCE WITH LAWS AND REGULATIONS

The company is subject to compliance with numerous laws and regulations which govern its operations, including conditions relating to tariffs, expansion activities, environmental compliance, procurement, finance and human resources. Compliance with laws and regulations is overseen by each business unit.

During the year under review, there were no major instances of non-compliance with laws and regulations that were identified.

2.18. SOLVENCY

The Board of Directors confirms that applicable financial reporting standards 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 in meeting its financial obligation relating to major projects. 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 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 financing rural electrification projects through its agency, the Rural Energy Agency (REA), through capital grants and is expected to continue providing 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 infrastructures.

2.19. EMPLOYEES' WELFARE

2.19.1. Industrial Relationship

There was a continued positive relation between employees and Tanzania Union of Industrial and Commercial Workers (TUICO) and Management during the year under review. There was no industrial unrest reported apart from disciplinary cases to employees engaged in misconduct.
Management and the trade union have continued to work together in pertinent issues for the betterment of the employee's welfare and the Company.

2.19.2. Employment

The Company continued to be an equal opportunity employer. It gives equal access to employment opportunities to both males and females and free from discrimination of any kind irrespective of factors like gender, marital status, tribes, religion and disability that does not impair ability to discharge duties.

During the year under review, the Company recruited 208 employees to fill the gaps of employees who retired, passed away, terminated and those from approved establishment in respective years. The table 3 hereunder illustrates employment category and gender.

Table 3: Employees Categories and Gender

Year	No. of staff Employed	Technical	Non-Technical	Gender	
				Male	Female
FY 2020/21	193	125	68	172	21
FY 2021/22	208	150	58	178	30

On the other hand, during the year under review, 279 employees ceased to be employees of the Company due to retirement, death, termination on disciplinary grounds and resignation.

Table 4: Departed Employees

S/No	Category	Total	Technical	Non-Technical
1	Retired	197	131	66
2	Terminated	26	17	9
3	Resigned	6	0	6
4	Deceased	35	24	11
5	Abscondment	0	0	0
6	Transfers	15	10	5
Total		279	178	94

2.19.3. Capacity Building

During the year under review, the Company expended TZS 11,941 million for staff training in order to improve employee's technical skills and productivity (2020/21: TZS 10,354 million). The Company trained 5,578 employees in various capacity building programs (2020/21: 5,078). Out of the total staff who underwent training during the year, 5,503 staff were trained locally and 75 staff were trained abroad through Company funds.

2.19.4. Medical Assistance

During the year employees continued getting medical services through National Health Insurance Fund (NHIF). A total TZS 7,345 million was spent as cost for medical insurance for staff.

(a) Combating COVID-19 Pandemic

During the year, the Company continued taking various steps to combat spread of COVID-19 among employees. Preventive measures such as sanitizers, masks, soap and hand washing machines centers were strengthened in all working stations. Awareness on COVID- 19 and vaccination exercise was also conducted in all working stations. It is fortunate that during the year under review there was no any case of COVID-19 reported.

(b) HIV AND AIDS

During the year 60 employees living with HIV were provided care and support. A total amount of TZS 286 million was spent for Nutritional Food Supplements.

The company conducted HIV & AIDS awareness campaign from February 2022 to April 2022 to all working stations countrywide, whereby 3,379 employees attended awareness campaigns countrywide. Total number of 3,976 employees volunteered to be tested out of whom 27 were found positive and were referred to care and medical treatment centers for further medical attention.

(c) Sports

In November, 2021 the company through its sports teams participated in SHIMUTA tournaments conducted in Morogoro, where it emerged the second winner in Netball, first winner in Volleyball and third winner in Basketball. The company also participated in MAY DAY sports tournaments in Dodoma, April 2022 where the team emerged the third winner in Netball and Marathon.

(d) Non-Communicable Diseases

During the year under review, the company conducted Hepatitis B screening and Vaccination for 935 new employees whereby 906 employees were vaccinated and 29 employees were found positive. All 29 employees were facilitated to attend further screening and treatment at Muhimbili National Hospital.

2.19.5. 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. For the period under review, the company managed to reduce total number of accidents and death as compared to year 2020/21 from 102 to 88 and 39 to 10 respectively.

2.19.6. Pension Scheme and Workers Compensation

During the year under review, the Company paid TZS 20,079 million (2020/21: TZS 20,724 million) being contributions to Public Administered Pension Schemes i.e. Public Sector Social Security Fund (PSSSF) and TZS 844 million (2020/21: TZS 828 million) as compensation to Workers Compensation Fund (WCF).

2.19.7. Persons with Disabilities

It is the Company's policy to accept disabled persons for employment in 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.

2.19.8. Gender Parity

During the year under review, the Company had 10,320 employees out of which 7,065 are permanent and pensionable employees and 3,255 are specified period employees. In terms of gender distribution, male were 8,328 (81%) and female were 1,992 (19%). The table 5 below details gender parity exhibition within the company:

Table 5: Gender Parity

Financial Year	Permanent Employee			Specified Employees		
	Male	Female	Total	Male	Female	Total
2021/22	5,672	1,393	7,065	2,656	599	3,255
2020/21	5,726	1,425	7,151	2,909	646	3,555

2.20. RELATED PARTY TRANSACTIONS

All Related Party Transactions (RPT) that were entered into during the financial year were on an arm's length basis and in the ordinary course of business. Details of transactions and balances with related parties are included in Note 52 to the financial statements.

2.21. POLITICAL AND CHARITABLE DONATIONS

The Company did not make any political donations during the year under review. However, the Company made donations to social, education, environment and health aspects. The total donations made during the year amounted to TZS 264,968 million.

2.22. ENVIRONMENTAL CONTROL PROGRAMME

During the year under review, the Company continued to manage environmental and social management measures in compliance with national laws and regulations, national and international environmental standards.

For all new projects, the Company undertook Environmental and Social Impact Assessment (ESIA) and Environmental Auditing of existing Electricity infrastructures. It also implemented Environmental and Social Mitigation and monitoring measures for all ongoing projects to comply with EIA certificates and lender requirements.

The Company has all along been in compliance with the Environmental Management Act Cap 191 and Environmental Impact Assessment and Audit Regulations of 2018

2.23. ACCOUNTING POLICIES

The consolidated and separate financial statements have been prepared on the basis of accounting policies applicable to a going concern. The basis presumes that funds will be available through Government support to finance future projects and through internally generated income to finance Company's operations.

In addition, the Company holds 100% shares in the subsidiary companies whose mission is to develop power using geothermal resources, construct and maintenance of transmission and distribution networks and manufacture concrete poles. The subsidiaries expect 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 Group's accounting policies, which are laid out in Note 7 to the consolidated and separate financial statements are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

2.24. CORPORATE SOCIAL RESPONSIBILITY

The Company 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 were taken to abide with corporate social responsibility. The social responsibilities are in areas of 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 under review, 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.

2.25. PREJUDICIAL ISSUES

In the opinion of the Directors, there are no prejudicial issues that can affect the Company.

2.26. RESPONSIBILITY OF THE AUDITOR

The Responsibility of the Controller and Auditor General for the Audit of the Financial Statements is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes his 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.

2.27. RESPONSIBILITY OF THOSE CHARGED WITH GOVERNANCE

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

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

Those charged with governance are responsible for overseeing the Company's financial report process.

2.28. STATEMENT OF COMPLIANCE

Report of those charged with Governance has been prepared in compliance with the Tanzania Financial Reporting Standard No. 1 (Directors' Report) and the Tanzanian Companies Act, 2002.

2.29. AUDITORS

The Controller and Auditor General (CAG) is the statutory auditor of the Group and Company's 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 Cap 418

The auditors' address is as follows:

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

BY ORDER OF THE BOARD

Approved by the Chairman of the Board of Directors on ....20.03.... 2023, and signed on its behalf by;

Signed By: Omari Issa
Position: Board Chairman

Date: 20.03.23

3.0 STATEMENT OF RESPONSIBILITIES BY THOSE CHARGED WITH GOVERNANCE

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 2022, were approved by the Board of Directors Chairman for issue and signed on its behalf by:

Signed By: Omari Issa
Position: Board Chairman

Date: 20.03.23

4.0 DECLARATION OF HEAD OF FINANCE ON THE FINANCIAL STATEMENTS

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 2022 have been prepared in compliance with applicable accounting standards and statutory requirements.

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

Signed by: CPA Renata C. Ndege

Position: Director Finance

NBAA Membership No. ACPA 1721

5.0 FINANCIAL STATEMENTS

GROUP AND COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

		Group		Company	
		30 June 2022	30 June 2021 Restated	30 June 2022	30June 2021 Restated
	Note	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Non-current assets					
Property, plant and equipment	16	11,149,779	10,780,252	11,141,134	10,771,974
Capital work in progress	17	6,951,381	4,520,167	6,948,870	4,517,239
Intangible asset	18	6,721	9,728	6,712	9,703
Investment in subsidiary	20		-	53,085	45,558
Investment in associate	21	710	702	3,687	3,678
Other investments	22	49,264	44,933	49,264	44,933
Capacity charges prepayment	23	9,293	13,779	9,293	13,779
		18,167,148	**15,369,562**	**18,212,045**	**15,406,865**
Current assets					
Inventories	25	15,488	9,431	13,326	9,431
Trade and other receivables	26	383,896	704,172	357,510	690,901
Prepayments	38	558,093	751,931	543,650	751,572
Withholding tax recoverable	39	8,634	8,352	8,071	8,055
Deferred Tax asset	40	103			
Tax Asset	47	843			
Bank balances and cash	27(a)	438,568	451,796	428,965	430,431
		1,405,626	**1,925,683**	**1,351,523**	**1,890,390**
Total assets		**19,572,774**	**17,295,245**	**19,563,569**	**17,297,255**
Capital and reserves					
Share capital	28(a)	1,131,368	1,131,368	1,131,368	1,131,368
Advance towards share capital	28(b)	602,396	426,572	602,396	426,572
Accumulated losses		(2,218,894)	(2,328,348)	(2,190,722)	(2,304,622)
Reserves		4,407,882	4,404,839	4,406,064	4,403,020
Total equity		**3,922,753**	**3,634,431**	**3,949,106**	**3,656,339**
Non-current liabilities					
Deferred tax liability	24	2,110,639	2,023,947	2,110,131	2,023,635
Grants	29	8,590,153	6,893,631	8,569,068	6,872,045
Borrowings - Non-current portion	30	1,441,302	1,233,153	1,441,302	1,233,153
Consumer deposits	33	8,601	10,256	8,601	10,256
Asset Retirement Obligation	37	2,856	2,392	2,856	2,392
Deferred income	41	297,777	256,345	297,777	256,345
Other employment benefits	31	40,372	38,764	40,372	38,764
		12,491,699	**10,458,489**	**12,470,106**	**10,436,590**

	Note	Group		Company	
		30 June 2022	30 June 2021 Restated	30 June 2022	30June 2021 Restated
		TZS 'm	TZS 'm	TZS 'm	TZS 'm
Current liabilities					
Trade and other payables	32	2,590,842	2,362,914	2,576,886	2,364,441
Borrowings - Current portion	30	398,794	268,878	398,794	268,878
Provisions	36	151,141	550,886	151,141	550,886
Income tax payable	35	17,545	19,648	17,536	20,120
		3,158,322	**3,202,325**	**3,144,357**	**3,204,326**
Total liabilities		**15,650,021**	**13,660.814**	**15,614,463**	**13,640,916**
Total equity and liabilities		**19,572,774**	**17,295,245**	**19,563,569**	**17,297,255**

The financial statements were authorised for issue by the Board of Directors on 20·03 2023, and were signed on its behalf by:

Chairman: Omari Issa

Chairperson ARC: Ms. Zawadia Nanyaro

Managing Director: Maharage Chande

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

		Group		Company	
	Note	30 June 2022	30 June 2021 Restated	30 June 2022	30 June 2021 Restated
		TZS 'm	TZS 'm	TZS 'm	TZS 'm
Revenue	9	1,847,452	1,658,235	1,821,079	1,641,019
Cost of sales	10	(1,660,510)	(1,587,294)	(1,636,876)	(1,580,524)
Gross profit		**186,942**	**70,940**	**184,203**	**60,495**
Other income	11	435,317	602,130	435,066	601,705
Impairment of Financial Assets	12(a)	(12,148)	(2,697)	(11,799)	(2,338)
Operating expenses	12(b)	(345,841)	(518,307)	(340,143)	(512,374)
Operating profit		**264,270**	**152,067**	**267,327**	**147,488**
Interest income on bank deposits	13(b)	132	199	132	199
Finance cost	13(a)	(57,605)	(71,945)	(57,605)	(71,945)
Net finance cost		**(57,473)**	**(71,746)**	**(57,473)**	**(71,746)**
Profit before tax		**206,797**	**80,320**	**209,854**	**75,741**
Income tax (charge)	14	(97,343)	(3,176)	(95,954)	(1,689)
Profit for the year		109,454	77,144	113,900	74,052
Other comprehensive income (net of tax)					
Re-measurement of Defined Benefit Plan		(9)	(193)	(9)	(193)
Unrealized gain on equity		4,331	9,395	4,331	9,395
Deferred tax at 30%		(1,296)	(920,870)	(1,296)	(920,090)
Revaluation gain		-	3,060,364		3,057,766
Other Comprehensive income net of Tax		**3,025**	**2,148,696**	**3,025**	**2,146,878**
Total comprehensive profit for the year		**112,479**	**2,225,840**	**116,925**	**2,220,930**

GROUP AND COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

GROUP	Share capital	Advance towards share capital	Revaluation reserve	Fair value reserve of financial assets	Other Reserve	Accumulated losses	Total
	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Year ended 30 June 2022							
Balance at 01 July 2021	1,131,368	426,572	4,373,312	31,769	(242)	(2,328,348)	3,634,431
Impact of correction of errors							
Balance at 1st July 2021	1,131,368	426,572	4,373,312	31,769	(242)	(2,328,348)	3,634,431
Profit for the year	-	-	-	-	-	109,454	109,454
Other comprehensive income (OCI)	-	-	-	4,331	9	-	4,340
Total Comprehensive Income	-	-	-	4,331	9	109,454	113,974
Deferred tax liability	-	-	-	(1,299)	3	-	(1,296)
Transactions with owners:							
Advance towards Share capital		175,824					175,824
Balance as at 30 June 2022	1,131,368	602,396	4,373,312	34,801	(230)	(2,218,894)	3,922,752

