Appendix 2 - Songas Audited Financial Statements (AFS) for 2018, 2019 and 2020

SONGAS LIMITED

ANNUAL REPORT AND

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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GENERAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020

PRINCIPAL PLACE OF BUSINESS
Ubungo Power Plant
Junction of Morogoro and Mandela Road
P.O. Box 6342
Dar es Salaam, Tanzania

REGISTERED OFFICE
R Square Building
Plot No. 274, Mezzanine Floor
Corner of Haile Selassie/Kaole Road, Kinondoni
P.O. Box 6342
Dar es Salaam, Tanzania

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

SOLICITORS
ENS Africa
145 Magore Street
P.O. Box 7495
Dar es Salaam, Tanzania

IMMMA Advocates
United Nations Road
P.O. Box 72484
Dar es Salaam, Tanzania

INDEPENDENT AUDITOR
Ernst & Young
4th Floor, Tanhouse Tower
New Bagamoyo Road
Plot 34/1 – Ursino South
P.O. Box 2475
Dar es salaam, Tanzania

TAX ADVISOR
PricewaterhouseCoopers
Pemba House
369 Toure Drive, Oyster Bay
P.O. Box 45
Dar es Salaam, Tanzania

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

INTRODUCTION

The directors submit their report and the audited financial statements for the year ended 31 December 2020 which disclose the state of financial affairs of Songas Limited ("Songas" or "the Company").

PRINCIPAL ACTIVITIES

The Company's principal activities are gas processing and transportation and generation of electricity in Tanzania using natural gas from Songo Songo Island ("SSI"), which is off the coast of Southern Tanzania.

INCORPORATION

The Company is incorporated in Tanzania under the Companies Act, 2002 as a private company limited by shares.

COMPANY'S VISION

The Songas vision is to generate clean, reliable and cost-effective energy for the benefit of Tanzania.

COMPANY'S MISSION

The Company's mission is to provide clean, reliable and cost-effective electricity, create sustainable returns and support the development of the electricity power sector in Tanzania by upholding the highest standards of ethical behaviour in its operations.

DIRECTORS

With the exception of Anael Samuel who is the Managing director of the Company, all other directors are non-executive. The directors of the Company at the date of this report and who have served since 1 January 2020, except as otherwise indicated are:

Name	**Qualification/ Discipline**	**Nationality**	**Age**	**Appointment /(Resignation)**
Michael Scholey	Accountant	British	55	(Resigned on 26 March 2020)
Ian Coxon	Accountant	British	52	Appointed on 26 March 2020
Nigel Whittaker	Engineer	British	65	
Tito Mwinuka	Engineer	Tanzanian	55	
Anael Samuel	Accountant	Tanzanian	44	Appointed on 26 March 2020
Christian Wright	Economist/Political Scientist	British/American	50	Resigned on 26 March 2020
Lilian Musingi	Lawyer	Tanzanian	42	
Stephen Ramsay	Lawyer	British	59	
Kastuli Sebastian	Accountant	Tanzanian	44	Alternate Director Appointed on 26 March 2020
James Mataragio	Geologist	Tanzanian	55	

DIRECTORS' INTEREST

The directors do not have any interests in the share capital of the Company.

RESULTS FOR THE YEAR AND FINANCIAL POSITION

The results are set out on page 17 of the financial statements. The key highlights on the performance of the Company for the year are as follow:

- The Company closed with cash and cash equivalents of USD 9.1 million being an increase of USD 1.4 million as compared to the previous year. Cash generated from operating activities was USD 28.0 million with a net cash investment in fixed assets of USD 12.6 million and cash used in financing activities (interest payments, redemption of loan notes and dividend payments) of USD 14.1 million.
- Total revenue was USD 91.5 million; 10.2% less when compared to the previous year. Energy revenue decreased by 18.3% mainly due to lower generation, as a result of reduced demand due to COVID-19 pandemic.
- Cost of sales amounted to USD 32.2 million 13.6% less when compared to the previous year mainly due to the lower generation as a result of TANESCO's offline dispatches, the use of available hydro-electric power and the reduced demand due to the COVID-19 pandemic.
- Operating expenses were USD 31.8 million, 0.3% more than the previous year amount of USD 31.7 million mainly due to increase in depreciation and amortization expenses.
- Other loss was slightly lower than the previous year mainly due to 25% discount on LPT for UGT 6 and other income from sale of LM6000 PA Gas Turbine SN: 185-144 USD.
- As a result, the profit before tax was less than previous period by 15.4%.
- Income tax charge for the year (before deferred corporate tax adjustment) was USD 9.2 million based on tax computations for the current year.

The financial position is set out on page 18 of the financial statements. The key highlights on the financial position of the Company for the year are as follows:

- Total assets were USD 174.8 million compared to USD 187.8 million of previous year with net assets being USD 88.9 million compared to USD 80.8 million of last year.
- Balances for term loans from the Government of the Republic of Tanzania ("the Government") have declined over the year due to the liquidation of the amount due in the year. Under the terms of the loans, Songas only repays the Government if it has received these amounts from TANESCO and if not received, the instalments due are deemed as paid and Songas is permanently relieved of its obligation to repay the Government this portion of loan principal and interest. The instalments due on the loans for the year are recognized as income by Songas. As at the reporting date, Term loans balance was USD 20.9 million (December 2019: USD 35.9 million).

RESULTS FOR THE YEAR AND FINANCIAL POSITION (Continued)

- Series A Loan note balances, and corresponding interest costs have declined due to the payments of the same as per the terms of the loans. As at the reporting date, the balance of the Series A Loan Notes stood at USD 6.5 million (December 2019: USD 8.3 million).

- Retained earnings were positive with a balance of USD 78.4 million as at 31 December 2020 compared to USD 70.4 million as at 31 December 2019.

THE STATE OF TANZANIA'S POWER SECTOR & SUSTAINABILITY

In 2020, the hydrology condition was relatively higher compared to 2019. The country experienced the heavy rains in the catchment areas for major reservoirs of hydropower generating facilities leading to an improvement in hydro power generation and an increase in offline dispatches of Songas' plant.

The global pandemic Coronavirus Disease (COVID-19) outbreak was declared in Tanzania in March 2020, causing significant reduction in power demand in the country. Therefore, the Company's overall capacity utilization reached the lowest level in 2020 (76.4%) lower than 2019 (97%) as a result of higher TANESCO's offline dispatches and the use of available hydro-electric power during the global pandemic. Currently, there is no indication or confirmation from the government about the availability of any support to TANESCO for the arrears that TANESCO owes to its gas and power suppliers including Songas.

Although the weekly payments from TANESCO were erratic during the year 2020, TANESCO continued to demonstrate efforts to make payments for its weekly commitment to honour monthly invoices as they fell due to avoid further accumulation of arrears in the future. There was no further increase in TANESCO's weekly commitment during the year, nonetheless, Songas will continue to seek ways to ensure TANESCO meet its weekly commitment to Songas in year 2021. Furthermore, the electricity tariff has remained unchanged throughout the year and no increase in tariff is anticipated in the near future.

The increase in power demand is expected in year 2021 as the country's economy continues to recover from the global pandemic which is expected to improve TANESCO's liquidity position.

In November 2020, TANESCO awarded a tender to CSI Energy Group (Tanzania) Limited for the completion of the construction of Kinyerezi I extension (185MW) which was stopped due to financial difficulties faced by the previous EPC contractor (Jacobsen Elektro, Tanzania Branch) in year 2019. However, the award was later cancelled in December 2020 after it failed to meet the tendering requirements as regulated by the Public Procurement Regulatory Authority (PPRA) of Tanzania. Thereafter, TANESCO was ordered to retender this project in January 2021.

The construction of 2,115MW Julius Nyerere Hydropower Station (JNHS), also known as Rufiji Hydroelectric Power Station continued during the year after it had started in 2019. It has been reported that the project is 40% completed and it is expected to be commissioned in year 2022. This project is also owned by TANESCO.

DIVIDENDS

The directors declared and paid a dividend of USD 9.99 million to common shareholders in year 2020 (2019: USD 15 million).

EMPLOYEES' WELFARE

Relationship between Management and employees

Management and employees of the Company work together in order to achieve the Company's objectives. The majority of employees are members of the Tanzania Union of Industrial and Commercial Workers ("TUICO").