GROUP AND COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

COMPANY	Share capital	Advance towards share capital	Revaluation reserve	Fair value reserve of financial assets	Other Reserve	Accumulated losses	Total
	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Year ended 30 June 2022							
Balance at 1st July 2021	1,131,368	426,572	4,371,493	31,769	(242)	(2,304,622)	3,656,339
Impact of correction of errors							
Balance at 1st July 2021	1,131,368	426,572	4,371,493	31,769	(242)	(2,304,622)	3,656,339
Profit/Loss for the year	-	-	-	-	-	113,900	113,900
Other comprehensive income:	-	-	-	4,331	9	-	4,340
Total Comprehensive income	-	-	-	4,331	9	113,900	118,240
Deferred tax			-	(1,299)	3		(1,296)
Transactions with owners:							
Advance towards Share capital		175,824					175,824
Balance as at 30 June 2022	1,131,368	602,396	4,371,493	34,801	(230)	(2,190,722)	3,949,106

GROUP AND COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

GROUP	Share capital	Advance towards share capital	Revaluation reserve	Fair value reserve of financial assets	Other Reserve	Accumulated losses	Total
	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Year ended 30 June 2021							
Balance at 01 July 2020	1,131,368	425,027	2,231,057	25,192	(107)	(2,226,467)	1,586,071
Impact of correction of errors(note 42)						(179,026)	(179,026)
Balance at 1st July 2020	**1,131,368**	**425,027**	**2,231,057**	**25,192**	**(107)**	**(2,405,492)**	**1,407,046**
Profit for the year	-	-	-	-	-	77,144	77,144
Other comprehensive income (OCI)	-	-	-	9,395	(193)	-	9,202
Total Comprehensive Income	-	-	-	9,395	(193)	77,144	86,346
Deferred tax liability on fair valuation	-	-	-	(2,819)	-	-	(2,819)
Revaluation adjustment	-	-	3,060,364	-	(58)	-	3,060,422
Deferred tax liability on Gain on revaluation of asset			(918,109)				(918,109)
Transactions with owners:							
Advance towards Share capital		1,545					1,545
Balance as at 30 June 2021	**1,131,368**	**426,572**	**4,373,312**	**31,769**	**(242)**	**(2,328,348)**	**3,634,431**

GROUP AND COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021 (Continued)

COMPANY	Share capital	Advance towards share capital	Revaluation reserve	Fair value reserve of financial assets	Other Reserve	Accumulated losses	Total
	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Year ended 30 June 2021							
Balance at 01 July 2020	1,131,368	425,027	2,231,057	25,192	(107)	(2,199,649)	1,612,889
Impact of initial of correction of errors(note 42)						(179,026)	(179,026)
Balance at 1st July 2020	**1,131,368**	**425,027**	**2,231,057**	**25,192**	**(107)**	**(2,378,674)**	**1,433,864**
Profit/Loss for the year	-	-	-	-	-	74,052	74,052
Other comprehensive income:	-	-	-	9,395	(193)		9,202
Total Comprehensive income				**9,395**	**(193)**	**74,052**	**83,254**
Deferred tax on revaluation of asset	-	-	(917,330)	-	-	-	(917,330)
Deferred tax liability on equity instrument			-	(2,819)	58		(2761)
Revaluation gain	-	-	3,057,766	-	-	-	3,057,766
Transactions with owners:							
Advance towards Share capital	-	1,545	-	-	-	-	1,545
Balance as at 30 June 2021	**1,131,368**	426,572	4,371,493	31,769	(242)	(2,304,622)	3,656,339

GROUP AND COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	Group 30 June 2022	Group 30 June 2021 Restated	Company 30 June 2022	Company 30 June 2021 Restated
		TZS 'm	TZS 'm	TZS 'm	TZS 'm
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operating activities	34	695,178	1,145,268	710,987	1,143,020
Tax Liability	35	(23,807)	(8,604)	(21,875)	(6,400)
Net cash generated from operating activities		**671,371**	**1,136,664**	**689,112**	**1,136,620**
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to capital work in progress	49	(2,080,620)	(2,388,319)	(2,079,084)	(2,381,573)
Transfer to subsidiary Property & Equipment	49	-	(1,528)		-
Addition of intangible	18	(12)			
Acquisition of subsidiary		-	-	(7,527)	(8,559)
Net cash used in investing activities		**(2,080,632)**	**(2,389,847)**	**(2,086,611)**	**(2,390,132)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings	43	81,677	40,422	81,677	40,422
Loan repayments	44	(45,455)	(14,820)	(45,455)	(14,820)
Change in restricted cash					
Proceeds from grants	45	1,359,810	1,521,387	1,359,810	1,521,387
Proceeds towards share capital			1,545		1,545
Net cash generated from financing activities		**1,396,032**	**1,548,534**	**1,396,032**	**1,548,534**
Net increase/(decrease) in cash and cash equivalents		**(13,229)**	**295,351**	**(1,466)**	**295,021**
Cash and cash equivalents at beginning of year		451,797	156,446	430,432	135,410
(Decrease)/Increase during the year		(13,229)	295,351	**(1,466)**	295,021
Cash and cash equivalents at end of year	27	**438,568**	**451,797**	**428,965**	**430,431**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1.0 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 2022 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:
Dar es Salaam Road,
P.O. Box 453,
Dodoma, Tanzania

2.0. 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.Addittionally, the statements have been prepared compliant to the laid down company's accounting policies and procedures as detailed in Note 7.

The consolidated financial statements have been prepared on a historical cost basis, except for on lent loans borrowed by the Government on behalf of the Company, which have been measured at fair value because interests on the on lent loans are concessionary.

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). Accordingly, as per IFRS 10, the Company is required to prepare consolidated financial statements which include financial statement of the parent Company and its Subsidiaries.

3.0 FUNCTIONAL AND PRESENTATION CURRENCY

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

4.0 USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated and separate financial statements is in conformity with International Financial Reporting Standards (IFRS) which require management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. In the preparation of these consolidated and separate financial statements the company has made judgements and estimates which are detailed as follows:

4.1 Judgements

The Management has applied judgements on the following areas which have significant effects on the consolidated and separate financial statements, the areas includes:

(a) Consolidation whether the Company has de facto control over a Subsidiary or an investee,

(b) Determination of impairment of trade and other receivables as per IFRS 9 - Financial Instruments.

4.2 Estimates

In the course of preparation of financial statements Management has made estimates on the following areas;

(a) Property, Plant & Equipment

Management has made estimates in determining depreciation rates and useful life for property, plant and equipment. The rates used are set out in note 7(d).

(b) Income Tax

Current income tax asset and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

(c) Trade and Other Receivables Provisioning

Management has made estimates in determining fair value of trade and other receivable as per IFRS 9 -Financial Instruments. The expected credit loss is based on assumptions about risk of default and expected loss rates. The Management uses judgement in making these assumptions.

(d) Impairment Provisions for PPE

Management has made estimates in determining the carrying amount of impaired property, plant and equipment.

(e) Asset Retirement Obligation (ARO)

In determining provision for costs expected in the future to dismantle the power generation plants (hydro power plants and gas power plants), management has applied estimates in establishing future cash outflows as per IFRS 16-Property Plant & Equipment.

(f) Estimation of Deferred Revenue for Prepaid Meters

Management has estimated provision for deferred revenue for prepaid meters using the following model.

Deferred Revenue Model

Tariff	T1		D1	
Class	Deferred Units (DU)	Deferred Revenue (DR)	Deferred Units (DU)	Deferred Revenue (DR)
A	11%PU	Unit Cost*DU_A	8%PU_A	Unit Cost*DU_A
B	4%PU	Unit Cost*DU_B	16%PU_B	Unit Cost*DU_B
C	14%PU	Unit Cost*DU_C	5%PU_C	Unit Cost*DU_C

4.3 Measurement of Fair Values

Management has maintained its overall responsibility for overseeing all significant fair value measurements as per IFRS 13-Fair Value Measurement.

5.0 NEW STANDARDS AND INTERPRETATIONS ISSUED

(a) Onerous contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate.

The comparatives are not restated. The Group has analyzed the contracts existing at 30 June 2022 and determined that if it considered both the incremental costs and an allocation of other direct costs to fulfil the contracts for the purposes of the onerous contracts assessment, as required by the amendments, then none of these contracts would be identified as onerous.

(b) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences - e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023.

(c) Other standards

The following new and amended standards are not expected to have a significant impact on the Group and Company's financial statements;

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).
- Annual Improvements to IFRS Standards 2018-2020.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement

6.0 GOING CONCERN

The Company has prepared these financial statements based on going concern, that is, the group will meet its obligations and continue its business for the foreseeable future. The going concern basis is backed up by the following aspects;

(a) Profitability

For the past three years the company has been recording profits. For the year ended 30th June 2022 the company made a profit of TZS 124,644 million.

(b) Strategic Projects

The company has been implementing a number of strategic projects which include Generation, Transmission and Distribution projects, these projects are aimed at increasing revenue and reducing generation cost thereby increasing profitability. Some examples of these strategic projects include;

i. The ongoing construction of Julius Nyerere Hydro Power Project 2115MW (JNHPP) funded by the Government at an estimated cost of TZS 6.5 trillion. Upon completion of this project the Company will instantly lower the generation cost significantly. As at the year end, the company through the Government has so far spent a total of TZS 1.5 trillion for project.

ii. 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.

b. Government Support

The Government of the United Republic of Tanzania has continued to support the company financially in implementation of its strategic projects. Additionally, the Government has been financing rural electrification through its agency (REA) and ultimately handing over the completed projects to the company as Government grants. For example, REA III Round 1 Project cost is estimated at TZS 1.1 trillion and intends to supply electricity to a total of 3,359 villages with 180,768 customers.

On the other hand, the Government has been providing guarantee to the company on obtaining funds from development partners and commercial banks.

All the above initiatives are expected to significantly improve the Company's ability to continue operating as a going concern for the foreseeable future.

7.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

In the context of preparation of group accounts, the concepts namely Subsidiary, Non-controlling interest, loss of control and elimination are construed as follows;

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 derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

iv. **Transaction Elimination**

Intra-Company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized 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 include 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, and it is recognized compliant to IFRS 15. This IFRS 15 stipulates that revenue is recognized based on five-step model detailed as follows;

(i) 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;

(ii) The Group can identify each party's rights regarding the goods or services to be transferred;

(iii) The Group can identify the payment terms for the goods or services to be transferred;

(iv) 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

(v) 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

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

(d) Property, Plant & Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and are expected to be used during more than one period.

Recognition, measurement and de-recognition of PPE are in compliance to IAS 16 and company's fixed asset policy.

Initially all categories of property, plant and equipment are recognized and measured at historical cost less depreciation and accumulated impaired losses. This historical cost includes expenditure that is directly attributable to the acquisition of the items. However, Leasehold land is amortised over the period of the lease.

On Subsequent measurement the company uses revaluation model whereby all categories of property, plant and equipment are measured at fair value all asset are revalued after 5 years by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross value of an asset.

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 are charged against revaluation reserve directly in equity whereas all other decreases are charged to profit or loss.

Depreciation on 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	20 - 50 years
Thermal-generation equipment	15 - 50 years
Transmission systems	20 - 60 years
Distribution systems	10 - 60 years
Buildings	50 years
Motor vehicles	4 - 15 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 put 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 recognized 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 an asset held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business.

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

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

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

(f) Capital Work in Progress

Capital work in progress represents the costs incurred for capital projects that are under construction and are stated at cost. The cost comprises the cost of materials, labour, overheads and spares. The capital works in progress 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. Intangible asset of the company contains license from EWURA and software (Luku, AMR, Hiafinity, Distribution design, iScala and Audit Management system) and it is amortised over 3 years.

(h) Restricted Deposits/Funds

Restricted deposits/funds consist 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.

(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 service 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 liability as deferred income .

-Capitalized borrowing cost

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

(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 recognized in profit or loss in the period in which they arise.

(m) Inventories

Inventories are assets held for sale in the ordinary course of business or in the process of production for such sale or in the form of material or supplies to be consumed in the production process or in the rendering of service (IAS 2).

In the context of these financial statements inventory comprising engine and vehicle parts, combustibles, and other electrical equipment are stated at cost based on the competitive price of bidders. Provision is made for the full value of obsolete inventories and stocks which are surplus to requirements. Obsolete items are materials or spares which have no further use due to obsolescence, technological changes or other factors.

(n) 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.

Immediately before classification as held-for-sale, the assets, or components, are re-measured 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 recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.
Once classified as held-for-sale intangible assets and property, plant and equipment are no longer amortized or depreciated.

(o) Taxation

(i) Income Tax

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

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 recognized directly in equity is recognized in equity and not in the statement of profit or loss.

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 recognized for all taxable temporary differences except:

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

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

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

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.

(ii) 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.

(iii) 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.

(p) Financial Instruments

Financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. All financial instruments of the Group are classified as financial assets and financial liabilities or equity instrument. Financial instruments may be offset and de-recognized depending on prevailing circumstances.

(i) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is 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.

(ii) De-Recognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised (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.

(q) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, all 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.

(r) 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.

(s) Deferred income

(i) Grants

Government grants received relating to the creation of electrification assets or any other kind of asset 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 company with no future related costs, are recognised in profit or loss within other operating income for the period in which they become receivable.

(ii) Capital Contributions Received from Customers

The contributions received from customers are recognized as advance and thereafter credited to profit or loss within other operating income immediately when the customer is connected to the electricity network.

(t) Finance Income

Finance income comprises interest received on outstanding monies and upward adjustments to the fair value of a provision, financial liability or financial asset, gain on derivatives, net foreign exchange gain and interest income on lease receivables.

Interest income is recognised as it accrues, in profit or loss, using the effective interest method and dividend income as declared in the other investment.

(u) Other Operating Income

Other operating income comprises gains or losses on disposals of assets, amounts from amortization of deferred government grants, customers' contributions, government revenue grants, donors' revenue grants, rental income and other miscellaneous income.

(v) 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 are recognised in profit or loss.

(w) Employee Benefit Obligation

(i) 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.

Effective from March 2019 all Group's employees were enrolled with the Public Service Social Security Fund (PSSSF). Both Group and employees contribute a total of 20% of the employees' gross salaries to the pension funds.