Any major employment matters are discussed and settled through joint TUICO and management meetings. In 2009, the Company signed a Recognition Agreement with TUICO and in 2010 a four-year Collective Bargaining Agreement was also signed with TUICO; this agreement was again reviewed and renewed in May 2016 for a further four years.

Health and Safety

The Company has a Health and Safety department responsible for effective implementation and maintenance of health, safety environment & security management systems with focus on ensuring a culture of safety prevails always. Monthly safety meetings are conducted to update staff on relevant safety and other issues.

No Lost Time Accident ("LTA") accidents were reported during the year 2020 for both Ubungo Power Plant and Songo Songo Island ("SSI") Gas Processing Plant recorded. As of the 31 December 2020 Ubungo Power Plant and SSI had operated for 1,529 days and 587 days respectively without a Lost Time Accident ("LTA"). Songas has successfully performed its various wayleave related activities for 7,605 days without an LTA.

Employees are consulted and involved in HSE activities that ensures a safe working environment.

Songas regularly tests the level of preparedness and responsiveness to potential emergencies or crises. Following the COVID-19 pandemic, Songas developed and implemented contingency plans which proved effective as no employee suffered from the disease.

All employees and contractors are provided with adequate welfare facilities, proper personal protective equipment, training and other relevant support as necessary.

After first ISO 14001/OHSAS 180001 certification in 2009, M/S TUV NORD, the certifying body, conducted an ISO 14001 and OSHAS 18001 transition audit to ISO 45001 in August 2020. The Audit found that the Company is adequately meeting the requirements of the standards.

Training and development

The Company actively supports the development of its team by providing extensive in-house training and access to external training courses where appropriate. The Company also sponsors a number of employees who are pursuing further education. During the year, Songas Limited spent USD 102,000 on staff training and development (2019: USD 274,000). The cost of training and development was lower in 2020 as some of the trainings did not happen as planned due to the COVID-19 pandemic.

Medical facilities

The Company has arranged for medical services for its employees and their immediate family members through AAR Health Insurance Company. AAR and the Occupational Safety and Health Authority (OSHA) also provide the Company's employees with occupational health advice.

Disabled persons

Songas is proud to be an equal opportunities employer. The Company looks to give opportunities to disabled workers when vacancies arise which they are able to fill.

EMPLOYEES' WELFARE (Continued)

Financial assistance to Staff

The Company has reached an arrangement with Standard Chartered Bank Tanzania Limited and National Bank of Commerce that will mean that Songas is no longer required to guarantee such loans.

Employees Benefit Plan

The Company pays contributions to a publicly administered pension plan on a mandatory basis which qualifies as a defined contribution plan. Whereas the law requires at least 10% contribution from an employer; the Company contributes 15%.

GENDER PARITY

The Company had 18 employees, out of whom 9 were female and 9 were male (2019: female 7, male 10).

RELATED PARTY TRANSACTIONS

Related party transactions and balances at the end of the year are disclosed in Note 12 of the financial statements.

SHAREHOLDING

Ordinary shares of the Company are held as follows:

Shareholder	2020 Number of shares	2019 Number of shares
Globeleq Holdings (Songas) Limited	36,000	36,000
Globeleq Tanzania Limited	15,428	15,428
Globeleq Somanga Limited	5,142	5,142
Tanzania Petroleum Development Corporation ("TPDC")	30,000	30,000
Tanzania Electric Supply Company Limited ("TANESCO")	10,000	10,000
Tanzania Development Finance Company Limited ("TDFL")	8,000	8,000
	104,570	**104,570**

SOLVENCY

The Company's affairs as at 31 December 2020 are set out on page 18 of these financial statements.

The directors consider the Company to be solvent, and have taken the following into account, amongst other things.

- TANESCO accounts for 84.5% of the Company's revenues and is the Company's sole customer for all electric power generated.

SOLVENCY (Continued)

- The Power Purchasing Agreement is supported by a Liquidity Facility provided by The Government of the United Republic of Tanzania, ("the Government"), whereby if TANESCO fails to pay within an agreed period, Songas can draw money from the facility maintained at Citibank (Tanzania) Limited. In May 2011, the Government agreed to set the required amount at USD 16 million. The Government is required to replenish the facility immediately if it falls below the required amount. Although currently the account is empty, negotiations for the Government to fund the account are ongoing.

- The Company has two long-term loans granted by the Government through the International Development Association ("IDA") and the European Investment Bank ("EIB"). In addition, the Company assumed three loans from TANESCO under a loan assumption agreement. Provisions in the relevant loan agreements provide for a set-off mechanism of Subordinated Obligations (loan principal and interest payments) if TANESCO fails to pay, in part or in full, this portion of the Company's monthly invoice. This set-off mechanism is designed so that TANESCO's non-payment of subordinated obligations does not impact the Company. The set-off of unpaid amounts permanently releases Songas Limited from any obligations to make these repayments to the Government and the principal amounts of the loans are reduced accordingly. TANESCO has not been paying these subordinated obligations since May 2005.

- Pan African Energy Tanzania Limited ("PAT") and Tanzania Portland Cement Company Limited ("TPCC") which comprise approximately 8.6% of the Company's revenues have good payment records and have historically paid within agreed timescales.

- Songas, TANESCO and the Government had several communications and meetings to discuss the state of non-payment from TANESCO. As a result of these engagements and despite of global pandemic, TANESCO paid over 70% of its TZS 4.5 billion weekly commitment and hence during the year a total of USD 71 million was paid (2019: USD 94 million).

- TANESCO believes the liquidity shortages are short term as they seek to improve debt collection from Government institutions, looking forward for the improvement in the hydrology situation and gas fired plants.

GOING CONCERN ASSESSMENT

In assessing the Company remaining as a going concern over the next 12 months, the directors have utilised guidance recommended by the Financial Reporting Council (based in the United Kingdom) of which management have deemed relevant for Songas.

Key considerations in the guidance which directors have taken into account are:

- A review of the budgetary and forecasting process to ascertain whether appropriate assumptions have been considered in developing the Company's forecasts;
- Consideration of the timing of the cash flows to reflect the underlying maturity of liabilities and assets;
- Incorporating sensitivity analysis on key assumptions especially those affected by changes in the level of payments from TANESCO;
- A review of the Company's loan arrangements and borrowing covenants;
- Consideration of the Company's financial adaptability;
- Review of possible exposures to contingent liabilities;

GOING CONCERN ASSESSMENT (Continued)

- Review of the Company's risk mitigation practices for such risks as interest risk, currency exchange rate risk and other business risks; and
- Review of other key considerations relevant to business continuity, such as maintenance of key suppliers and customers, maintenance of key staff, maintenance of a stable labour force, adequacy of risk mitigating practices and stability of the Company's cost structure.

Management has reviewed these considerations and the results of this assessment have been documented and presented to the directors for their consideration.

The directors have noted a slight inconsistency in TANESCO payments trend during the year as a result of global pandemic, nevertheless, this trend is expected to improve in 2021. The directors therefore conclude that the uncertainty that casts significant doubt about the Company's ability to continue as a going concern is not material and, therefore, the Company will be able to realise its assets and discharge its liabilities in the normal course of business.

Therefore, after making enquiries and considering this uncertainty, the directors reasonably expect that the Company will have adequate resources to continue in operational existence for next 12 months. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

SOCIAL ECONOMIC DEVELOPMENT PROGRAMS

Songas Social Economic Development (SED) policy vision is to make an impactful contribution to the development of sustainable communities in Tanzania particularly to communities located along its gas pipeline infrastructures from Songo Songo Island to Dar es Salaam.

The policy has identified 4 areas of Health, Education, Employment/Income Creation and Professional Development as vital for SED interventions. These 4 key areas were identified after conducting a social economic survey to communities along the wayleave and Songo Songo Island.