(ii) 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 period length of service. This arrangement 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 and recognizes current and interest service costs to Defined Benefit Plans in employee benefit expense in profit or loss and actuarial gains or losses arising from defined benefit plans immediately in other comprehensive income (OCI).

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 or losses on the settlement of a defined benefit plan when the settlement occurs.

For Defined Benefit Plan, the amount recognized in the statement of financial position is the present value of the defined benefit obligation (that is, the present value of the expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

(iii)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. Re-measurements are recognised in profit or loss in the period in which they arise.

(x) Share Capital and Advances towards Share Capital

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

Advances towards Share Capital entail monies received from the government in its capacity as a shareholder and fair value gains or losses on low interest loans from the Government. These are accounted for as advances towards share capital.

(y) Customer deposits

(i) 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.

(ii) Consumer Deposits

TANESCO Post-paid customers who expect to enter into power supply contracts with the company are required to make advance payments before they are connected with the power supply. These advance payments named as consumers' energy deposits are required as a way of mitigating risk of non-recovery of outstanding balances in respect of consumed energy by those post-paid customers who intend to terminate their contracts with the company, and those who default to pay their bills.

The Group has established a model to be used in realizing advances as income in respect of monies received as consumer energy deposits by post-paid customers of which the likelihood of a claim is minimal. The model provides that each year 50% of the energy deposits balance will be realized as income for a period of 10 years.

8.0 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

8.1 Financial Instruments (excluding derivatives)

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;

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.

(a) Financial Assets (excluding derivatives)

(i) Classification

Financial assets are classified into the following categories:

- **Financial Assets at Amortized cost**
  A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss;

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

  -it is held within a business model whose objective is to hold assets to collect contractual cash flows.

- **Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)**
  A financial asset is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss;

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

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

- **Financial Assets at Fair Value through Profit or Loss (FVTPL)**
  All financial assets not classified as measured at amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss.

(ii) Measurement

- **Initial recognition**

Financial assets are initially measured at fair value on the date of commitment to purchase (trade date). The transaction price is generally the best indicator of fair value. If a contract with a customer has a significant financing component, the related financial asset is initially measured at the transaction price excluding the time value of money.

Where the fair value of a financial asset is different to the transaction price, a day-one gain or loss may arise.

If the fair value has been determined based on market-observable data, the whole day-one gain or loss is recognized immediately in profit or loss.

If the fair value has not been based on market-observable data, the day-one gain or loss is deferred in the statement of financial position and amortized over the term of the instrument in profit or loss.

Any directly attributable transaction costs are included in the initial measurement of financial assets except for financial assets at fair value through profit or loss where directly attributable transaction costs are recognized in profit or loss.

- **Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified into the following categories:

- Financial Assets at Amortized cost

Financial assets are measured at amortized cost after initial recognition using the effective interest rate method less any accumulated impairment losses. Interest income, foreign exchange gains and losses and impairments are recognized in profit or loss.

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

- Financial Assets at Fair Value through Other Comprehensive Income

Financial assets at fair value through other comprehensive income are measured at fair value after initial recognition. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairments are recognized in profit or loss.

Other net gains and losses are recognized in other comprehensive income.

-Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are measured at fair value after initial recognition. Changes in the fair value after initial recognition (including any interest or dividend income) are recognized in profit or loss.

(iii) **Impairment**

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 30 and 120 days past due for Government and Private entities respectively. 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.

(iv) De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognized (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 the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

(b) Financial liabilities (excluding derivatives)

(i) Classification

Financial liability balances have been classified as either amortized cost or other liabilities.

(ii) Measurement

- **Initial recognition**

Financial liabilities are measured at fair value on the date of commitment (trade date). Where financial liabilities are carried at amortized cost, transaction costs are included in the value of the financial liability. Where financial liabilities are carried at fair value through profit or loss, transaction costs are recognised in profit or loss.

- Subsequent measurement

Financial liabilities at amortized cost are measured at amortized cost using the effective interest method. Financial liabilities classified as at fair value through profit or loss are measured at fair value. The group did not designate any financial liabilities at fair value through profit or loss.

(iii) De-recognition

A financial liability should be removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognized in profit or loss.

8.2 Financial Risk Management

The group maintains an integrated risk and management framework comprising governance structures, management policies and guidance standards with a focus on risk assessments, treatment plans, monitoring and reporting. The management of financial risks, as defined by IFRS 7 Financial instruments: disclosures, falls within these overarching structures, policies and standards.

The management of financial risks is delegated by the board to the audit and risk committee. Day-to-day management of financial risks is carried out in the area in which the risks arise. Risk assessments, treatment plans and monitoring measures are reported to the audit and risk committee on a quarterly basis.

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.

The Group has exposure to the credit risk, liquidity risk, market risk, foreign exchange risk, currency risk and interest rate risk.

8.3 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 has well-established credit control measures for minimizes credit risk from its trade receivables that include:

- Prompt disconnection of customers with overdue balances
- Conversion of customers to prepayment

- Use of debt collectors
- Taking legal measures such as issuing letters of demand
- Negotiation of mutually acceptable payment arrangement

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:

	Group 2022	2021	Company 2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Cash and cash equivalents	438,568	451,796	428,965	430,431
Restricted deposits/funds		-		-
Trade receivables	311,823	293,489	292,142	277,069
Other receivables*	78,944	406,088	70,699	409,365
	829,335	**1,151,373**	**794,806**	**1,116,865**

*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.

Cash and cash equivalents

The Group held cash and cash equivalents of TZS 438,568 million (Company: TZS 428,965 million) at 30 June 2022 (2021: TZS 451,796 million for Group and TZS 430,431 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.

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.

Group	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 30 June 2022						
Borrowings	1,840,095	1,840,095	287,459	312,911	55,162	1,472,023
Trade and other payables	2,590,842	2,590,842	2,590,843	-	-	-
	4,430,937	4,430,937	2,878,302	312,911	55,162	1,472,023

Company	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 30 June 2022						
Borrowings	1,840,095	1,870,095	287,460	312,911	55,162	1,472,023
Trade and other payables	2,576,887	2,576,887	2,576,886	-	-	-
	4,416,982	4,416,982	2,864,346	312,911	55,162	1,472,023

Group	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 30 June 2021						
Borrowings	1,521,253	1,521,253	314,097	347,658	63,545	1,152,173
Trade and other payables	2,365,819	2,365,819	2,365,819			
	3,887,072	3,887,072	2,679,916	347,658	63,545	1,152,173

Company	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 30 June 2021						
Borrowings	1,521,253	1,521,253	314,097	347,658	63,545	1,152,173
Trade and other payables	2,367,346	2,367,346	2,367,346			
	3,888,600	3,888,600	2,681,444	347,658	63,545	1,152,173

(iii) Market risk

Market risk is the risk that fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rate, , interest rates or equity prices. These changes 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.

(iv) 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)	2022		2021	
Group	USD	EURO	USD	EURO
Trade and other receivables	19,643	-	19,643	-
Cash and cash equivalents	115,527	17,465	8,976	(649)
Borrowings	(227,687)	(96,994)	(204,551)	(68,064)
Trade and other payables	(279,728)	(915)	(198,093)	(2,344)
Net exposure	**(372,245)**	**(80,444)**	**(374,026)**	**(71,056)**
Company				
Trade and other receivables	19,643	-	19,643	-
Cash and cash equivalents	115,527	17,465	8,976	(649)
Borrowings	(227,687)	(96,994)	(204,551)	(68,064)
Trade and other payables	(279,728)	(915)	(198,093)	(2,344)
Net exposure	**(372,245)**	**(80,444)**	**(374,026)**	**(71,056)**

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

	Average rate		Reporting rate	
	2022	2021	2022	2021
USD	2,304	2,299	2,316	2,310
Euro	2,434	2,733	2,446	2,747
GBP	2,817	2,742	2,832	3,196
Rand	143	160	143	161
SEK	227	269	228	271
JPY	17	21	17	21
SDR/UA	3,102	3,284	3,117	3,301

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.

Group	Strengthening		Weakening	
	Profit or loss	Equity*	Profit or loss	Equity*
30 June 2022				
USD-10% movement (Loss)/gain	(37,224)	(26,057)	37,224	26,057
Euro-10% movement (Loss)/gain	(8,044)	(5,631)	8,044	5,631
30 June 2021				
USD-10% movement (Loss)/gain	(37,403)	(26,182)	37,403	26,182
Euro-10% movement (Loss)/gain	(7,106)	(4,974)	7,106	4,974

Company	Strengthening	Weakening		
	Profit or loss	Equity*	Profit or loss	Equity*
30 June 2022				
USD-10% movement (Loss)/gain	(37,224)	(26,057)	37,224	26,057
Euro-10% movement (Loss)/gain	(8,044)	(5,631)	8,044	5,631
30 June 2021				
USD-10% movement (Loss)/gain	(37,403)	(26,182)	37,403	26,182
Euro-10% movement (Loss)/gain	(7,106)	(4,974)	7,106	4,974

*Figures are presented net of tax.

Cash flow and fair value interest rate risk

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

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

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

	Group Carrying amount		Company Carrying amount	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Fixed rate instruments				
Financial assets	-	-		-
Financial liabilities	(1,840,095)	(1,521,253)	(1,840,095)	(1,521,253)
	(1,840,095)	**(1,521,253)**	**(1,840,095)**	**(1,521,253)**
Variable rate instruments				
Financial assets		-		-
Financial liabilities	(519,233)	(494,216)	(519,233)	(494,216)
	(519,233)	**(494,216)**	**(519,233)**	**(494,216)**

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.

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.

	Group Profit or loss		Company Profit or loss	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
2022				
Variable rate instruments	(5.19)	5.19	(5.19)	5.19
	(5.19)	**5.19**	**(5.19)**	**5.19**
2021				
Variable rate instruments	(4.94)	4.94	(4.94)	4.94
	(4.94)	**4.94**	**(4.94)**	**4.94**

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 2022 and 30th June 2021 were as follows:

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Total borrowings	1,840,095	1,502,031	1,840,095	1,502,031
Less: cash and cash equivalents	(438,981)	(451,796)	(429,378)	(430,431)
Net debt	**1,401,115**	**1,069,165**	**1,410,718**	**1,090,530**
Total equity	3,922,753	3,634,431	3,949,106	3,656,339
Gearing ratio	0.36	0.29	0.36	0.30

9.0 REVENUE

	Group		Company	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Domestic low usage	38,316	36,652	38,316	36,652
General use	899,028	816,915	899,028	816,915
Low voltage supply	179,686	163,577	179,686	163,577
High voltage supply	560,560	507,765	560,560	507,765
Zanzibar Electricity Corporation	98,381	83,229	98,381	83,229
ZECO Pemba	8,737	7,843	8,737	7,843
Bulyanhulu Gold Mines	36,371	25,038	36,371	25,038
Revenue derived by TCPM from DERM	645	-	-	-
Revenue derived by ETDCO from REA	25,728	17,216	-	-
	1,847,452	**1,658,235**	**1,821,079**	**1,641,019**

10.0 COST OF SALES

	Group		Company	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Generation and transmission expenses	768,632	614,961	768,632	614,961
Purchased electricity	207,754	260,585	207,754	260,585
Distribution expenses	348,445	288,285	348,445	288,285
Depreciation	312,045	416,693	312,045	416,693
3Cost of Sales - Subsidiaries	23,634	6,770	-	
	1,660,510	1,587,294	1,636,876	1,580,524

11.0 OTHER OPERATING INCOME

	Group		Company	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Government contribution	121,244	-	121,244	-
4Customer contributions on works orders	40,916	67,615	40,916	67,615
Gas sales by Songas	30,256	27,191	30,256	27,191
Revenue Grant from various donors	1,928	2,674	1,928	2,674
Interest on overdue electricity bills	4,177	2,604	4,177	2,604
Reconnection fees	19	19	19	19
Rental income	1,021	1,163	1,021	1,163
Profit on disposal of property, plant and equipment	66	-	66	-
Related Party Income		-		-
Amortization of deferred capital grants (Note 29)	120,517	115,480	120,287	115,242
Amortization of Fair Valuation of Loan	19,010	16,999	19,010	16,999
Foregn exchange difference	79,639	7,329	79,639	7,329
Other miscellaneous income	16,524	361,056	16,503	360,869
	435,317	602,130	435,066	601,705

12.0 (a) IMPAIRMENT OF FINANCIAL ASSETS

	Group		Company	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Expected Credit Losses				
Trade and other receivable	12,024	2,562	11,676	2,202
Bank deposits	124	135	123	136
	12,148	2,697	11,799	2,338

12 (b) OPERATING EXPENSES BY NATURE

	Group		Company	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Staff costs (note 15)	94,270	89,387	91,505	86,825
Depreciation	25,664	23,239	24,642	22,558
Amortisation of intangibles	3,208	3,388	3,178	3,343
Write (off)/back of provision for obsolete inventories	344	21	344	21
Repairs and maintenance costs	2,751	2,507	2,711	2,051
Legal expenses	122,902	314,068	122,888	314,068
Consultancy expenses	4,954	1,357	4,954	1,357
Transport and travel expenses	21,226	16,863	20,571	16,057
Audit fees	969	868	969	868
Insurance	9,611	13,699	9,611	13,699
Bank charges and commission	722	1,097	693	1,072
Cable and telegram (bandwidth)	13,426	15,730	13,426	15,700
Contribution to Govt of Tanzania	2,038	1,724	2,038	1,724
Advertisement expenses	2,498	1,781	2,450	1,713
Security expenses	5,528	4,530	5,477	4,483
Consumable office and	330	365	192	176
Other administration expenses	24,244	16,505	23,340	15,481
Suppliers interest	11,156	11,178	11,154	11,179
	345,841	**518,307**	**340,143**	512,374

Depreciation on property, plant and equipment charged to:

- *Cost of sales*	312,045	416,694	312,045	416,694
- Operating expenses	25,665	23,239	24,642	22,558
Total depreciation charge (Note 16)	**337,710**	**439,932**	**336,688**	**439,252**

13.0 FINANCE COST - NET

	Group		Company	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
(a) Finance cost	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Foreign exchange loss on borrowings	110	13,955	110	13,955
Interest expense	31,228	31,853	31,228	31,853
Discount unwinding on borrowing	26,267	26,137	26,267	26,137
	57,605	**71,945**	**57,605**	**71,945**
Discount unwinding relates to the following borrowings;				
Government on lent IDA (Note 30(q)))	7,257	6,830	7,257	6,830
Government of Tanzania (Deferred capacity charges) [Note 30©]		-		-
EDCF(KOREA)- TEDAP	1,567	1,496	1,567	1,496
A-F - Electricity V	1,522	1,556	1,522	1,556
OPTICAL CABLE (Long term) TA 3569		-		-
EIB- BTIP	90	455	90	455
IDA Credit 4798 TA-BTIP	3,419	3,731	3,419	3,731
EDCF(KOREA) BTIP	2,220	2,118	2,220	2,118
ADF - BTIP	2,211	1,929	2,211	1,929
ADF-KTPIP	1,215	1,247	1,215	1,247
JICA - BTIP	2,364	2,906	2,364	2,906
JICA-KTPIP	2,625	2,396	2,625	2,396
ADF-RUSUMO	279	141	279	141
AFD Geita Nyakanazi	243	220	243	220
OFID Bulyahulu Geita	254	236	254	236
AFD Grid Rehab and Upgrade project	286	352	286	352
BADEA		246		246
IDA Credit -TAZA	267	277	267	277
TANESCO Solar Development Project	175		175	
Malagarasi Hydro Power Project	4		4	
	26,267	**26,137**	**26,267**	**26,137**
(b) Finance income on bank deposits	**132**	**199**	**132**	**199**

14 INCOME TAX CHARGE

	Group		Company	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Current tax charge	1,539	1,611	-	
Deferred income tax (credit)/charge	85,021	(7,967)	85,199	(7,841)
Tax charge-late filing of returns	2			
Tax difference	29			
Alternative Minimum Tax (AMT)	10,752	9,532	10,755	9,530
	97,343	3,176	95,954	1,689

15.0 EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Staff costs charged to cost of sales and operating expenses accounts comprise:				
Salaries and wages	259,959	253,239	259,959	253,239
Social security costs (defined contribution scheme)	20,079	20,724	20,079	20,724
Long service awards (other employee benefits)	2,454	1,715	2,454	1,715
Skills and Development Levy	8,744	8,383	8,744	8,383
	291,236	284,062	291,236	284,062
Classified as:				
Cost of sales	199,732	197,237	199,732	197,237
Operating expenses	91,505	86,825	91,505	86,825
	291,236	284,062	291,236	284,062

16.0 PROPERTY, PLANT AND EQUIPMENT

Group	Hydro generation	Thermo generation	Transmission systems	Distribution systems	Land and Buildings	Motor vehicles	Strategic spares	Office equipment	Total
	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Cost/Valuation									
Balance at 1 July 2021	701,731	2,159,120	2,202,223	5,090,031	415,62	43,260	73,489	97,142	10,782,626
Additions (Transfer from CWIP)	-	174,767	96	521,661	3,815	6,152	287	11,719	718,497
Scrap				(11,481)		(2)			(11,483)
Disposal						(15)			(15)
Balance at 30 June 2022	**701,731**	**2,333,887**	**2,202,319**	**5,600,211**	**419,444**	**49,395**	**73,776**	**108,861**	**11,489,625**
Accumulated depreciation and impairment losses									
Balance at 1 July 2021	-	-	-	-	66	883	-	1,500	2,449
Depreciation for the period	15,631	103,640	46,647	143,680	4,034	9,305	2,447	12,250	337,634
Disposal						(3)			(3)
Scrap				(234)					(234)
Balance at 30 June 2022	**15,631**	**103,640**	**46,647**	**143,446**	**4,100**	**10,185**	**2,447**	**13,750**	**339,846**
Carrying Amounts									
At 30 June 2021	701,731	2,159,120	2,202,223	5,090,031	415,563	42,378	73,489	95,717	10,780,252
At 30 June 2022	686,100	2,230,247	2,155,672	5,456,765	415,344	39,210	71,329	95,111	11,149,779

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Hydro generation	Thermo generation	Transmission systems	Distribution systems	Land and Buildings	Motor vehicles	Strategic spares	Office equipment	Total
	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Cost/Valuation									
Balance at 1 July 2021	701,731	2,159,120	2,202,223	5,090,031	411,833	40,500	73,489	93,047	10,771,974
Additions (Transfer from CWIP)	-	174,767	96	521,661	3,815	5,287	287	11,194	717,108
Scrap				(11,481)		(2)			(11,483)
Disposals						(15)			(15)
Balance at 30 June 2022	701,731	2,333,887	2,202,319	5,600,212	415,649	45,770	73,776	104,241	11,477,385
Accumulated depreciation and impairment losses									
Balance at 1 July 2021	-	-	-	-	-	-	-	-	-
Depreciation for the period	15,631	103,640	46,647	143,680	4,012	8,855	2,447	11,775	336,688
Disposal						(3)			(3)
Scrap				(234)					(234)
Balance at 30 June 2022	15,631	103,640	46,647	143,447	4,012	8,852	2,447	11,775	336,450
Carrying Amounts									
At 30 June 2021	701,731	2,159,120	2,202,223	5,090,031	411,833	40,500	73,489	93,047	10,771,974
At 30 June 2022	686,100	2,230,247	2,155,672	5,456,7656	411,636	36,919	71,329	92,466	11,141,134

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Hydro generation	Thermo generation	Transmission systems	Distribution systems	Land and Buildings	Motor vehicles	Strategic spares	Office equipment	Total
	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Cost/Valuation									
Balance at 1 July 2020	762,212	1,915,503	1,868,928	3,905,138	323,693	105,067	64,906	162,675	9,108,123
Additions (Transfer from CWIP)	-	77,000	124,166	559,084	8,709	15,251	2,147	21,194	807,551
Revaluation adjustment	186,647	527,530	493,802	1,697,366	104,419	15,572	15,657	19,369	3,060,364
Reclass from investment property					906				906
Held for repair				(695)					(695)
Disposal								(17)	(17)
scrap				(1,267)					(1,267)
Writeoff revaluation	(242,853)	(360,913)	(284,673)	(1,073,870)	(22,098)	(92,630)	(9,221)	(106,003)	(2,192,262)
Balance at 30 June 2021	**706,006**	**2,159,120**	**2,202,223**	**5,085,756**	**415,629**	**43,260**	**73,489**	**97,218**	**10,782,701**
Accumulated depreciation and impairment losses									
Balance at 1 July 2020	210,913	269,680	221,134	846,110	16,738	87,268	7,060	95,125	1,754,029
Depreciation for the period	31,941	91,233	63,539	227,820	4,610	6,244	2,161	12,384	439,932
Reclass from Inv Property					815				815
Held for repair				(10)					(10)
Disposal								(7)	(7)
Scrap				(49)					(49)
Writeoff on revaluation	(242,854)	(360,913)	(284,673)	(1,073,870)	(22,098)	(92,630)	(9,221)	(106,003)	(2,192,262)
Balance at 30 June 2021	-	-	-	-	66	883	-	1,500	2,449
Net Book Value									
As at 30 June 2021	706,006	2,159,120	2,202,223	5,085,756	415,563	42,377	73,489	95,718	10,780,252
As at 30 June 2020	551,299	1,645,823	1,647,794	3,059,028	306,955	17,799	57,847	67,549	7,354,094

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Hydro generation	Thermo generation	Transmission systems	Distribution systems	Land and Buildings	Motor vehicles	Strategic spares	Office equipment	Total
	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Cost/Valuation									
Balance at 1 July 2020	762,212	1,915,503	1,868,928	3,905,255	320,913	103,789	64,906	160,063	9,101,570
Additions (Transfer from CWIP)	-	77,000	124,166	559,084	8,577	14,527	2,147	20,455	805,957
Revaluation adjustment	186,647	527,530	493,802	1,697,249	103,534	14,813	15,657	18,532	3,057,766
Reclass from investment property					906				906
Held for repair				(695)					(695)
Disposal									
scrap				(1,267)					(1,267)
Writeoff revaluation	(242,853)	(360,913)	(284,673)	(1,073,870)	(22,098)	(92,630)	(9,221)	(106,003)	(2,192,262)
Balance at 30 June 2021	**706,006**	**2,159,120**	**2,202,223**	**5,085,756**	**411,833**	**40,500**	**73,489**	**93,047**	**10,771,974**
Accumulated depreciation and impairment losses									
Balance at 1 July 2020	210,913	269,680	221,134	846,110	16,697	86,654	7,060	94,006	1,752,254
Depreciation for the period	31,941	91,233	63,539	227,820	4,585	5,976	2,161	11,997	439,252
Reclass from Inv Property					815				815
Held for repair				(10)					(10)
Disposal									
Scrap				(49)					(49)
Writeoff on revaluation	(242,854)	(360,913)	(284,673)	(1,073,870)	(22,098)	(92,630)	(9,221)	(106,003)	(2,192,262)
Balance at 30 June 2021	-	-	-	-	-	-	-	-	-
Net Book Value									
As at 30 June 2021	706,006	2,159,120	2,202,223	5,085,756	411,833	40,500	73,489	93,047	10,771,974
As at 30 June 2020	551,299	1,645,823	1,647,794	3,059,145	304,216	17,135	57,847	66,057	7,349,315

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, plant and equipment were revalued as at 30th June, 2021 by a professional Asset valuation Consultant, M/S Land Masters Combine Limited of Dar es Salaam, Tanzania in association with Rodney Hyman Expert Valuer of Sydney Australia, and International Valuation Services (IVS) of Gaborone, Botswana.

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
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. The Company has used the Market approach for land. 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). 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.	(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) 2021 Indicative land rates published by the Ministry of Lands, Housing and Human Settlements (for benchmarking land rates).

17.0 CAPITAL WORK IN PROGRESS

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
At start of year	4,535,557	2,609,676	4,517,239	2,596,705
Capitalised borrowing costs	5,886	1,462	5,886	1,462
*Transfer from stores	197,112	202,580	197,112	202,580
Expenditure during the year	2,931,323	2,512,406	2,945,741	2,522,449
	7,669,878	**5,327,718**	**7,665,978**	**5,323,196**
Transfer to subsidiary	-	-	-	-
Transfer to stores	-	-		-
Transferred to property, plant and equipment	(718,497)	(807,551)	(717,108)	(805,957)
At end of year	**6,951,381**	**4,520,167**	**6,948,870**	**4,517,239**

* The Group classifies specific inventory items from inventory to capital work in Progress. These items include 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 197 billion (30th June 2021: TZS 202 billion) from inventory to Capital Work in progress.

18.0 INTANGIBLE ASSETS

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
At the start of year	9,728	8,677	9,703	8,605
Addition during the year	188		188	-
Addition during the year-subsidiary	12			
Amortization charge	(3,207)	(3,389)	(3,179)	(3,342)
Revaluation adjustment		4,440		4,440
At the end of the year	6,721	9,728	6,712	9,703

The intangible assets contain License and Software (Hiaffinity, Distribution Design, Audit Management, EBG LUKU System, Automatic Meter Reading Software). The License paid to EWURA for Electricity generation, Electricity distribution and cross border trade, Electricity supply, Electricity transmission and cross border trade, each licence will for term of twenty years commencing from 1st March 2013 TANESCO paid Licence fees amounting to USD 240,000(TZS 553 million), and Software available for the period under reviews.

19.0 INVESTMENT PROPERTY

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Cost				
Balance at beginning of the year		906		906
Additions		(906)		(906)
At the end of the year		-		-
Accumulated depreciation				
Balance at start of year		(815)		(815)
Depreciation charge for the year		815		815
At the end of the year		-		-
Net Book value at the end of year		-		-

The Group investment property comprises the property leased to the Consortium of medical doctors - Tumaini Hospital at Magore Street. During the year ended 30 June 2022, investment property rentals were not recognized as the result of court judgement of which the lessee has been directed by the court to evacuate the premises. Currently, the lessee undergo liquidation and liquidator have been appointed. The Group reclassified the investment property to Property, plant and equipment (PPE).

20.0 INVESTMENT IN SUBSIDIARIES

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Investment in Tanzania Geothermal Development Company Limited	-	-	31,283	25,372
Investment in ETDCO	-	-	16,950	16,677
Investment in TCPM	-	-	4,852	3,509
Balance at 30 June	-	-	**53,085**	**45,558**

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

21.0 INVESTMENT IN ASSOCIATES

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Investment in Shangtan Power Generation Company Limited	-	-	-	-
Additions during the year	-	-	-	-
Share of Comprehensive loss for the year				
Balance at 30 June	-	-	-	-

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. Due to liquidation procedure of which is in process, the Group did not manage to obtain the financial statements of its associate from which its attributable loss expected to be included in the consolidated financial statement.

21. INVESTMENT IN ASSOCIATE (Continued)

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

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Carrying amount of interest in associates	702	208	3,679	3,184
Share:				
Revaluation of exchange rate	8	494	8	494
Comprehensive loss for the year		-		-
Balance at 30 June	710	702	3,687	3,678

22. OTHER INVESTMENTS

		Group		Company	
		2022	2021	2022	2021
		TZS 'm	TZS 'm	TZS 'm	TZS 'm
East African Cables Limited	(a)	341	1,216	341	1,216
Songas Limited	(b)	44,592	34,322	44,592	34,322
		44,933	35,538	44,933	35,538
Add: Fair Value changes					
East African Cable Ltd		(239)	(875)	(239)	(875)
Songas		4,570	10,270	4,570	10,270
		49,264	44,933	49,264	44,933

As at 30 June 2022, 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 company engages in the manufacture and sales of electric cables and conductors as well as distribution of telecom, structured, fibre optic cables and accessories. The fair value of the investment is amounting to a loss of TZS 239 million as the result of Share valuation performed during the period. Therefore, the fair value carrying amount of the investment has been adjusted using a relative approach model.

   A relative approach model is a business valuation method that compares a Company's value to that of its competitors or industry peers to assess the firm's financial worth.

b) 10,000 shares of US$ 100 each in Songas Limited representing 9.56% of total issued share capital of the company. The company engages in the gas processing and transportation and generation of electricity in Tanzania using natural gas from Songosongo Island to generate 190 megawatts (MW). Songas contributes approximately 21% of Electricity consumed in Tanzania. The fair value of the investment is amounting to a gain of USD 21 million (TZS 4,570 million) as the result of share valuation performed during the period.

   Equity share of Songas Limited has been valued using Discounted cash flow approach. The discounted cash flow method designed to establish the present value of a series of future cash flows.

   The management believes the recorded fair value represents the current value of investment as at 30 June 2022.