A typical approach for each area is basically on infrastructure development, capacity building and support in terms of grant or sponsorship. Prior to the implementation of any community project, the Company has always consulted relevant local government authorities to obtain consent in accordance with the requirement of the Petroleum Act of 2015 of the United Republic of Tanzania. The following are key objectives of Songas' SED interventions 2020:

- Improving access to quality basic health care;
- Improving access to quality education for children between 3 and 18 years old;
- Creation of income generation opportunities;
- Creating post-school professional development opportunities: and,
- Maintaining good relationship with communities along wayleave

An annual budget for SED activities for the year ended 31 December 2020 was USD 429,398, during the year 93.7% of the budget was spent on community projects. However, 2020 was a very challenging year in terms of managing the implementation of SED projects specifically due to the outbreak of COVID-19 and the existence of the general elections. Only a few projects were implemented up to November 2020. Most of the projects were approved in December 2020 and were funded in January and February 2021. Below is a summary of the projects which were either implemented or committed in 2020.

SOCIAL ECONOMIC DEVELOPMENT PROGRAMS (Continued)

Education support

Education is one of the pillars of sustainable development. A total of 16 community projects worth more than USD 151,399 were funded in 2020. The following are some of the main projects:

A total of USD 12,000 was granted to Young Scientist Tanzania for running a digital science competition forum to more than 200 secondary school students from all-over the country. All students whose projects were selected were supplied with smart phones to be able to manage the competition remotely. The project was successfully completed and more that 100 secondary schools were able to participate. This project was designed to encourage and promote the teaching and pursue of science subjects to young generation across the country.

Four primary schools namely Bungu A, Mangombela, Lukanga and Kingóngo which are in Kibiti, Mkuranga and Rufiji districts respectively benefited from a USD 85,345 grant to construct 9 new classrooms and renovation of 3 old classrooms. Once this is completed, it will bring impact to more than 4,000 pupils who are currents studying in those schools. Further two schools received USD 4,829 to construct toilet blocks which will improve the hygiene of more than 3,300 pupils.

A total of USD 13,940 was granted to Kitabu Initiative a registered local Non-Government Organization that seeks to improve reading morale among children and youth in low-income communities in Tanzania to implement a reading project at Somanga and Songo Songo wards in Kilwa district. The project involves the establishment of reading clubs and libraries/reading centers in and out of schools.

The Company granted USD 7,241 to Ilulu girls' secondary school located in Kilwa to procure double decker beds for 80 advanced level students.

Finally, a total of USD 15,222 was spent to procure 370 desks and supplied to Mpimio primary school and Mwinyi, Tambani and Mohoro secondary schools in Mkuranga and Rufiji districts.

Health and HIV/AIDS Awareness

Tanzania like several other countries around the world was hit by COVID 19 in 2020. Several measures were taken by the government including closing of all schools and colleges and restricting social gatherings and unnecessary movements except those relating to religious worshiping. Songas donated a total of USD 43,478 to the National Relief Fund which is being managed by the Ministry of Health to support the government's efforts in combating the pandemic.

In commemorating the World's Women Day, Songas female employees visited Mwinyi secondary school located in Mkuranga district and donated sanitary pads to girl students. More than 400 girl students and 12 female teachers benefited from the support.

A total of USD 11,218 was granted to Njopeka and Chumbi A villages located in Mkuranga and Rufiji district respectively for finishing the construction of their maternity wards. The project will impact more than 6,000 community members living around the facilities. A further USD 14,466 was committed to local suppliers to supply of medical equipment at Chumbi village dispensary and hospital beds at Kibiti district hospital.

Songo Songo Island village dispensary was given a grant of USD 2,676 to construct of an underground water tanks for water harvesting during rainy season.

SOCIAL ECONOMIC DEVELOPMENT PROGRAMS (Continued)

Rufiji and Kilwa districts were strongly affected by flood between January and March 2020. More than 5 villages located along the wayleave were affected and more than 5,000 families were left homeless. As a result, the Company donated foodstuff worth USD 13,775 to both districts to support the victims.

Livelihood

In an effort to maintaining the country's rich biodiversity and promote sustainable fisheries, the Company continued to work with Sea Sense to support the implementation of an education and outreach program in Kilwa District. A total of USD 41,000 was granted to continue implementing this program in three villages located along the Kilwa coast which are Songo Songo, Somanga and Kilwa Kivinje.

Beekeeping is one of the income generating activities with high potential for improving incomes of communities living close to forests. Since 2019 the Company started working with Mkuranga district council to create more awareness and promote beekeeping. A grant of USD 7,428 was made to Mkuranga district council in 2020 to conduct awareness training on beekeeping and equipment support will be given to groups or individuals who will submit best project proposals.

Professional Development

The Company donated a total of 20 sets of sewing machines and 20 pieces of brand-new desktop computers worth USD 12,544 to Kilwa Folk Development college. The college support students from all over the country and is currently having 230 students. In 2020 Songas sponsored 30 students from Songo Songo to undertake different training courses at this college. The Company is doing this to promote excellence in teaching and the students to become competitive in the market.

STATUTORY PAYROLL REMITTANCES

The directors confirm that they are aware of and have taken full responsibility for the accuracy of the disclosures made in note 5 (k) to the financial statements in respect of remittances for social security fund contributions and other statutory payroll deductions. The directors also confirm that all remuneration and benefits paid to its employees were properly taxed in accordance with the requirements of the Income Tax Act, 2004 of Tanzania.

CAPITAL EXPENDITURE

During the year, capital expenditure amounting to USD 13.4 million (2019: USD 17.7 million) was incurred. The major element of this expenditure was for LM6000 routable PC engine (ESN 191-001-Spare Engine), UGT 6 hot section change, UGT1 Generator L3, UGT1 Level B inspection and UGT 2 damage repair.

CORPORATE GOVERNANCE STATEMENT

Directors are aware of their obligations for good corporate governance at all times. Following resignation of two members last year, the board has established an audit committee composed of four members tasked it to keep close contacts with management to ensure effective communication with the board. The committee reviews policies and proposes changes and makes recommendations to the full board.

CORPORATE GOVERNANCE STATEMENT (Continued)

The audit committee met twice on 19 March 2020 and 23 July 2020 and the members attended are shown below. The members of the audit committee are all non-executive board members as analysed in the table below:

Name	Position	Qualification/ Discipline	Nationality
Christian Wright	Member	Economist/Political Scientist	British/American
Lilian Musingi	Member	Lawyer	Tanzanian
Stephen Ramsay	Member	Lawyer	British
James Mataragio	Member	Geologist	Tanzania
Ian Coxon	Member	Accountant	British

MANAGEMENT

The Board appointed the Managing Director to undertake the management of the Company. The Company is organized in the following departments:

- Health, Safety and Environmental
- Plant Operations
- Maintenance
- Gas Infrastructure
- Technical
- IT Support
- Commercial and Business Development
- Finance and Accounts
- Human Resources

RESERVES

The reserves of the Company are set out on page 19 of the financial statements.

AUDITORS

The auditor, Ernst & Young, indicated willingness to continue in office as auditor and is eligible for reappointment.

A resolution proposing the appointment of auditor of the Company for the year 2021 will be put forward for consideration at the Company's Annual General Meeting.

Approved by the board of directors and authorised for issue on 31st MARCH 2021 **and signed on its behalf by:**

Name: ANAEL SAMUEL **Title:** DIRECTOR **Signature:** [signature]

Name: TITO MWINUKA **Title:** DIRECTOR **Signature:** [signature]

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2020

The Companies Act, 2002 of Tanzania requires the directors to prepare financial statements for each financial year that present fairly the state of financial affairs of the Company as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

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 the requirements of the Companies Act, 2002 of Tanzania. The directors are of the opinion that the financial statements present fairly the state of financial affairs of the Company and of its profit or loss.

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

Subject to the comments in the director's report on the Company's solvency and the conclusions made on going concern, 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 directors are also responsible for the other information in this report.

The financial statements were approved by the Board of Directors for issue on 31st MARCH 2021 and signed on its behalf by:

Name: ANAEL SAMUEL **Title:** DIRECTOR **Signature:** ____________

Name: TITO MWINUKA **Title:** DIRECTOR **Signature:** ____________

Date: 20th APRIL **2021**

DECLARATION BY THE HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2020

The National Board of Accountants and Auditors (NBAA), according to the power conferred to it 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 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 a true and fair view of the entity's financial position and performance in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as stated under the Statement of Directors' Responsibilities on the previous page.

I **Kastuli Sebastian Baate** being the Head of Commercial and Finance of Songas Limited hereby acknowledge my responsibility of ensuring that the financial statements for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania.

I thus confirm that the financial statements give a true and fair view position of Songas Limited as at 31 December 2020 and that they have been prepared based on properly maintained financial records.

Signed by: Kastuli Sebastian Baate

Chief Commercial and Financial Officer
NBAA Membership No. ACPA 2334

Date: 20th APRIL **2021**

Building a better
working world

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INDEPENDENT AUDITORS' REPORT
to the shareholders of Songas limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Songas Limited ('the Company') set out on pages 17 to 56, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Songas Limited as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Independent International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information included in the Company's 2020 Annual Report

The other information comprises the General Report, Directors' Report, Statement of Directors' Responsibilities and the Declaration by the Head of Finance. The other information does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 our 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT (Continued)
to the shareholders of Songas limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

- 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.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with the Companies Act, 2002 of Tanzania and for no other purposes.

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

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

ii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;

iii. The Directors' Report is consistent with the financial statements;

iv. Information specified by law regarding directors' remuneration and transactions with the Company is disclosed; and

v. The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Signed by: Deokari Mkenda (ACPA 3438) ____________
For and behalf of Ernst & Young
Certified Public Accountants
Dar es Salaam

Date: 28/04/ **2021**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 USD '000	2019 USD '000
Revenue	19	91,453	101,786
Cost of sales	20	(32,199)	(37,282)
Gross profit		**59,254**	**64,504**
Other loss	21	(2,853)	(3,606)
Operating expenses	22	(31,789)	(31,707)
Operating profit		**24,612**	**29,191**
Finance costs	23	(2,107)	(2,579)
Profit before taxation		**22,505**	**26,612**
Income tax expense	24 (a)	(4,493)	(4,816)
Profit for the year		**18,012**	**21,796**
Other comprehensive income for the year, net of taxes		-	-
Total comprehensive income for the year, net of taxes		**18,012**	**21,796**
Earnings per share	25	**172.2**	**208.4**

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 USD '000	2019 USD '000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	89,877	111,798
Right of use Asset	7	728	566
Intangible assets	8	745	858
Deferred costs	9	7,651	1,813
		99,001	**115,035**
CURRENT ASSETS			
Inventories	10	11,526	11,281
Accounts receivable	11	54,931	53,631
Amounts due from related companies	12(a)	191	135
Cash and cash equivalents	13	9,134	7,759
		75,782	**72,806**
TOTAL ASSETS		**174,783**	**187,841**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Common share capital	14	10,457	10,457
Retained earnings		78,416	70,391
		88,873	**80,848**
NON-CURRENT LIABILITIES			
Term loans	16(d)	8,957	20,816
Loan notes	16(a)	4,785	6,528
Lease liability – non-current	7	455	367
Buy down deferred revenue	16(c)	7,771	10,779
Deferred tax liability	24(c)	12,986	17,737
		34,954	**56,227**
CURRENT LIABILITIES			
Amounts due to related companies	12(b)	587	202
Loan notes	16(b)	1,743	1,743
Term loans	16(e)	11,940	15,039
Lease liability - current	7	189	184
Buy down deferred revenue	16(c)	3,008	3,008
Accounts payable	17	32,516	29,205
Income tax payable	24(b)	236	367
Interest payable on term loans	18(a)	105	187
Interest payable on notes	18(b)	632	831
		50,956	**50,766**
EQUITY AND LIABILITIES		**174,783**	**187,841**

These financial statements were approved by the board of directors and authorised for issue on 31 MARCH 2021 and were signed on their behalf by:

Name: ANAEL SAMUEL **Title:** DIRECTOR **Signature:** ____

Name: TITO MWINUKA **Title:** DIRECTOR **Signature:** ____

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Common Share Capital USD'000	Retained Earnings USD'000	Total Equity USD'000
As at 1 January 2020	**10,457**	**70,391**	**80,848**
Total comprehensive income for the year, net of taxes	-	18,012	18,012
Dividend paid	-	(9,987)	(9,987)
As at 31 December 2020	**10,457**	**78,416**	**88,873**
As at 1 January 2019	**10,457**	**63,595**	**74,052**
Total comprehensive income for the year, net of taxes	-	21,796	21,796
Dividend paid	-	(15,000)	(15,000)
As at 31 December 2019	**10,457**	**70,391**	**80,848**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 USD'000	2019 USD'000
OPERATING ACTIVITIES			
Profit before tax		22,505	26,612
Adjustments reconciling profit before tax to net cash flows			
Non-cash items			
Depreciation and amortisation	6,7,8	25,482	24,959
Loss from sale of property, plant and equipment		3,321	3,647
Interest expenses	23	2,067	2,544
Deferred income	16(c)	(3,008)	(3,008)
Term loans deemed paid		(15,039)	(13,930)
Working capital adjustments			
Decrease in inventory		(245)	30
Decrease in accounts receivables		(1,300)	5,290
Decrease/(increase) in amounts due from related companies		(56)	222
Increase in amounts due to related companies		385	-
Increase/(decrease) in accounts payables		3,311	923
Cash flow from operations		**37,423**	**47,289**
Income taxes paid	24 (b)	(9,375)	(8,771)
Net cash flows generated from operating activities		**28,048**	**38,518**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(12,569)	(16,382)
Net cash flows used in investing activities		**(12,569)**	**(16,382)**
FINANCING ACTIVITIES			
Loan notes paid	16(a)	(1,743)	(1,743)
Interest paid		(2,361)	(2,743)
Dividend paid		(10,000)	(15,000)
Net cash flows used in financing activities		**(14,104)**	**(19,486)**
Net decrease in cash and cash equivalents		**1,375**	**2,650**
Cash and cash equivalents at the beginning of the year	13	7,759	5,109
Cash and cash equivalents at the end of the year	13	9,134	7,759

1. CORPORATE INFORMATION

The financial statements of the Company for the year ended 31 December 2020 were approved and authorised for issue in accordance with a resolution of Directors as indicated on the statement of financial position. The shareholders have the power to amend these financial statements after issue, if they are found with errors or to be misleading.

The Company is incorporated in Tanzania under the Companies Act, 2002 as a limited liability company and it is domiciled in Tanzania. The principal activities of the Company are disclosed in the Directors' Report on page 2.

2. BASIS OF PREPARATION

The financial statements have been prepared under the historical cost basis, except for certain financial instruments that have been measured at fair value. The Company, under the Implementation Agreement between the Government, Songas, CDC Group PLC and the Pan African Energy Corporation ("PAE") was granted permission to present the financial statements in United States Dollars. Accordingly, the Company's records and financial statements have been maintained in United States Dollars (USD) since 2001. The financial statements are presented in United State Dollars and all values rounded to the nearest thousands (USD'000) except when otherwise indicated.

Going Concern

Since November 2016, the directors have noted a significant increase and consistency in payments from TANESCO, its sole customer for all electric power generated which has resulted into reduction of arrears. This trend is expected to continue in the year 2021. The directors therefore conclude that the uncertainty that casts significant doubt about the Company's ability to continue as a going concern is not material and, therefore, the Company will be able to realise its assets and discharge its liabilities in the normal course of business

Therefore, after making enquiries and considering this uncertainty, the directors reasonably expect that the Company will have adequate resources to continue in operational existence for next 12 months. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Statement of compliance

The financial statements of Songas Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and the requirements of the Companies Act, 2002 of Tanzania.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

3.1 New and amended standards and interpretations

The accounting policies adopted are consistent with those used in the previous year. The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3.1.1 Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments had no impact on the financial statements of the Company.

3.1.2 Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

3.1.3 Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

3.1 New and amended standards and interpretations (Continued)

3.1.4 Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the financial statements of the Company.

3.1.5 Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

This amendment had no impact on the financial statements of the Company.

3.2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

3.2.1 IFRS 17 Insurance contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required.

This standard is not applicable to the Company.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

3.2 Standards issued but not yet effective (Continued)

3.2.2 IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

This amendment is not expected to have an impact on the Company's financial statements.

3.2.3 Tanzania Financial Reporting Standard No.1 (TFRS 1) - The Report by those charged with governance

During its 182nd meeting held on 22 June 2020, the National Board of Accountants and Auditors (NBAA) Governing Board approved the issuance of Tanzania Financial Reporting Standards (TFRS) No.1 – The Report by those charged with governance.