23. CAPACITY CHARGES PREPAYMENT

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
At the start of the year	13,779	18,265	13,779	18,265
Amortisation charge	(4,486)	(4,486)	(4,486)	(4,486)
At the end of year	9,293	13,779	9,293	13,779

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 23,040 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 6,913m) to Songas Limited for future reduction in capacity charges. Under the same arrangements, World Bank paid USD 42m (TZS 96,768 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 June 2022	**At start of period 2021**	**At end of period 2022**
Group	**TZS 'm**	**TZS 'm**
Deferred income tax liabilities		
Accelerated capital deductions	1,602,437	2,017,084
Revaluations	379,904	51,306
Fair Valuation of loans	31,055	31,685
Fair valuation through OCI	10,056	10,056
Other - subsidiaries	183	-
	2,023,818	2,110,131
Deferred income tax assets		
Tax loss carried forward	(1,112,813)	(1,158,476)
Revaluations	(104,169)	(104,169)
Provisions	(128,159)	(114,422)
Other - Subsidiaries	(379)	(573)
	(1,345,520)	(1,377,640)
Net deferred tax asset/(liability)	1,766,793	1,845,046
Net deferred tax asset not recognized	(1,345,520)	(1,377,640)
Net deferred tax liability recognized	2,023,818	2,110,131
Net deferred tax asset/(liability) reconciled	**678,494**	**733,064**

	At start of period	**At end of period**
	TZS 'm	**TZS 'm**
Year ended 30 June 2022		
Company		
Deferred income tax liabilities		
Accelerated capital deductions	1,602,437	2,017,084
Revaluations	379,904	51,306
Fair valuation of loans	31,055	31,685
Fair value charges through OCI	10,056	10,056
	2,023,635	2,110,131
Deferred income tax assets		
Tax loss carried forward	(1,112,813)	(1,158,476)
Revaluations	(104,169)	(104,169)
Provisions	(128,159)	(114,422)
	(1,345,141)	(1,377,067)
Total deferred tax assets/(liabilities)	678,494	733,064
Net deferred tax asset not recognized	(1,345,141)	(1,377,067)
Net deferred tax liability recognized	2,023,635	2,110,131
Deferred tax liabilities) reconciled	678,494	733,064

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

Year ended 30 June 2021 Group	TZS 'm	TZS 'm
Deferred income tax liabilities		
Accelerated capital deductions	519,381	1,602,437
Revaluations	349,974	379,904
Fair Valuation of loans	231,485	31,055
Fair valuation through OCI	10,359	10,056
Other - subsidiaries	116	183
	1,111,315	2,023,818
Deferred income tax assets		
Tax loss carried forward	(1,100,945)	(1,112,813)
Revaluations	(103,968)	(104,169)
Provisions	(84,319)	(128,159)
Other - Subsidiaries	(124)	(379)
	(1,289,356)	(1,345,520)
Net deferred tax asset/(liability)	**(178,041)**	**733,064**
Net deferred tax asset not recognized	(1,289,356)	(1,345,520)
Net deferred tax liability recognized	1,111,315	2,023,818
Net deferred tax asset/(liability) reconciled	**(178,041)**	**733,064**

	At start of period TZS 'm	At end of period TZS 'm
Year ended 30 June 2021		
Separate		
Deferred income tax liabilities		
Accelerated capital deductions	519,568	1,602,437
Revaluations	349,974	379,904
Fair valuation of loans	231,485	31,055
Fair value charges through OCI	10,359	10,056
	1,111,386	2,023,635
Deferred income tax assets		
Tax loss carried forward	(1,100,945)	(1,112,813)
Revaluations	(103,968)	(104,169)
Provisions	(84,319)	(128,159)
	(1,289,232)	(1,345,141)
Total deferred tax assets/(liabilities)	**(177,846)**	**733,064**
Net deferred tax asset not recognized	(1,289,232)	(1,345,141)
Net deferred tax liability recognized	(1,111,386)	2,023,635
Deferred tax assets/(liabilities) reconciled	**(177,846)**	**733,064**

25. INVENTORIES

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
General stores and meter stocks	11,625	5,482	9,463	5,482
Engine and vehicle parts	964	810	964	810
Combustibles	5,557	5,413	5,557	5,413
Others	182	220	182	220
	18,327	**11,926**	**16,165**	**11,926**
Provision for obsolete items	(2,839)	(2,495)	(2,839)	(2,495)
Net inventory balance	**15,488**	**9,431**	**13,326**	**9,431**

The Group reclassifies specific inventory items from inventory to capital work in progress. These items include meter stocks, poles, transformers, electric cables and other electrical equipment which are used in the construction of transmission and distribution lines and expected to be used in more than one period. Reclassification of items of inventory to capital work in progress for the year amounted to TZS 197 billion (2021: TZS 202 billion).

26. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	TZS m'	TZS m'	TZS m'	TZS m'
General trade receivables	210,313	213,491	192,019	195,808
Government trade receivables	299,384	265,847	299,384	265,847
	509,697	**479,338**	**491,404**	**461,655**
Allowance for ECLs/impairments*	(197,874)	(185,849)	(196,262)	(184,586)
Net trade debtors	**311,823**	**293,489**	**295,142**	**277,069**
Other debtors:				
Project WIP	12,714			
Loan material to contractors	7,113	6,886	7,113	6,886
Chargeable works orders	-		-	
Receivable from IPTL	2,978	2,978	2,978	2,978
Deposits	327	11,535	327	11,535
Staff debtors	1,101	1,179	929	1,002
Intercompany receivable	-	-	4,642	3,454

26. TRADE AND OTHER RECEIVABLES (Continued)

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Value Added Tax recoverable	(7,198)	(6,940)	(8,657)	(7,068)
Sundry debtors	96,792	428,478	96,791	428,478
	113,826	**444,116**	**104,122**	**447,264**
Provision for other receivables (impairment)	(41,754)	(33,433)	(41,754)	(33,433)
Net other debtors	**72,072**	**410,684**	**62,369**	**413,832**
Net total debtors	383,896	704,172	357,510	690,901

The company Government trade receivable includes outstanding debt from ZECO amounting to TZS 205 billion which is under dispute. ZECO did not agree on the approved energy charged tariff imposed by EWURA from January 2008 as at reporting date. The discussion between Government, ZECO and TANESCO is underway.

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	Group		Company	
	2022	2021	2022	2021
At the start: 1st July	188,734	188,734	187,829	187,829
At the start: 1st July Restated	**188,734**	**188,734**	**187,829**	**187,929**
Increase/(decrease) in ECLs	12,024	2,562	11,676	2,002
At the end: 30 June	**200,758**	**191,295**	**199,505**	**190,032**

The ECLs are based on the Company's provisioning model. The impairment has been done based on Government and Private Entities assumed that the segments share homogenous risk characteristics.

The model considers the historical default of 30 and 120 days for private and government entities respectively. Government entities' loss rate computation applies a minimum 10% Loss Given Default due to subsequent recovery from outstanding government bills. For private entities' loss rate computation, the computed repayment rate is capped at 100% for any given month.

The ECLs Model assumed no write-off criteria has been applied to government outstanding bills while Private entity bills above 120 days write off criteria was applied.

We have also used government debts as a macroeconomic variable (MEV) to adjust historical loss rate.

27. BANK AND CASH BALANCES

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

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Cash	495	169	153	169
Bank balances	438,486	451,919	429,224	430,554
Gross cash and bank balances	**438,981**	**452,088**	**429,377**	**430,723**
Expected credit losses:	429,378	430,723	429,378	430,723
At 1st July	(292)	(156)	(292)	(156)
		-		-
At 1st July-	**(292)**	**(156)**	**(292)**	**(156)**
Decrease/(increase)	(120)	(136)	(120)	(136)
At 30 June	**(412)**	**(292)**	**(412)**	**(292)**
Net Carrying amount	438,568	451,796	428,965	430,431

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.

28. (a) SHARE CAPITAL

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Authorised:				
120,000,000,000 ordinary shares of TZS 20 each	2,400,000	2,400,000	2,400,000	2,400,000
Issued and fully paid:				
49,335,830,882 ordinary shares of TZS 20 each	1,131,368	1,131,368	1,131,368	1,131,368

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

(b) ADVANCES TOWARDS SHARE CAPITAL

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
At start of the year	426,572	425,027	426,572	425,027
Received during the year	175,824	1,545	175,824	1,545
At the end of year	**602,396**	**426,572**	**602,396**	**426,572**

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

(b) ADVANCES TOWARDS SHARE CAPITAL (Continued)

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Cash receipts	299	1,545	299	1,545
Recognition of the Symbion Power from MEM	175,525	-	175,525	-
		-		-
		-		-
	175,824	**1,545**	**175,824**	**1,545**

The advances toward share capital as at 30 June 2022 represent cash received from the Government of Tanzania, during the year no cash received and treated as advance toward share capital.

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 de-recognised or impaired.

(ii) Revaluation reserve

The revaluation reserves relate to the revaluation of property, plant and equipment.

29. GRANTS

2022
Group

Donor	Project	1 July 2021	Addition	Advance toward Share Capital (Reclass	Amortisation	30 June 2022
		TZS 'm	TZS 'm		TZS 'm	TZS 'm
SIDA	Refer (i)	2,220			(129)	2,091
Oret (Government of Netherlands)	Refer (ii)	20,442			(2,081)	18,361
TEDAP	Refer (iii)	186,055			(5,534)	180,521
SongoSongo	Refer (iv)	12,517			(571)	11,946
Japanese	Refer (v)	23,864			(810)	23,054
Treasury-Emergency Power	Refer (vi)	190,297			(11,925)	178,372
Treasury	Refer (vii)	2,917,809	438.137		(65,579)	3,290,368
World Bank	Refer (viii)	11,375			(3,689)	7,686
Orio	Refer (ix)	22,343			(1,084)	21,259
JICA Rehab KL	Refer (x)	29,610			(719)	28,891
MCC T&D	Refer (xi)	142,594			(3,995)	138,598
DCC	Refer (xii)	40,873			(1,445)	39,428
Kinyerezi II 240MW Gas Power Plant	Refer (xiv)	356,319			(21,250)	335,069
Rufiji Hydro Power Project	Refer (xv)	2,825,262	1,358,367			4,183,629
KFW Geita Nyakanazi	Refer (xvi)	28,625	18,815			47,439
Hale Rehabilitation (SIDA)	Refer (xvii)	8,441				8,441
SGR Transmission line	Refer (xviii)	53,399	1,888	(1,475)		53,812
TGDC & ETDCO	Refer (xix)	21,315			(230)	21,085
M.V Received from TRA	Refer(xx)		102			102
		6,893,361	**1,817,207**	**(1,475)**	**(119,042)**	**8,590,153**

29. GRANTS (Continued)

2022
Company

Donor	Project	1st July 2021	Addition	Advance toward Share Capital (Reclass	Amortisation	30th June 2022
		TZS 'm	TZS 'm		TZS 'm	TZS 'm
SIDA	Refer (i)	2,220			(129)	2,091
Oret (Government of Netherlands)	Refer (ii)	20,442			(2,081)	18,361
TEDAP	Refer (iii)	186,055			(5,534)	180,521
SongoSongo	Refer (iv)	12,517			(571)	11,946
Japanese	Refer (v)	23,864			(810)	23,054
Treasury-Emergency Power	Refer (vi)	190,297			(11,925)	178,372
Treasury	Refer (vii)	2,917,809	438,137		(65,579)	3,290,368
World Bank	Refer (viii)	11,375			(3,689)	7,686
Orio	Refer (ix)	22,343			(1,084)	21,259
JICA Rehab KL	Refer (x)	29,610			(719)	28,891
MCC T&D	Refer (xi)	142,594			(3,995)	138,599
DCC	Refer (xii)	40,873			(1,445)	39,428
Kinyerezi II 240MW Gas Power Plant	Refer (xiv)	356,319			(21,250)	335,069
Rufiji Hydro Power Project	Refer (xv)	2,825,262	1,358,367		-	4,183,629
KFW Geita Nyakanazi	Refer (xvi)	28,625	18,815		-	47,439
Hale Rehabilitation (SIDA)	Refer (xvii)	8,441			-	8,441
SGR Transmission Line	Refer (xviii)	53,399	1,888		(1,475)	53,812
M/V Received from TRA	Refer(xx)		102			102
		6,872,045	1,817,309		(120,287)	8,569,068

2021
GROUP

Donor	Project	1 July 2020	Addition	Advance toward Share Capital (Reclass	Amortisation	30 June 2021
		TZS 'm	TZS 'm		TZS 'm	TZS 'm
SIDA	Refer (i)	2,349	-	-	(129)	2,220
Oret (Government of Netherlands)	Refer (ii)	22,524	-	-	(2,081)	20,442
TEDAP	Refer (iii)	191,673	-	-	(5,618)	186,055
SongoSongo	Refer (iv)	13,088	-	-	(571)	12,517
Japanese	Refer (v)	24,675	-	-	(810)	23,864
Treasury-Emergency Power	Refer (vi)	202,222	-	-	(11,925)	190,297
Treasury	Refer (vii)	2,720,669	258,979	-	(61,839)	2,917,809
World Bank	Refer (viii)	15,065	-	-	(3,689)	11,375
Orio	Refer (ix)	23,512	-	-	(1,169)	22,343
JICA Rehab KL	Refer (x)	30,328	-	-	(719)	29,610
MCC T&D	Refer (xi)	146,589	-	-	(3,996)	142,594
DCC	Refer (xii)	42,318	-	-	(1,445)	40,873
Kinyerezi II 240MW Gas Power Plant	Refer (xiv)	377,569	-	-	- (21,250.12)	356,319
Rufiji Hydro Power Project	Refer (xv)	1,373,996	1,451,266	-	-	2,825,262
KFW Geita Nyakanazi	Refer (xvi)	11,902	16,722	-	-	28,625
Hale Rehabilitation (SIDA)	Refer (xvii)	8,440	-	-	-	8,440
SGR Transmission line	Refer (xviii)		53,399			53,399
TGDC & ETDCO	Refer (xix)	21,554			(239)	21,315
		5,228,475	**1,780,366**	**-**	**(115,481)**	**6,893,360**