This standard replaces TFRS 1 on The Directors' Report which was issued by the Board effective 1 January 2010. The revised standard is aimed at assisting those charged with governance in setting out their analysis of the entity's operations and financial review with a forward-looking orientation. This will help primary users and other stakeholders to assess strategies adopted by their respective entities and the potential for those strategies to succeed toward creating value over the short, medium and long term periods.

The standard becomes operative for financial statements covering accounting periods beginning on or after 1 January 2021 with early adoption allowed.

The Company will adopt the standard for the financial year 2021.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could require a material adjustment to carrying amount of the asset or liability effected in future periods.

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Asset useful lives
The useful lives of items of property, plant and equipment are estimated annually and are in line with the rate at which they are depreciated.

Impairment of non-financial assets
The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Intangibles are reviewed for impairment annually and at other times when indicators of impairment exist. Other non-financial assets are reviewed for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Refer to Notes 6, 7 and 8 for further details on property, plant and equipment, right-of-use assets and intangible assets.

Contingencies and provisions
By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

Litigation and other judicial proceedings as a rule raise difficult and complex legal issues and are subject to uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which each suit is brought and differences in applicable law. Upon resolution of any pending legal matter, the Company may be forced to incur charges in excess of the presently established provisions and related insurance coverage. It is possible that the financial position, results of operations or cash flows of the Company could be materially affected by the unfavourable outcome of litigation.

For details on provisions and contingent liabilities, refer to Notes 17 and 30 respectively.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Tax

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities.

The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues, depending on the conditions prevailing in the country.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of the deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

For further details on tax, refer to Notes 24.

Impairment losses on trade receivables

The Company uses a provision matrix to calculate Estimated Credit Loses (ECLs) for trade receivables. The provision rates are based on days past due for groupings of customer segments that have similar loss patterns.

The assessment of the correlation between historical observed default rates and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 11.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Deferred costs

The Company capitalises an asset from the time the recognition criteria of an asset is met, and the asset becomes available for use. Costs incurred on assets that take more than one period to become available for use are recorded as work in progress. The cost of other assets that have been paid for but not received is recorded in prepayments as advance payment to supplier.

b) Foreign currency translation

The Company's functional currency is United States Dollars (USD).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities that are expressed in currencies other than the functional currency are restated at year end using the spot rate at reporting date. The resulting differences from conversion are dealt with in the statement of comprehensive income in the year in which they arise.

c) Revenue recognition

The Company's major source of revenue is the sale of electric power to TANESCO. The Company has four main revenue streams, namely:

i) Capacity revenue

This is based on the project's agreed investment costs, along with an agreed return to investors, recovered over the life of the project. This is recognised on a monthly basis, based on unredeemed investment as at the end of that month.

ii) Power/ Energy sales

The energy component of revenue is made up of two subcomponents, the cost of gas and a charge for major maintenance; both are driven by the amount of electric power generated and are therefore charged on the basis of a rate per kilowatt hour sold to TANESCO. Where applicable, Songas makes full provision for any charges levied by TANESCO under relevant agreements.

iii) Gas sales to Wazo Hill

Revenue from gas sales to Tanzania Portland Cement Company ("TPCC" or "Wazo Hill") is under a long-term gas sales agreement. This revenue forms part of the basis of adjustment to Capacity Charges under the PPA.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

c) Revenue recognition (Continued)

iv) Gas processing and transportation revenue

This represents income from charging PAT for the use of Songas gas processing and transportation facilities to transport "Additional Gas" to commercial customers. The revenue is based on the invoices that PAT issues to its own customers and 85% of it is passed straight through to TANESCO as a credit to monthly invoices, with Songas retaining 15%. A re-rating agreement was entered in September 2011 where the percentage of transportation revenue passed to TANESCO varies according to the average volumes of gas that is transported.

Revenue is recognised at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer and is stated net of value-added tax (VAT), excise duty.

Revenue is primarily derived from the capacity revenue, power/energy sales, gas sales to Wazo hill and gas processing and transportation revenue. More detail refer above.

Revenue represents income arising in the course of an entity's ordinary activities, which leads to an increase of economic benefits during the accounting period. IFRS 15 guidance on revenue recognition for all contracts with customers, except for those not in scope in IFRS 15 has been applied.

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Revenue recognition (Continued)

iv) Gas processing and transportation revenue (Continued)

Revenue from sales of gas is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery to the customer.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of equipment, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

d) Contract balances

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables
A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

e) Government of Tanzania principal loans forgiven

An element of fixed income is repayment of the five loans that Songas has with the Government. (As provided for under the loan agreements), the Company makes repayments to Government only if it is paid these amounts by TANESCO.

If Songas does not receive payment from TANESCO, the instalments due are treated as paid to Government and the Company is permanently released from any obligations in respect of such. From May 2005 TANESCO has not been paying this portion of the capacity charge.

The Company treats this loan element as a reduction in both capacity charge and interest expense with the principal amount reducing the debt stock.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated to write off the cost of each asset over the expected useful lives of the assets concerned. The rates and basis of depreciation by class of fixed assets are as follows:

Buildings	5.00%
Freehold improvements	5.00%
Fixtures and fittings	12.50%
Motor vehicles	20.00%
Computer and hardware	33 ⅓%
Plant and Machinery	over the useful life of the project (20 years) or life of the plant component or running hours for turbines.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate.

g) Inventories

Inventories are valued on a first in first out ("FIFO") basis and at the lower of cost and estimated net realisable value. Estimated net realisable value is the estimated arm's length selling price in the ordinary course of business less any cost of disposal. Inventory includes spare parts, consumables and working tools.

h) Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date. The current rate of corporation tax is 30%.

i) Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Deferred income tax (Continued)

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused 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 income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that at the time of transaction, affects neither accounting profit nor taxable profit or loss.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or liability settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised in equity is recognised in equity and not in the profit or loss.

j) Value Added Tax (VAT)

Revenues, expenses and assets are recognised at amounts net of value added tax ("VAT") except where the value added tax incurred on purchase of assets or services 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. Receivables and payables are stated with the amount of VAT included.

k) Employee benefits

The Company is registered with the National Social Security Fund ("NSSF") scheme. The Company contributes 15% of the employee's gross taxable amount to NSSF (5% above the current statutory requirements) and these contributions are charged to the profit or loss in the year in which they fall due. The Company was not in default of its obligations relating to timely remittances of statutory deductions.

l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

n) Leasing

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Leasing (Continued)

The right-of-use assets are subject to impairment in line with the Company's policy for Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

o) Financial instruments

Initial recognition and subsequent measurement

Financial assets

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (c) Revenue recognition.

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

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Financial instruments (Continued)

Initial recognition and subsequent measurement (Continued)

Financial assets (Continued)

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

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

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include trade and other receivables and bank balances.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Financial instruments (Continued)

Financial assets (Continued)

Derecognition (Continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets
The Company 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 Company 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 Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company 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 Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Financial instruments (Continued)

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, and loans and borrowings.

Subsequent measurement
After initial recognition, trade and other payables, and interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

p) Related party transactions

In line with IAS 24, the Company discloses balances with related parties at period end and, during the year, had transactions with such parties at arm's length and settlement of arising obligations or benefits was on the same basis.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, 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. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

r) Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is either:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 12 months after the reporting period;
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when either:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period;
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant, Machinery and others	Motor Vehicles	Freehold Improvements	Fixtures and Fittings	Total
	USD'000	USD '000	USD '000	USD '000	USD '000	USD '000
Cost						
As at 1 January 2019	7,437	356,085	1,151	87	2,245	367,005
Additions	-	-		-	-	
Transfer from deferred costs (Note 9)	33	23,094	94	-	13	23,234
Disposals	-	(19,186)	-	-	-	(19,186)
As at 31 December 2019	7,470	359,993	1,245	87	2,258	371,053
Additions						
Transfer from deferred costs (Note 9)	-	7,392	93	-		7,560
Disposals	-	(10,171)	(90)	-	-	(10,261)
As at 31 December 2020	7,470	357,214	1,248	87	2,258	368,377
Accumulated depreciation						
As at 1 January 2019	4,802	240,702	944	49	2,163	248,660
Charge for the year	347	24,171	96	4	16	24,634
Disposals	-	(14,039)	-	-	-	(14,039)
As at 31 December 2019	5,149	250,834	1,040	53	2,179	259,255
Charge for the year	347	24,683	86	4	17	25,137
Disposals	-	(5,902)	(90)	-	-	(5,992)
As at 31 December 2020	5,496	269,615	1,036	57	2,196	278,400
Net carrying amount						
As at 31 December 2020	1,974	87,603	212	30	62	89,878
As at 31 December 2019	2,321	109,159	205	34	79	111,798