29. GRANTS (Continued)

2021
COMPANY

Donor	Project	1st July 2020	Addition	Advance toward Share Capital (Reclass	Amortisation	30 June 2021
		TZS 'm	TZS 'm		TZS 'm	TZS 'm
SIDA	Refer (i)	2,349	-	-	(129)	2,220
Oret (Government of Netherlands)	Refer (ii)	22,524	-	-	(2,081)	20,442
TEDAP	Refer (iii)	191,673	-	-	(5,618)	186,055
SongoSongo	Refer (iv)	13,088	-	-	(571)	12,517
Japanese	Refer (v)	24,675	-	-	(810)	23,864
Treasury-Emergency Power	Refer (vi)	202,222	-	-	(11,925)	190,297
Treasury	Refer (vii)	2,720,669	258,979	-	(61,839)	2,917,809
World Bank	Refer (viii)	15,065	-	-	(3,689)	11,375
Orio	Refer (ix)	23,512	-	-	(1,169)	22,343
JICA Rehab KL	Refer (x)	30,328	-	-	(719)	29,610
MCC T&D	Refer (xi)	146,589	-	-	(3,996)	142,594
DCC	Refer (xii)	42,318	-	-	(1,445)	40,873
Kinyerezi II 240MW Gas Power Plant	Refer (xiv)	377,569	-	-	- (21,250.12)	356,319
Rufiji Hydro Power Project	Refer (xv)	1,373,996	1,451,266	-	-	2,825,262
KFW Geita Nyakanazi	Refer (xvi)	11,902	16,722	-	-	28,625
Hale Rehabilitation (SIDA)	Refer (xvii)	8,441	-	-	-	8,441
SGR Transmission Line	Refer (xviii)	-	53,399			53,399
		5,206,921	1,780,366	-	(115,241)	6,872,045

29. GRANTS (Continued)

		Group		Company	
		2022	2021	2022	2021
		TZS 'm	TZS 'm	TZS 'm	TZS 'm
(i)	**SIDA**				
	Electrification of Urambo	583	618	583	618
	Electrification of Serengeti	1,637	1,731	1,637	1,731
	132 kV TL Makambako and Songea electrification				
	Advance toward Share Capital				
	Amortisation charge	(129)	(129)	(129)	(129)
	At the end of the year	**2,091**	**2,220**	**2,091**	**2,220**
(ii)	**ORET (Government of Netherlands)**				
	Optical fibre cable communication system	5,264	6,221	5,264	6,221
	45MW Tegeta Plant	15,179	16,303	15,179	16,303
	Amortisation charges	(2,081)	(2,081)	(2,081)	(2,081)
	At the end of the year	**18,361**	**20,442**	**18,361**	**20,442**
(iii)	**TEDAP (Projects 4370 TA)**				
	Transmission and Distribution systems - opening	186,055	191,673	186,055	191,673
	Reclassified during the year	-	-	-	-
	Amortisation charges	(5,534)	(5,618)	(5,534)	(5,618)
	At the end of the year	**180,521**	**186,055**	**180,521**	**186,055**
(iv)	**SongoSongo (Projects 3569 TA)**				
	Wayleave Village Electrification Scheme (WVES)	12,517	13,088	12,517	13,088
	Amortisation charges	(571)	(571)	(571)	(571)
	At the end of the year	**11,946**	**12,517**	**11,946**	**12,517**
(v)	**Japanese Grant**				
	Transmission and Distribution Systems	23,864	24,675	23,864	24,675
	Amortisation charges	(810)	(810)	(810)	(810)
	At the end of the year	**23,054**	**23,864**	**23,054**	**23,864**
(vi)	**Treasury - Emergency Power**				
	Ubungo II Gas Plant (100MW)	100,248	106,716	100,248	106,716
	Mwanza Plant (60MW)	90,049	95,507	90,049	95,507
	Amortization charges	(11,925)	(11,925)	(11,925)	(11,925)
	At the end of the year	**178,372**	**190,297**	**178,372**	**190,297**

29. GRANTS (Continued)

		Group		Company	
		2022	2021	2022	2021
		TZS 'm	TZS 'm	TZS 'm	TZS 'm
(vii)	**Treasury**				
	1. Treasury -Wartisila &Thermo Generators				
	EPP- Wartisila	46,584	50,311	46,584	50,311
	Mbinga Gen Sets	2,320	2,541	2,320	2,541
	Ludewa Gen Sets	1,854	2,031	1,854	2,031
	Kigoma Gen Sets	8,373	9,043	8,373	9,043
	Kasulu Gen Sets	5,150	5,531	5,150	5,531
	Kibondo Gen Sets	5,254	5,643	5,254	5,643
	Sumbawanga Gen Sets	8,018	8,612	8,018	8,612
	Loliondo Gen Sets	9,047	9,717	9,047	9,717
	At the end of the year	**86,599**	**93,428**	**86,599**	**93,428**
	2. Treasury- Rural electrification projects				
	Rural electrification	4,338	4,586	4,338	4,586
	Electrification Makambako	107	111	107	111
	Electrification Makambako2	46,620	44,491	46,620	44,491
	Electrification Mbinga	463	479	463	479
	Electrification of Msoga	144	148	144	148
	Electrification of Magindu	183	189	183	189
	Electrification of Mgwashi	602	621	602	621
	Electrification of Malya/Sumve	515	531	515	531
	Electrification of Mbewe	190	196	190	196
	Electrification of Bukombe and Kagera village	132	136	132	136
	Electrification of Kilolo	1,359	1,402	1,359	1,402
	Electrification of Simanjiro	170	176	170	176
	Electrification of Mchinga	652	675	652	675
	Electrification of Tarime	79	77	75	77
	Electrification of Ludewa	270	280	270	280
	Electrification of Ihanja	558	575	558	575
	Electrification of Bukene	79	81	79	81
	Electrification of Mvumi	98	102	98	102
	Electrification of Berege	50	52	50	52
	Sub total	**56,605**	**54,909**	**56,605**	**54,909**

29. GRANTS (Continued)

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Subtotal continued	**56,605**	**54,909**	**56,605**	**54,909**
Electrification of Mkinga	61	63	61	63
Electrification of Uyui	1,051	1,089	1,051	1,089
Electrification of Bahi	1,194	1,237	1,194	1,237
Electrification of Matema beach	483	501	483	501
Power supply to Chief Osward Mang'ombe	133	138	133	138
Electrification of Ngage B	265	275	265	275
Power supply to Mto wa mbu	235	244	235	244
Electrification of Tabora-Kaliua	23	24	23	24
Electrification of Bunda	327	339	327	339
Electricity V Project	83	85	83	85
Konga, Mererani and Pangani water pumps	120	124	120	124
Electrification of Tungamalenga and electricity villages	103	106	103	106
Kigoma Generators	905	972	905	972
Electrification of Kilindi	1,224	1,266	1,224	1,266
Wayleave Villages electrification	542	561	542	561
Rural Electrification projects	17,208	17,686	17,208	17,686
GVT Kinyerezi Financing 185 MW	174,323	174,323	174,323	174,323
GVT Kinyerezi Financing 185 MW	231,670	244,540	231,670	244,540
GVT Kinyerezi Financing 240 MW	333,545	346,016	333,545	346,016
REA Funded Projects	14,579	14,984	14,579	14,984
REA funded Projects Phase I	106,620	110,336	106,620	110,336
REA funded Projects Phase II	702,464	723,125	702,464	723,125
REA II Mtwara/Lindi	24,108	24,777	24,108	24,777
REA Phase II Additional Works	41,513	34,706	41,513	34,706
REA Densification	61,706	63,125	61,706	63,125
REA VEI-BTIP	51,312	50,312	51,312	50,312
GVT Financing North west Grid	2,400	2,400	2,400	2,400
GVT Financing Iringa Shinyanga - Backbone	220	220	220	220
REA Electrification Sagamaganga Vilages A&B	147	151	147	151
Mpanda Generating Sets II	408	428	408	428
Electrification Majengo Village & Secondary	217	223	217	223
Electrification Njiro Arusha	21	21	21	21
Electrification Biharamulo/Ngara/Mpanda	9,450	9,713	9,450	9,713
GVT Financing Orio contribution	10,350	10,638	10,350	10,638
GVT Financing TEDAP contribution	1,959	2,013	1,959	2,013
REA Funding additional rural Electrif	9,628	9,896	9,628	9,896
REA III round one	852,401	756,107	852,401	756,107

29. GRANTS (Continued)

		Group		Company	
		2022 TZS 'm	2021 TZS 'm	2022 TZS 'm	2021 TZS 'm
	REA Peri- Urban	131,897	66,808	131,897	66,808
	REA Ifakara Substation	11,515	978	11,515	978
	REA Supply of Power to military towers	2,631	2,631	2,631	2,631
	REA Densification 2A	209,265	28,596	209,265	28,596
	Pole testing equipment	630		630	
	Sub total	**3,134,620**	**2,756,685**	**3,134,620**	**2,756,685**
3.	**Treasury- Transmission Line**				
	Construction of T/L from Mahumbika -Lindi	1,979	2,021	1,979	2,021
	Kenya- Tanzania Power Interconnector (KTPIP)	54,892	54,794	54,892	54,794
	Rusumo- Nyakazi 400 kV T/L	5,200	5,200	5,200	5,200
	Bulyahulu - Geita 200 KV T/L	2,244	2,290	2,244	2,290
	Nyakanazi- Kigoma 400 KV T/L	3,391	3,391	3,391	3,391
	Sub Total	**67,706**	**67,696**	**67,706**	**67,696**
4.	**Ruhudji and Rumakali Hydro Power Plant**				
	At Start of the year/period	-	-	-	-
	Additions	1,141	-	1,141	-
	Amortisation charges	-	-	-	-
	Sub total	**1,141**	**-**	**1,141**	**-**
5.	**Malagarasi Hydro Power Plant**				
	At Start of the year/period	-	-	-	-
	Additions	**301**	-	**301**	-
	Amortisation charges	-	-	-	-
	Sub total	**301**	**-**	**301**	**-**
	Grand total	**3,290,368**	**2,917,809**	**3,290,368**	**2,917,809**
(viii)	**WORLD BANK - Songas Capacity Charges buydown**				
	Capacity Charges buydown	11,375	15,065	11,375	15,065
	Amortisation charges	(3,689)	(3,689)	(3,689)	(3,689)
	At the end of year	**7,686**	**11,375**	**7,686**	**11,375**
(ix)	**ORIO**				
	At the start of the year	22,343	23,512	22,343	23,512
	Additions			-	
	Amortisations charges	(1,084)	(1,169)	(1,084)	(1,169)
	At the end of the year	**21,259**	**22,343**	**21,259**	**22,343**

		Group		Company	
		2022 TZS 'm	2021 TZS 'm	2022 TZS 'm	2021 TZS 'm
(x)	**JICA Rehabilitation**				
	Received	29,610	30,328	29,610	30,328
	Amortisation charges	(719)	(719)	(719)	(719)
	At the end of the year	**28,891**	**29,610**	**28,891**	**29,610**
(xi)	**MCC T &D**				
	Deferred capacity charges	142,594	146,589	142,594	146,589
	Amortisation charges	(3,995)	(3,996)	(3,995)	(3,996)
	At the end of the year	**138,599**	**142,594**	**138,599**	**142,594**
(xii)	**DCC**				
	At the start of the year	40,873	42,318	40,873	42,318
	Additions				
	Amortisation charges	(1,445)	(1,445)	(1,445)	(1,445)
	At the end of the year	**39,428**	**40,873**	**39,428**	**40,873**
(xiv)	**Kinyerezi II 240MW Gas Power Plant**				
	At the start of the year	356,319	377,569	356,319	377,569
	Additions				
	Amortisation charges	(21,250)	(21,250)	(21,250)	(21,250)
	At the end of the year	**335,069**	**356,319**	**335,069**	**356,319**

(xv) **JNHPP Project**

	Group		Company	
	2022 TZS 'm	2021 TZS 'm	2022 TZS 'm	2021 TZS 'm
At the start of the year	2,825,262	1,373,996	2,825,262	1,373,996
Additions	1,358,367	1,451,266	1,358,367	1,451,266
Amortisation charges				
At the end of the year	**4,183,629**	**2,825,262**	**4,183,629**	**2,825,262**

(xvi) **KFW Geita Nyakanazi**

	Group		Company	
	2022 TZS 'm	2021 TZS 'm	2022 TZS 'm	2021 TZS 'm
At the start of the year	28,625	11,902	28,625	11,902
Additions	18,815	16,722	18,815	16,722
Amortisation charges		-		-
At the end of the year	**47,439**	**28,625**	**47,439**	**28,625**

(xvii) Hale Rehabilitation (SIDA)

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm		TZS 'm
At the start of the year	8,441	8,441	8,441	8,441
Additions	-	-	-	-
Amortisation charges	-	-	-	-
At the end of the year	**8,441**	**8,441**	**8,441**	**8,441**

(xviii) SGR Transmission line

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm		TZS 'm
At the start of the year	53,399	-	53,399	-
Additions	1,888	53,399	1,888	53,399
Amortisation charges	-	-	-	-
At the end of the year	**55,287**	**53,399**	**55,287**	**53,399**

(xix) TGDC & ETDCO

At the start of the year	21,315	21,554		
Additions		-		-
Amortisation charges	(230)	(239)		
At the end of the year	**21,085**	**21,315** -		-

(xx) Motor Vehicle received from TRA

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
At the start of the year			-	
Additions	102		102	-
Amortisation charges				-
At the end of the year	**102**		**102**	-

30. BORROWINGS

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Loans (i)	1,840,096	1,502,031	1,840,096	1,502,031
Less: Current portion	(398,794)	(268,878)	(398,794)	(268,878)
Non-current portion	**1,441,302**	**1,233,153**	**1,441,302**	**1,233,153**