7. RIGHT-OF-USE ASSETS

	Right-of-use assets - Buildings USD '000
Cost	
As at 1 January 2019	-
Effect of adoption of IFRS 16 as at 1 January 2020	705
Additions	-
As at 31 December 2019	**705**
As at 1 January 2020	705
Additions	536
Disposals	(338)
As at 31 December 2020	**903**
Accumulated depreciation	
As at 1 January 2019	-
Charge during the year	139
As at 31 December 2019	**139**
As at 1 January 2020	139
Charge during the year	156
Disposals	(120)
As at 31 December 2020	**175**
The carrying amount	
As at 31 December 2020	**728**
As at 31 December 2019	**566**

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2020 USD '000	2019 USD '000
As at 1 January	**551**	-
Additions	536	705
Accretion of interest	40	35
Payments	(280)	(189)
Write-offs	(203)	-
As at 31 December	**644**	**551**
Current	189	184
Non-current	455	367
	644	**551**

8. INTANGIBLE ASSETS

	Land Rights USD '000	Systems Software USD '000	Total USD'000
Cost:			
As at 1 January 2019	3,434	660	4,095
Transfers from deferred costs (Note 9)	-	-	-
As at 31 December 2019	**3,434**	**660**	**4,095**
Transfers from deferred costs (Note 9)	-	75	75
As at 31 December 2020	**3,434**	**735**	**4170**
Amortisation			
As at 1 January 2019	2,475	576	3,051
Amortization for the year	172	13	186
As at 31 December 2019	**2,647**	**589**	**3,237**
Amortization for the year	172	16	188
As at 31 December 2020	**2,819**	**605**	**3,425**
Net carrying amount:			
As at 31 December 2020	**615**	**130**	**745**
As at 31 December 2019	**787**	**71**	**858**

	2020 USD'000	2019 USD'000
9. DEFERRED COSTS		
Capital work in progress		
As at 1 January	1,813	7,321
Additions	13,398	17,726
Transfer to property, plant and equipment (Note 6&8)	(7,560)	(23,234)
	7,651	**1,813**
10. INVENTORIES		
Mechanical spare parts	11,078	10,868
Working tools	448	413
	11,526	**11,281**
11. ACCOUNTS RECEIVABLE		
Trade receivables	51,543	49,880
Prepaid insurance	285	1,535
Prepayments for other expenses	264	108
Taxation Dispute Deposit	2,778	2,043
Other receivables	61	65
	54,931	**53,631**

Trade receivable are net of disputes amounting to USD 31.6 Million (2019: USD 37.4 Million) and also include December invoice amounting to USD 7.9 Million (2019: USD 8.7 Million). No charge has been made for Expected Credit Losses (ECL) since the receivable balances not in dispute were assessed to be recoverable due to the weekly payment commitment in place with TANESCO. Please refer to section 'Results for the year and financial position' of the director's report in page 17 and 18.

12. RELATED PARTY DISCLOSURE

Identification of related parties

The holding company is Globeleq Holdings (Songas) Limited, incorporated in Mauritius. The ultimate holding company is CDC Group Plc incorporated in England and Wales.

The Company has no investments in subsidiaries, joint ventures or associates. The names of directors are listed in the directors' report.

	2020 USD'000	2019 USD'000
a) Amounts due from related companies		
Globeleq Tanzania Limited	74	74
Globeleq Services Limited	8	0
Globeleq Somanga Limited	31	31
Globeleq Africa Limited	78	30
	191	**135**
b) Amounts due to related companies		
Globeleq Expatriate Services Limited	-	26
Globeleq Tanzania Limited	84	84
Globeleq Tanzania Services Limited	313	35
Globeleq Somanga Limited	28	28
Globeleq Africa Limited	162	29
	587	**202**
c) Other related party transactions during the year		
Gross sales to TANESCO	77,636	86,823
Reimbursable costs to Globeleq Tanzania Services Limited ("GTSL")	3,004	3,139
Project management fees to GTSL	1,377	1,539
Natural Gas Costs from TPDC	6,960	7,810

The Company has an agreement with GTSL to operate and maintain the power generation plant at Ubungo.

d) Compensation of key management personnel

	2020 USD'000	2019 USD'000
Short term employee benefits	299	340

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director of the Company.

12. RELATED PARTY DISCLOSURE (Continued)

e) Directors' fees

Fees payable to the board of directors are as follows:

(i) An annual fee of USD 1,500 payable in January of the following year to each director and/or alternate who attends at least three meetings in a year. Should there be less than 3 meetings per year, the Annual Fees will be paid for director and/or alternate who attend all the meetings during the year.

(ii) Attendance allowance of USD 450 is payable to each director or the alternate for attending a full meeting of the board.

(iii) A fee of USD 450 payable to each audit committee member for attendance of each meeting.

No annual fees payable to directors as there was only three meetings during the year. The Company estimates that it has a liability to pay sitting allowances for board meetings at year end of USD 4,500

Two audit committee meeting were held in 2020 and the payment for the sitting allowance were made.

	2020 USD'000	2019 USD'000
13. CASH AND CASH EQUIVALENTS		
Foreign denominated cash (all USD)	5,476	5,695
Local denominated cash (TZS) in USD equivalent	3,658	2,064
	9,134	**7,759**

14. SHARE CAPITAL

	2020 USD'000	2019 USD'000
Authorized and Issued share capital		
Non-Controlling Interest	4,800	4,800
Globeleq Common Shares	5,657	5,657
	10,457	**10,457**

Issued and fully paid 104,570 common shares of USD 100 each.

15. ASSETS PLEDGED AS SECURITY

None of the Company's assets are pledged for security of any loan.

		2020 USD'000	2019 USD'000
16.	**LOANS AND BORROWINGS**		
(a)	**Loan Notes – Noncurrent portions**		
	Globeleq Tanzania Limited		
	Opening balance	4,896	6,203
	Repayment – Principal	(1,307)	(1,307)
	Closing balance	**3,589**	**4,896**
	Globeleq Somanga Limited		
	Opening balance	1,632	2,068
	Repayment – Principal	(436)	(436)
	Closing balance	**1,196**	**1,632**
	Total	**4,785**	**6,528**
(b)	**Loan Notes - Current portion**		
	Globeleq Tanzania Limited	1,307	1,307
	Globeleq Somanga Limited	436	436
		1,743	**1,743**

As a result of conflict between the IFRS requirement to treat preference shares as debt instruments and the Companies Act 2002 of Tanzania that treats preference shares as equity, the Company carried out a capital restructuring in December 2008 that entailed a reduction in share capital of preference shares and issuance of loan notes of identical economic and risk profile to previous holders of preference shares as set out in the Shareholders Agreement.

Loan Notes are redeemable in equal instalments at the end of every February and August and carry interest rates of 22%.

(c) Buydown deferred revenue

	2020 USD'000	2019 USD'000
Long term portion	7,771	10,779
Short term portion	3,008	3,008
	10,779	**13,787**

In August 2009, TANESCO exercised its right under the Power Purchase Agreement ("PPA") and made an expansion buy-down payment in the amount of USD 45,123,458. Funds received were used by the Company to make a prepayment of part of the loan notes. In accounting (and taxation) terms, this transaction was a receipt in advance of revenue that would have accrued to the Company as part of capacity charge over the unexpired period of the PPA.

Rather than treat this as revenue in the year of receipt, the Company relied on the matching principle that requires revenue to be recognised when it is earned; the advanced payment has been treated as deferred income revenue that is being released to income in equal monthly instalments over 180 months (15 years) from August 2009. VAT on this amount is due and payable in the month of cash receipt, being the earliest of the possible tax points.