30. BORROWINGS

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

Loan (Figures in TZS'm)	Ref	Balance as at 1st July 2021	Addition during the year	Fair value adjustment	Interest	Prior year adjustment	Exchange gains/ losses	Discount unwinding	Principal paid	Interest paid	Balance as at 30 June 2022
		TZS 'm		TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Government Loan	a.	117,030			4,268						121,299
ING Bank - Optical Fibre	b.	60,273			1,571		(6,865)				54,979
ING Bank - Tegeta 45MW	c.	41,206					(4,693)				36,512
IDA Credit 3569 TA - SongoSongo	d.	14,820			460		(893)				14,387
EDCF-TEDAP	e.	25,845			5		(69)	1,567			27,349
ADF-Electricity V	f.	30,962			167		(1,911)	1,522			30,740
EDCF-KOREA (BTIP)	g.	36,545			7		(97)	2,220			38,674
EIB - BITP	h.	125,809			2,779		(15,290)	90			113,389
IDA Credit 4798 TA -BITP	i.	76,744					(4,738)	3,419			75,425
ADF - BITP	j.	71,036	16,424	(3,972)			(5,105)	2,211			80,593
JICA - BITP	k.	71,438			10		(13,595)	2,364			60,216
Syndicated loan 408Abillion facility A	l.	-	-	-	-		-	-	-	-	-
Syndicated Loan 408Bbillion Facility B (USD 53.39m)	m.	-	-	-	-		-	-	-	-	-
On Lending Standard Bank	n.	361,154			14,941		331				376,426
On Lending Ida - 3297,809.370 Years	o.	133,062			2,367		121	7,257			142,807
BADEA	p.	16,037	1,630	(382)			(48)	270			17,507
TIB Bridge facility	q.	19,257			2,297				(7,303)	(2,297)	11,954
30 DAYS NMB Loan Facility	r.	7,659	59,589		717		446		(35,500)	(355)	32,556
ADF-KTPIP	s.	117,545	31,982	(5,371)	1,174		(8,517)	1,215			138,028
JICA-KTPIP	t.	82,209	45,323	(15,417)	14		(20,430)	2,625			94,322
ADF-RUSUMO	u.	8,285	14,489	(4,609)	154		(761)	279			17,507
AFD Geita Nyakanazi	v.	13,250	8,775	(695)	170		(2,531)	243			19,212
OFID Bulyahulu Geita	w.	19,687			230		(54)	254			20,117
AFD Grid Rehab & Upgrade project	x.	25,969			327		(2,994)	286			23,588
ADF Nyakanazi Kigoma	y.	4,538	27,171		844		(110)				32,443
IDA Credit - TAZA	z.	21,671	245,998	(23,951)	-		(587)	267			243,399
TANESCO Solar Development Project	aa.		21,311	(5,873)	-		110	175			15,722
Malagarasi Hydro Power Plant	bb.		778	(171)	4		(2)	4			613
		1,502,031	473,470	(60,442)	32,508		(88,284)	26,267	(42,803)	(2,652)	1,840,096

30. BORROWINGS (Continued)

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

Loan (Figures in TZS'm)	Ref	Balance as at 1st July 2020 TZS 'm	Addition during the year	Fair value adjustment TZS 'm	Interest TZS 'm	Prior year adjustment TZS 'm	Exchange gains/ losses TZS 'm	Discount unwinding TZS 'm	Principal paid TZS 'm	Interest paid TZS 'm	Balance as at 30 June 2021 TZS 'm
Government Loan	a.	112,762	-	-	4,268	-	-	-	-	-	117,030
ING Bank - Optical Fibre	b.	55,411	-	-	1,773	-	3,089	-	-	-	60,273
ING Bank - Tegeta 45MW	c.	39,030	-	-	-	-	2,176	-	-	-	41,206
IDA Credit 3569 TA - SongoSongo	d.	13,811	-	-	490	-	519	-	-	-	14,820
EDCF-TEDAP	e.	24,285	-	-	5	34	26	1,496	-	-	25,845
ADF-Electricity V	f.	28,806	-	-	-	(483)	1,082	1,556	-	-	30,962
EDCF-KOREA (BTIP)	g.	34,333	-	-	7	51	36	2,118	-	-	36,545
EIB - BITP	h.	121,173	-	-	3,136	(5,710)	6,755	455	-	-	125,809
IDA Credit 4798 TA -BITP	i.	71,495		-	-	(1,167)	2,685	3,731	-	-	76,744
ADF - BITP	j.	62,605	6,997	(1,896)	-	(940)	2,342	1,929	-	-	71,036
JICA - BITP	k.	61,708	13,207	(4,023)	11	(8)	(2,363)	2,906	-	-	71,438
Syndicated loan 408Abillion facility A	l.	31,067	-	-	475	(6,507)	-		(24,131)	(903)	-
Syndicated Loan 408Bbillion Facility B (USD 53.39m)	m.	21,812	-	-	177	(3,959)	2,871		(20,398)	(503)	-
On Lending Standard Bank	n.	336,264	-	-	14,438	10,466	(14)		-	-	361,154
On Lending Ida - 3297,809.370 Years	o.	123,899	-	-	2,373	-	(41)	6,830	-	-	133,062
BADEA	p.	7,200	11,884	(2,956)	-	(103)	(234)	246	-	-	16,037
TIB Bridge facility	q.	26,329	-	-	3,277	(749)	-		(6,323)	(3,277)	19,257
30 DAYS NMB Loan Facility	r.		13,008	-	-	-	(129)		(5,220)	-	7,659
ADF-KTPIP	s.	79,090	45,156	(8,640)	937	(2,492)	2,247	1,247	-	-	117,545
JICA-KTPIP	t.	71,653	19,081	(6,783)	15	(10)	(4,143)	2,396	-	-	82,209
ADF-RUSUMO	u.	4,012	5,959	(1,973)	81	(69)	133	141	-	-	8,285
AFD Geita Nyakanazi	v.	5,232	8,446	(882)	96	(10)	148	220	-	-	13,250
OFID Bulyahulu Geita	w.	6,548	16,075	(2,352)	-	(116)	(704)	236	-	-	19,687
AFD Grid Rehab & Upgrade project	x.	1,360	27,414	(3,452)	195	(31)	132	352	-	-	25,969
ADF Nyakanazi Kigoma	y.	1,760	2,645	-	127		6		-	-	4,538
IDA Credit - TAZA	z.	22,133	-	-	-	(762)	23	277	-	-	21,671
		1,363,776	169,872	(32,958)	31,882	(12,565)	16,643	26,137	(56,072)	(4,683)	1,502,031

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 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 30 December 2007 and it was expected to be fully repaid by 31st July 2017. No repayment of the loan has been made.

c) 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.

d) 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.

e) 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.

f) 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.

g) 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.

30. BORROWINGS (Continued)

TERMS AND CONDITIONS ON BORROWINGS

h) (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.

i) 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.

j) 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.

k) 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.

l) 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 30 June 2018 is 7.96%. The Company received 85% of the loan amount while the lenders have withheld the 15% as collateral.

m) 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 months LIBOR plus the agreed margin of 5%. The effective rate charged in 2013 was 5.25% and as at 30 June 2018 is 7.27%. The Company received 85% of the loan amount while the lenders have withheld the remaining 15% as collateral.

n) 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: 15 August 2013. The loan is denominated in US Dollars. No repayment for the interest has been made.

30. BORROWINGS (Continued)

TERMS AND CONDITIONS ON BORROWINGS (Continued)

o) 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.

p) 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.

q) 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.

r) 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.

s) 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).

t) 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 semi-annual 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)

30. BORROWINGS (Continued)

TERMS AND CONDITION ON BORROWINGS (Continued)

u) 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.

v) 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 carries an interest rate of 1.14% compounded semi-annual for a period of 19 years after 4 years grace period.

w) 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 instalments after 5 years' grace period. The loan is for financing Bulyanhulu -Geita transmission line and Geita Electrification Project.

x) 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 semi-annual 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).

y) Government on lent the loan to TANESCO during the year. This loan obtained from African Development BANK (ADB) at an interest rate of six month libour plus margin of 0.8%. The loan is denominated in United State Dollar and repaid semi-annually for a period of 24 years including 5 years grace period. The loan is for financing the Nyakanazi - Kigoma 400kV Transmission lines and its associated substations. This financial statement applies constant borrowing rate of 3.422% as applied in the loan amortization schedule of the on-landing agreement.

z) This loan from World Bank was received through the Government of the United Republic of Tanzania for the implementation of construction of a 400kV Transmission Line from Tanzania to Zambia, also known TAZA Project. The loan is denominated in USD and carries an interest rate of 2.3% per annum repayable semi-annually for a period of 32 years starting 2025.

30. BORROWINGS (Continued)

TERMS AND CONDITION ON BORROWINGS (Continued)

aa) Government on lent this loan to TANESCO in order to finance construction of 150MWp Photovoltaic (PV) ground mounted power plant that will be connected to the transmission grid. This loan was lent from Agence Francaise de Developpement (AFD), it is Euro 130 million Credit whose Agreement signed on 9th October 2015. This loan carries an interest rate of 0.25% compounded semi-annual for a period of 20 years after 7 years grace period.

bb) This loan from African Development Bank was received through the Government to finance Malagarasi Hydro Project. This loan carries an interest rate of 1.1238% compounded semi-annual for a period of 19 years with 5 years grace period.

31. OTHER EMPLOYMENT BENEFITS

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
At the start of the year	38,764	33,161	38,764	33,161
Interest cost	4,103	5,234	4,103	5,234
Actuarial (gain)/loss	(9.2)	193	(9.2)	193
Current service cost	2,454	1,716	2,454	1,716
Benefits paid	(4,940)	(1,540)	(4,940)	(1,540)
At the end of the year	**40,372**	**38,764**	**40,372**	**38,764**

Actuarial assumptions				
Discount rate per annum	12.13%	16.55%	12.13%	16.55%
Inflation rate	4.4%	3.6%	4.4%	3.6%
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
Withdraws (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 the projected Unit Credit Method ("PUC Method") to value the liability of the Long service award Scheme. This method is stipulated under the IAS 19 requirements.

31. OTHER EMPLOYMENT BENEFITS (Continued)

The Group has assumed a long-term discount of 12.13% p.a. This is in line with the forecasted 25-year Government bond weighted average yields as published by the Bank of Tanzania (BOT) as at 30th June 2022 along the yield curve. We believe this rate to be appropriate for the purpose of IAS19 Disclosures.
The Group also assumed the inflation to be 4.4% p.a. The inflation rate has been derived by using the medium-term inflation target as published in the Monthly Economic Review of July 2022 by the Bank of Tanzania.

32. TRADE AND OTHER PAYABLES

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Current				
Trade payables	1,178,732	1,082,512	1,154,828	1,053,984
Advances against work orders	10,976	4,228	10,976	4,228
EWURA and REA	24,244	19,529	24,244	19,529
Customers with credit balances	1,814	1,614	1,814	1,614
Deferred revenue from government	4,995	6,248	4,995	6,248
Deferred LUKU sales	6,212	7,753	6,212	7,753
Accrued expenses	411,567	309,842	409,201	307,621
Related party payable- TCPM			342	
Related party payable- ETDCO		-	26,488	35,958
Other payables	952,302	931,188	937,786	927,506
	2,590,842	**2,362,914**	**2,576,886**	**2,364,441**

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

33. CONSUMER DEPOSITS

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Consumer deposits:	10,256	16,179	10,256	16,179
at start of the year				
Addition/(Amortization)	4,061		4,061	
Refund/charge during the year		(5,923)		(5,923)
Release to Income	(5,716)		(5,716)	
	8,601	**10,256**	**8,601**	**10,256**

34 CASH GENERATED FROM OPERATIONS

		Group		Company	
		2022	2021	2022	2021
	Note	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Operating activities					
Profit/ (Loss) before tax		206,797	80,320	209,854	75,741
Adjustments for:					
Depreciation	16	337,710	462,490	336,688	461,810
Depreciation of investment property	19		91		91
Amortisation of AFUDC prepayment	23	4,486	4,486	4,486	4,486
Amortisation of intangible asset	18	3,208	3,388	3,178	3,343
Amortisation of grants	29	(120,517)	(115,480)	(120,287)	(115,241)
Amortisation of Fair valuation of loan	11	(19,010)	(16,999)	(19,010)	(16,999)
Increase/(decrease) in ECLs on receivables	26	12,024	2,562	11,676	2,202
Increase/(decrease) in ECLs on Bank Balances	27(a)	123	136	123	136
Provision for other receivable		8,321		8,321	
Discount unwinding	30	26,267	26,137	26,267	26,137
Loan interest	46	26,622	26,129	26,622	26,129
Fair valuation adjustment	30	(60,442)	(32,958)	(60,442)	(32,958)
Increase in Asset retirement Obligation	37	464	717	464	717
Other employment benefits	31	1,608	6,950	1,608	6,950
Net unrealized forex losses	48	11,155	11,179	11,155	11,179
Interest expenses	48	9,232	134	9,229	134
Impairment Loss	48	11,239	686	11,239	686
Provision for Obsolete/slow moving stock	25	344	21	344	21
Net unrealized forex (gains)/losses	48	(78,632)	16,643	(78,632)	16,643
		381,001	**476,632**	**382,884**	**471,206**
Changes in:					
- inventories	25	(6,401)	(399)	(4,239)	(399)
- Trade and other receivables	26	299,931	(435,684)	313,393	(411,867)
- Prepayments		193,838	275,440	207,921	275,450
- Provisions	36	(399,745)	346,825	(399,745)	346,825
Withholding Tax		282		(17)	
-Employee benefit paid			(1,540)		(1,540)
- Trade and other payables and consumer deposits	33	226,272	483,994	210,789	463,345
Cash generated in operations		**695,178**	**1,145,268**	**710,987**	**1,143,020**

35 TAX PAYABLE

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Opening balance	19,648	17,332	20,121	17,214
Current Tax	1,536	1,611		-
Additional tax on TRA assessment	29			
Alternative Minimum Tax	10,759	9,308	10,755	9,306
Interest on Penalty	8,537		8,537	
Withholding Taxes paid	(1,002)	(762)		(32)
Prior year tax paid during the period		(453)		
Prior year adjustment		(453)		-
Instalments paid	(22,804)	(7,388)	(21,875)	(6,368)
Tax amnesty				
Closing balance	**16,701**	**19,648**	**17,536**	**20,121**

36 PROVISION

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Legal claims	4,439	318,265	4,439	318,265
Movement during the year				
Opening balance	318,265	5,500	318,265	5,500
Additions during the year		-		-
Charge during the year		-		-
Utilized during the year	(313,826)	312,765	(313,826)	312,765
Closing balance	4,439	318,265	4,439	318,265
Opening balance	232,621	87,772	232,621	87,772
Additional during the year		-		-
Utilized during the year	(85,919)	144,849	(85,919)	144,849
Other provisions	146,702	232,621	146,702	232,621
Total Provisions	151,141	550,886	151,141	550,886

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.

37 DECOMISSIONING PROVISION

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
At 1st July:	**2,392**	**1,675**	**2,392**	**1,675**
Additional provision during the year				
Decrease due to change in estimates	464	717	464	717
	2,856	2,392	2,856	2,392

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 is 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 18.0% (2020/21: 18.0%)
-The site is of the medium risk and medium sensitivity.
-Tanzania inflation rate used is 3.2%

38 PREPAYMENT

	Group		Company	
	2022 TZS 'm	2021 TZS 'm	2022 TZS 'm	2021 TZS 'm
At 1 July:	751,931	1,028,221	751,572	1,027,022
Additional/release during the year	(193,838)	(276,290)	(207,922)	(275,450)
At 30 June	558,093	751,931	543,650	751,572

Prepayment involves cash paid to various suppliers to facilitate/acquiring of various projects including Julius Nyerere Hydro Power Plant (JNHPP). Advance payment will be amortized after completion of each stage of works upon receiving of completion certificate.

39 WITHOLDING TAX RECOVERABLE

	Group		Company	
	2022 TZS 'm	2021 TZS 'm	2022 TZS 'm	2021 TZS 'm
At 1 July:	8,352	3,070	8,055	3,070
Additional/release during the year	282	5,282	16	4,985
At 30 June	8,634	8,352	8,071	8,055

40 DEFERRED TAX ASSET

	Group		Company	
	2022 TZS 'm	2021 TZS 'm	2022 TZS 'm	2021 TZS 'm
At 1st July:	-	-	-	-
Movement during the year	103,222	-	-	-
At 30th June:	103,222	-	-	-

41 DEFERRED INCOME

	Group		Company	
	2022 TZS 'm	2021 TZS 'm	2022 TZS 'm	2021 TZS 'm
Opening Balance	256,345	34,848	256,345	34,848
Fair value gains	60,442	32,958	60,442	32,958
Released	(19,010)	(16,999)	(19,010)	(16,999)
Previous Released	-	(28,163)	-	(28,163)
Reclassification from equity		233,701		233,701
Closing balance	297,777	256,345	297,777	256,345

42 CORRECTION OF ERRORS

a) Statement of Financial Position

Restatement of Financial statement was made to enhance fair presentation and correction of errors on recording fair valuation gain to liability instead of equity, cancellation of coupon interest on unwind entries, also the Company also has changed model for computing amortization of consumer deposit and revenue attributable to non-technical loss were wrongly recognized.

The following tables summarise the impacts on the financial statements.

	Group 2021	Adjustment	2021	Company 2021	Adjustment	Company 2021
Other	16,591,073	(13)	16,591,086	16,606,353		**16,606,353**
Trade and other receivable	704,172	7,157	697,015	690,901	7,157	683,744
Total Asset	**17,295,245**	**7,144**	**17,288,101**	**17,297,254**	**7,157**	**17,290,097**
Capital and Reserves						
Accumulated losses	(2,328,348)	(155,772)	(2,172,576)	(2,304,622)	(155,759)	(2,148,863)
Others	5,962,779	(721)	5,963,500	5,960,961	58	5,960,903
Total equity	3,634,431	(156,494)	3,790,924	3,656,339	(155,701)	3,812,040
Deferred tax liability	2,023,947	2,672	2,021,275	2,023,635	2,164	2,021,471
Borrowings	1,233,153	25,997	1,207,157	1,233,153	25,997	1,207,157
Consumer deposits	10,256	(5,717)	15,973	10,256	(5,717)	15,973
Deferred income	256,345	188,539	67,806	256,345	188,539	67,806
Others	7,505,321	271	7,505,050	7,484,207		7,484,207
Trade and other payables	2,362,914	(2,905)	2,365,819	2,364,441	(2,905)	2,367,346
Borrowings	268,878	(45,219)	314,097	268,878	(45,219)	314,097
Total Liabilities	**13,660,814**	**163,637**	**13,497,177**	**13,640,916**	**162,858**	**13,478,058**
Total Equity and liabilities	**17,295,245**	**7,144**	**17,288,102**	**17,297,255**	**7,157**	**17,290,098**

b) **Statement of profit /loss and other comprehensive income**

	Group 2021	Adjustment	2021	Company 2021	Adjustment	2021
Other operating Income	594,802	17,570	577,231	594,376	17,570	**576,806**
Finance cost	(71,945)	7,918	(79,864)	(71,945)	7,918	(79,864)
Others	(442,524)	1	(442,522)	(450,494)	1	(446,689)
Income tax	(3,176)	(2,222)	(954)	(1,689)	(2,222)	533
	77,157	**23,267**	**53,891**	**74.052**	**23,267**	**50,786**

43. PROCEED FROM BORROWING

	Group 2022 TZS 'm	Group 2021 TZS 'm	Company 2022 TZS 'm	Company 2021 TZS 'm
30 Days NMB loan	59,589	13,008	59,589	13,008
Tanesco Solar Dev project	21,311		21.311	
Malagalasi Hydro power	778		778	
Grid Rehab and upgrade project		27,414		27,414
Closing balance	81,678	40,422	81,678	40,422

44. LOAN REPAYMENT

	Group 2022 TZS 'm	Group 2021 TZS 'm	Company 2022 TZS 'm	Company 2021 TZS 'm
TIB bridge facility	9600	9,600	9,600	9,600
30 days NMb loan	35,855	5,220	35,855	5,220
	45,455	14,820	45,455	14,820

45. GRANT RECEIVED IN CASH

	Group 2022 TZS 'm	Group 2021 TZS 'm	Company 2022 TZS 'm	Company 2021 TZS 'm
Rufiji hydro power	1,358,367	1,451,266	1,358,367	1,451,266
Ruhuji & Rumakali hydro power	1,141		1,141	
Malagalasi Hydro power	301		301	
Geita Nyakanazi		16,722		16,722
Transimission line		53,399		53,399
	1,359,810	1,521,387	1,359,810	1,521,387

46. LOAN INTEREST

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Government on lent Standard Bank	14,941	14,438		-
Government on lent IDA	2,367	2,373 -	-	
TIB bridge facility	2,297	3,277	-	-
30 Days NMB loan	717		-	-
Government loan	4,268	4,268	-	-
ING Bank	1,571	1,773	-	-
	26,622	26,137	-	-

47. TAX ASSET

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Current Tax	1,057	-	-	-
Additional Tax on TRA assessment	29	-	-	-
Estimated tax paid	(900)	-	-	-
Additional Tax paid	(31)	-	-	-
Late fillings of returns	2	-	-	-
Withholding tax paid	(1,000)		-	-
	(843)	-	-	-

48. NON CASH ITEMS

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Net unrealized forex loss	11,155	11,179	11,155	11,179
Interest expenses	9,232	134-	9,229	134
Impairment loss	11,239	686	11,239	686
Forex gain or loss	(78,632)	16,643	(78,632)	16,643
	(47,006)	28,642	(47,006)	28,642

49. ADDITIONAL TO CAPITAL WORK ON PROGRESS

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Funded by Loan	81,677	40,422	81,677	40,422
Funded by Grant	1,359,810	1,521,387	1,359,810	1,521,387
Funded by TANESCO	639,133	826,510	637,597	819,764
	2,080,620	2,388,319	2,079,084	2,381,573

The Group transferred Property, plant and equipment to subsidiary amounting to TZS 1,528 in the year 2021.

50 LIABILITIES

A significant legal case has been summarized below:

(i) Contingent

a) 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$148.4 million (approximately TZS 342 billion together with interest on the amount owing on the basis of simple 3 month LIBOR plus 4% starting from 30 September 2015 until the date of the award and interest shall continue at the same rate until full payment is received. 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

b) Tax court cases as contingent liabilities TZS 66.96 billion

The Company has tax affairs with TRA amounting to TZS 62.6 Billion and TZS 4.3 Billion resulted to underpayment of PAYE and SDL respectively. This was a result of TRA tax assessment for the year 2016 and 2019.

Since the Management has in disagreement with tax assessment, then they decided to file case to Tax Revenue Appeals Board (TRAB) through applications 10 and 11 of year 2022 where the matter is still at the court.

c) VAT liability TZS 23.68 billion

The VAT liability originated from rejection of input VAT during the commencement of new upgraded e-filling for three months from March, April and May 2022 in TRA system. The system managed to pick up only output VAT and reject some input VAT.

However, the reconciliation for rejected input VAT is still going on between TRA and TANESCO to reduce the liability. Since the excise is still under way Management has decided to disclose the amount as continent liability waiting the actual liability at the end of verification of the input VAT.

(ii) Other litigations

As at 30 June 2022, the Company was a defendant in several other lawsuits. While liability in these lawsuits is not admitted, if defence against the actions is unsuccessful, then the amount claimed in these lawsuits could amount to TZS 3,783 million.

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

51 COMMITMENTS

(a) Capital commitments

The Board of Directors approved capital commitments for the year ended 30 June 2022 of TZS. 484,395 million (30 June 2021: TZS 516,205 million). Included in the approved capital commitments is TZS 183,735 million for on-going other projects, Others New CWO is TZS 47,349 million, Voltage improvement TZS 43,259 million, On-going extension distribution projects TZS 18,105 million, New extension distribution projects TZS 70,385 and TZS 121,562 million for service line connection.

(b) Other commitments

Other commitments included overseas procurement of materials where payments are 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 June 2022	30 June 2021
	TZS 'm	TZS 'm
Local purchase orders - (goods ordered but not yet delivered)	14,263	12,131
	14,263	**12,131**

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.

52 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:

	Group		Company	
	2022	2021	2022	2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
Transactions:				
Sales of electricity				
National departments/ministries	37,529	42,693	37,529	42,676
Local governments	8,739	9,001	8,739	9,001
Public entities	50,661	47,475	50,661	47,475
Zanzibar Electricity (ZECO)	107,118	91,072	107,118	91,072
	204,047	**190,242**	**204,047**	**190,225**
Purchases of goods and services				
National departments/ministries	153,915	142,289	142,144	142,144
Local government	4,233	4,531	4,382	4,382
Public entities	551,156	435,435	550,030	432,912
	709,304	**582,255**	**705,547**	**579,438**
Expenses paid for TGDC	107	4,452		
Expenses paid for ETDCO	450	2,608		
Expenses paid for TCPM	15	1,499		
	572	8,559		

Outstanding balances (due by related parties) Receivables and amounts owed by related parties	30th June 2022	30th June 2021	30th June 2022	30th June 2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
TGDC		-	-	-
ETDCO	4,647	3,348	-	-
TCPMC		-	-	-
National departments/ministries	14,106	28,158	14,106	28,158
Local government	1,420	1,063	1,420	1,063
Public entities	41,991	47,401	41,991	47,401
Zanzibar Electricity Corporation	217,134	181,703	217,134	181,703
	279,298	261,672	274,651	258,324

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

	Group 30th June 2022	30th June 2021	Company 30th June 2022	30th June 2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
National Departments/Ministries	15,924	11,577	15,924	11,224
Local Government	1,587	1,430	1,480	1,284
Public entities	571,846	410,820	571,819	410,819
	589,357	423,828	589,223	423,327
Borrowings				
Government on lent loan 30	**1,807,539**	**1,494,372**	**1,807,539**	**1,494,372**

Directors and key management personnel remuneration

Group	30 June 2022	30 June 2021
	TZS 'm	TZS 'm Fees
Mr. Omari Issa	14.1	-
Amb. Mwanaidi S. Maajar	9.7	-
Mr. Abubakar Bakhresa	9.7	-
Eng. Abdallah Hashim	9.7	--
Mr. Christopher Gachuma	13.0	-
Eng. Cosmas Masawe	9.7	-
Mr. Lawrence Mafuru	6.1	-
Mr. Nehemiah Mchechu	9.7	-
CPA Zawadia Nanyaro	10.9	-
CPA Leonard C. Mususa	0.6	-
Hon. Juxon I. Mlay	12.0	-
Dr. Eng.Santos L.Kihwele	10.0	-
CPA Renata C. Ndege	10.0	-
Total non- executive directors	125.4	-

	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	TZS 'm	TZS 'm	TZS 'm	TZS 'm
	Salary and post retirement		Fees and Sitting allowances	
Key management	3,463	3,489	-	-
Total	3,463	3,489	-	-

Company	30 June 2022	30 June 2021
	TZS 'm	TZS 'm
	Fees	
Mr. Omari Issa	14.1	-
Amb. Mwanaidi S. Maajar	9.7	-
Mr. Abubakar Bakhresa	9.7	-
Eng. Abdallah Hashim	9.7	--
Mr. Christopher Gachuma	13.0	-
Eng. Cosmas Masawe	9.7	--
Mr. Lawrence Mafuru	6.1	--
Mr. Nehemiah Mchechu	9.7	--
CPA Zawadia Nanyaro	10.9	--
CPA Leonard C. Mususa	0.6	--
Total non- executive directors	**93.4**	**--**

During the period following Board members served the company before their term expired

Group	30 June 2022	30 June 2021
	TZS 'm	TZS 'm
	Fees	
Dr. Alex L. Kyaruzi	10.5	71
Amb. Dr. James Nzagi	6.0	51
Eng. G.C. Shamika	5.4	46
Dr. Lugano Wilson	6.1	42
Dr Gemma C. Modu	7.1	47
Mr. Denis M. Manumbu	9.3	53
Mr. Bubi John Kulwa	10.5	79
Dr. John S. Kihamba	6.5	57
Mr. Mathew M. Kirama	7.8	49
Others	-	232
Total non-executive directors	**69.1**	**727**

Company	30 June 2022 TZS 'm Fees	30 June 2021 TZS 'm
Dr. Alex L. Kyaruzi	10.5	71
Amb. Dr. James Nzagi	6.0	51
Eng. G.C. Shamika	5.4	46
Dr. Lugano Wilson	6.1	42
Dr Gemma C. Modu	7.1	47
Mr. Denis M. Manumbu	9.3	53
Mr. Bubi John Kulwa	10.5	79
Dr. John S. Kihamba	6.5	57
Mr. Mathew M. Kirama	7.8	49
Others	-	232
	69.1	727

	30 June 2022 TZS 'm	30 June 2021 TZS 'm	30 June 2022 TZS 'm	30 June 2021 TZS 'm
	Salary and post retirement benefits		Fees and allowances	Sitting
Key management	1,688	1,759		-
Total	1,688	1,759		-

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

52. ULTIMATE OWNER OF THE COMPANY

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

53. SUBSEQUENT EVENT

On 06th September 2022, The Cabinet Secretariat approved to convert Liability related to Government debts and Interest from Songas Deferred capacity charge to Share capital subject to verification from Ministry of Finance and Planning.

54. CURRENCY

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

55. COMPARATIVES

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