		2020	2019
		USD'000	USD'000
16.	**LOANS AND BORROWINGS (Continued)**		
(d)	**Term Loans**		
	Principal – noncurrent portion		
	International Development Association ("IDA")	6,987	14,961
	European Investment Bank ("EIB")	1,970	5,855
		8,957	**20,816**
(e)	**Principal - current portion**		
	IDA	8,032	10,086
	EIB	3,908	4,953
		11,940	**15,039**

The Company has two long-term loans assigned from the Government through the IDA and EIB. In addition, three loans were assumed by Songas from TANESCO. These are generally referred to as: "GE Loan" from Power IV Loan Agreement, "ABB Loan" from the ABB Loan Agreement between the Government and TANESCO and "Well Servicing Loan" from Power IV Loan Agreement.

The terms of the loans are as follows:

Lender: The Government (Under IDA credit)

Loan Limit: Special Drawing Rights 120,300,000 and Interest: 7.1% p.a.
The loan is repayable in 198 equal monthly instalments over 20 years from financial close, with the first monthly instalment paid in July 2005, and the last payable in July 2021.

Lender: The Government (Under EIB credit)

Loan Limit: Euro 50,000,000 (equivalent USD73 m) and Interest: 6.0% p.a.
The loan is repayable in 192 equal monthly instalments over 20 years from financial close, with the first monthly payable in January 2006, and the last monthly instalment being payable in July 2021. The undrawn balance on this Loan was cancelled in 2006.

Reconciliation of present value of loan repayments

	Up to 1 year USD'000	2 to 5 years USD'000	Over 5 years USD'000
IDA	8,032	6,986	-
EIB	3,908	1,971	-
GE	-	-	-
TOTAL	**11,940**	**8,957**	-

		2020	2019
		USD'000	USD'000
17.	**ACCOUNTS PAYABLE**		
	Trade Payable	24,242	20,295
	Accrual expenses	7,009	7,511
	VAT payable	706	799
	Others	559	600
		32,516	**29,205**

Trade Payable is mainly made up of payable to TPDC which as at 31 December 2020 amounted to USD 19,548,221 (2019: USD 14,764,000)

		2020	2019
18 (a).	**INTEREST PAYABLE ON TERM LOANS**		
	IDA		
	Opening Balance	134	182
	Repayment	(61)	(48)
	Closing balance	**73**	**134**
	EIB		
	Opening Balance	53	75
	Repayment	(21)	(22)
	Closing balance	**32**	**53**
	Total	**105**	**187**

18 (b). INTEREST PAYABLE ON LOAN NOTES

	2020 USD'000	2019 USD'000
Globeleq Tanzania Limited	431	580
Globeleq Somanga Limited	201	251
	632	**831**

These loan notes carry the risk/ reward profiles substantially similar to the preference shares redeemed; that is 22% for series A. Interest payable at year end represents amounts for Agreement Period 26 payable at the end of January 2020.

19. REVENUE

	2020 USD'000	2019 USD'000
Capacity income	45,130	47,015
Power sales-Energy generation	32,506	39,808
Gas sales-Wazo Hill	6,838	6,782
Gas transportation-PAE Limited	6,979	8,181
	91,453	**101,786**

20. COST OF SALES

	2020 USD'000	2019 USD'000
Natural gas costs- power generation	16,190	20,080
Natural gas costs- Wazo Hill	1,367	1,333
Primary spare parts	2,458	2,614
Operating and Maintenance	4,381	4,677
Company properties insurances	2,640	3,155
SSI operating expenses	4,949	5,129
Lease engine rental charges	214	294
	32,199	**37,282**

21. OTHER LOSS

	2020 USD'000	2019 USD'000
Investment interest income (Fixed Deposits with Banks)	62	76
Other (loss) /income	(2,915)	(3,682)
	(2,853)	**(3,606)**

Other income/(loss) comprises mainly of net loss resulting from 25% of cost of new LPT UGT 6 given to Songas as a discount to compensate for the damaged old LPT USD 750,000, refurbished stage 2 vanes-UGT 1 USD 200,000 and loss resulting from write off of engine ESN191-578 (UGT 6) USD 3,616,000 and UGT 1 level B inspection USD 653,000 , realised foreign currency loss USD 475,000, and Other income amounting to USD 881,000 (Comprised of sale of LM6000 PA Gas Turbine SN: 185-144 USD 780,000 , Pan-African insurance 2016 rebating USD 60,000 and TPDC village payments USD 41,000) in year 2020.

	2020 USD'000	2019 USD'000

22. OPERATING EXPENSES

	2020 USD'000	2019 USD'000
Staff costs – Service cost	2,593	2,692
Staff costs – Pension cost	201	164
Other administration expenses	3,479	3,858
Auditors remuneration-for audit services	34	34
Depreciation and amortisation expenses	25,482	24,959
	31,789	**31,707**

Other administration expenses include

IT charges	372	337
Community Relations	561	665
Security costs	480	416
Others	2,160	2,425
	3,573	**3,843**

23. FINANCE COSTS

Globeleq Tanzania Limited	1,550	1,908
Globeleq Somanga Limited	517	636
Interest expense for lease	40	35
	2,107	**2,579**

From May 2005, TANESCO has not been paying principal and interest amounts of monthly invoices. Under the provisions of sections 4.2(d) of IDA Subsidiary Loan Agreement; Section 2.6(d) of EIB On-Lending Agreement and Section 2.5(d) of Loans Assumption Agreements, dated 11th of October 2001 in the event of TANESCO non-payment, such unpaid portions are to be treated by Songas as permanently forgiven and Songas will have no liability to the Government in respect of such amounts.

24. TAXATION

	2020 USD'000	2019 USD'000
(a) Tax charge		
Income tax charge	9,244	8,830
Deferred tax charge	(4,751)	(4,014)
Prior year income tax charge	-	-
	4,493	**4,816**
Tax reconciliation		
Profit before tax	22,505	26,612
Less non-taxable income	(9,522)	(12,879)
	12,983	**13,733**
Applicable tax rate	30%	30%
Tax at applicable rate of 30% (2019: 30%)	3,895	4,120
Disallowable items	598	696
	4,493	**4,816**
(b) Tax payable		
At start of the year	367	308
Charge for the year	9,244	8,830
Paid during the year	(9,375)	(8,771)
At end of the year	**236**	**367**
(c) Details of the deferred tax liability are as follows:		
Accelerated tax allowances	18,292	18,266
General provisions (Timing differences)	(5,237)	(529)
Losses	(69)	-
Deferred tax liability	**12,986**	**17,737**
Movement in deferred tax Liability		
At the beginning of the year	17,737	21,751
Release to income statement	(4,751)	(4,014)
	12,986	**17,737**

The Company has duly submitted its final tax returns for all previous years including 2019. The Company's final tax return for the financial year ended 31 December 2020 is not yet due until 30 June 2021.

25. EARNINGS PER SHARE

Earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year. Ordinary shares outstanding during the year were 104,570 (2019: 104,570). The basic and diluted earnings per share are the same basis of calculation.

26. EMPLOYEES

The number of employees for the Company at the end of the year was 18 (2019: 17).

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Foreign Currency Risk

Management does not consider foreign currency risk to be significant. Under the PPA, the Company invoices TANESCO in substantially the currencies in which it settles its obligations. These currencies are the local currency (Tanzanian Shilling - TZS) and the US Dollar (USD). TANESCO is encouraged to settle the invoice in the same currencies. To the extent that the Company receives payment for USD in local currency but cannot buy sufficient USD to offset the invoice amount, it has a right to bill TANESCO for the shortfall.

Credit Risk

If TANESCO does not pay Subordinated Obligations, Songas Limited is automatically released from those obligations to the extent that TANESCO did not pay. At the reporting date the Liquidity Facility is unfunded, and the Company is exposed to the extent of its invoiced but unpaid supplies. TANESCO has been experiencing a financial difficulty having fallen behind by approximately 10 months of Songas' monthly invoicing. TANESCO's financial difficulty is attributed to a variety of factors already mentioned above.

Without TANESCO's payments of its accumulating debt, there is a risk the Company will be unable to financially support its cost base required for the ongoing safe provision of power. However, there is positive indication that the financial difficulty will end in the medium term.

TPCC enjoys a 15 days credit period from date of invoice. Songas has the right to impose interest on late payment and when payment is delayed for 30 days or more beyond the payment due date, supply of gas may be stopped and/or the Sales Agreement terminated.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Taking into account the economic importance of the provision of electricity and, the commitment by TANESCO management to clear its debts, the likely improvement in TANESCO's financial situation, management considers there is some mitigation against credit risk.

As at 31 December 2020, the ageing analysis of trade receivables is as follows:

Total	Neither past due nor impaired	Past due but not impaired			
		< 30 days	31-60 days	61–90 days	> 91 days
USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**
76,047	1,551	8,185	6,890	6,346	53,075

As at 31 December 2019, the ageing analysis of trade receivables is as follows:

Total	Neither past due nor impaired	Past due but not impaired			
		< 30 days	31-60 days	61–90 days	> 91 days
USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**
78,242	1,682	8,376	7,493	7,154	53,537

Liquidity Risk

The Company's ongoing liquidity is dependent on the timely receipt of revenue billings to TANESCO.

Based on the Company's underlying cash flows from its revenue billings; Songas current financial forecasts, the likely improvement of TANESCO's liquidity going forward, and the expected collections of TANESCO's debts in the near term, the directors can reasonably expect the Company's cash flows will be sufficient to meet creditor obligations as and when they fall due and continue to operate as a going concern for a period of 12 months from the date of approving these financial statements.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Maturity profile of financial liabilities as at 31 December 2020

Year ended 31 December 2020	Less than 3 months USD '000	3 to 12 months USD '000	1 to 5 years USD '000	> 5 years USD '000	Total USD '000
Term loans	-	11,940	8,957	-	20,897
Loan notes	871	872	4,785	-	6,528
Interest on loan notes	632	-	-	-	632
Interest on term loans	105	-	-	-	105
Amounts due to related companies	579	-	-	-	579
Other accounts payable	-	56,802	-	-	56,802
	2,187	**69,614**	**13,742**	**-**	**85,543**

Maturity profile of financial liabilities as at 31 December 2019

Year ended 31 December 2019	Less than 3 months USD '000	3 to 12 months USD '000	1 to 5 years USD '000	> 5 years USD '000	Total USD '000
Term loans	-	15,039	20,816	-	35,855
Loan notes	872	872	6,528	-	8,272
Interest on loan notes	831	-	-	-	831
Interest on term loans	187	-	-	-	187
Amounts due to related companies	202	-	-	-	202
Other accounts payable	-	61,646	-	-	61,646
	2,092	**77,557**	**27,344**	**-**	**106,993**

Interest rates risk

All Company borrowings are at fixed interest rates lasting for the life of each loan instrument. Ordinarily, Songas does not hold cash in excess of its operational and contractual obligations and as such does not have significant balances for cash investment. Cash for meeting contractual obligations is accumulated through settlement by payments by TANESCO of monthly invoices. In view of these arrangements, management does not consider Songas is exposed to fluctuations in borrowing or investment interest rates.

28. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it operates within the requirements of the PPA designed to ensure capital adequacy and shareholder value. The Company manages this by ensuring a close working relationship with TANESCO.

No changes have been made in the objective, policies or processes since operations commenced in August 2004.

The Company includes within net debt, interest bearing loans and borrowings, trade and other liabilities excluding deferred tax, less cash and cash equivalents.

	2020 USD'000	2019 USD'000
Interest bearing loans and borrowings	27,426	44,126
Trade and other liabilities excluding deferred tax	45,132	45,130
Less: Cash and Short-term deposits	(9,134)	(7,759)
Net debt	**63,424**	**81,497**
Equity	88,873	80,848
Total Capital	**88,873**	**80,848**
Capital and Net debt	**152,297**	**162,345**
Gearing Ratio	42%	50%

29. FAIR VALUE MEASUREMENT

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on stock exchanges.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

- Level 3 – inputs Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable .

29. FAIR VALUE MEASUREMENT (Continued)

The fair values of the financial instruments are measured and presented at fair value as indicated below:

As at 31 December 2020	**Amounts in USD'000**			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets	-	-	-	-
Accounts receivable excluding prepayments and taxes	-	51,604	-	51,604
Amounts due from related companies	-	183	-	183
Cash and cash equivalents	-	9,134	-	9,134
	-	**60,921**	-	**60,921**
Financial liabilities				
Amounts due to related companies	-	579	-	579
Other accounts payable	-	56,802	-	56,802
Term loans- noncurrent portion	-	8,957	-	8,957
Term loans - current portion	-	11,940	-	11,940
Interest on term loans	-	105	-	105
Loan notes- noncurrent portion	-	4,785	-	4,785
Loan notes -current portion	-	1,743	-	1,743
Interest on loan notes	-	632	-	632
	-	**85,543**	-	**85,543**

As at 31 December 2019	**Amounts in USD'000**			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Accounts receivable excluding prepayments and taxes	-	51,980	-	51,980
Amounts due from related companies	-	135	-	135
Cash and cash equivalents	-	7,759	-	7,759
	-	**59,874**	-	**59,874**
Financial liabilities				
Amounts due to related companies	-	202	-	202
Other accounts payable	-	61,647	-	61,647
Term loans- noncurrent portion	-	20,816	-	20,816
Term loans - current portion	-	15,039	-	15,039
Interest on term loans	-	187	-	187
Loan notes- noncurrent portion	-	6,528	-	6,528
Loan notes -current portion	-	1,743	-	1,743
Interest on loan notes	-	831	-	831
	-	**106,993**	-	**106,993**

30. CONTINGENT LIABILITIES

Disputed well workover

In August 2016 PAT invoiced Songas claiming proportion of Well worker over cost which amounts to USD 14 million including VAT. Songas has disputed this claim and remains firm with its view that the programme should have been conducted under the terms of Well Work over agreement previously provided to PAT.

Liability in dispute with TPDC

There is a liability in dispute of USD 3,361,339.34 with respect to prior years invoices between Songas Limited and TPDC, Songas claims that the entity does not have an obligation to pay because the said amount resulted from exchange rate differences since it was invoiced in TZS and paid while TPDC recorded the invoice in USD, however, TPDC claims that even though it was invoiced in TZS but in the book of accounts of TPDC was recorded in USD. Thus, TPDC invoiced Songas the additional amount resulting from timing differences.

30. CAPITAL COMMITMENTS

(i) Capital commitments

On 9 May 2017 Songas entered in a contract with General Electric International Inc ("GE"). a limited liability Company for purchases of the spare parts and provision of repair service for LM6000 gas turbines. GE shall provide mobilization service, planned maintenance, unplanned maintenance, extra work such that to assess the condition of and /or correct damages and other impact and provision of remote technical services.

The pricing and terms of the agreement have been established based upon the agreement that a minimum volume of service will be purchased and sold under the agreement for planned maintenance from 2017 to July 2024. All the required major parts and services for the overhauls until July 2024 prices were fixed base price and an escalation will be at the rate of 2 - 4% for payment after 2019 such that 1 January 2020 and on January 1 of each year thereafter. Interest shall accrue on all past due amounts at a fluctuating per annum rate equal to the one-year London Inter- Bank Offered Rate (LIBOR) then in effect, as published in the US wall street Journal, plus three percent (3%). The total of this long-term contract is approximately USD 53 million. Should either party terminates the contract; there is penalty of 15% on the unfulfilled contract volume. The average contact purchase of parts and services is around USD6.5 million per year over the contract period.

The Company committed to purchase spare engine in 2021 with value of USD 5.4 million

(ii) Lease commitments – Company as lessee

The Company leases office under operating lease agreements. The lease terms are two years renewable at the end of the lease period at market rates. In some of the leases, the Company is required to give specific notice periods for termination of the lease agreements. The future aggregate minimum lease payments under operating leases are as follows:

	2020 USD'000	2019 USD'000
Not later than 1 year	-	72
Later 1 year but not later than 5 years	-	72
Later than 5 years	-	-
	-	144

31. EVENTS AFTER THE REPORTING DATE

The COVID-19 pandemic continued to affect countries and businesses at the time of issuing these financial statements. The risks arising from this pandemic could include market, services and supply chain disruptions, unavailability of key people resources, locations being quarantined, among others. The directors have assessed that, at the time of issuing these financial statements, it was impracticable to determine and disclose the extent of the possible effects of the pandemic on the Company. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from the judgements and assumptions used, could require a material adjustment to the carrying amount of the assets or liabilities reported in these financial statements.

There were no other events after the reporting period which require adjustment to or disclosure in the financial statements.

32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors on the date indicated on the statement of financial position. The financial statements are subject to approval by the members in the Annual General Meeting.