



**GHANA NATIONAL PETROLEUM CORPORATION (GNPC)**

**CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2017**

**GHANA NATIONAL PETROLEUM CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2017**

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**GHANA NATIONAL PETROLEUM CORPORATION**

**CORPORATE INFORMATION**  
**31 DECEMBER 2017**

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<b>BOARD OF DIRECTORS</b>	Mr. Freddie Blay	Chairman
	Dr. Kofi Koduah Sarpong	Ag Chief Executive
	Ogyeahohoo Yaw Gyebi II	Member
	Mrs. Nana Adjoa Hackman	Member
	Mr. Kwabena Kwakye	Member
	Mr. Yaw Kyei	Member
	Prof. John S. Nabila	Member
	Mr Felix Addo	Chairman (Resigned 3 January 2017)
	Mr Alexander K. M. Mould	Ag Chief Executive (Resigned 3 January 2017)
	Awulae Attibrukusu III	Member (Resigned 3 January 2017)
	Mrs. Anita Lokko	Member (Resigned 3 January 2017)
	Mr. Worlanyo Amoa	Member (Resigned 3 January 2017)
	Mr. Abraham Amaliba	Member (Resigned 3 January 2017)
Mr Kyeretwie Opoku	Member (Resigned 3 January 2017)	
<b>SECRETARY</b>	Ms. Matilda Ohene	
<b>BUSINESS ADDRESS</b>	Petroleum House, Tema	
<b>POSTAL ADDRESS</b>	Private Mail Bag, Tema	
<b>EXTERNAL AUDITORS</b>	Ernst & Young Chartered Accountants G15 White Avenue Airport Residential Area P O Box KA 16009 Airport - Accra	
<b>BANKERS</b>	National Investment Bank Limited Bank of Ghana Ghana Commercial Bank Limited Ecobank Ghana Limited Ghana International Bank Plc - London	

**REPORT OF THE DIRECTORS (CONTINUED)  
31 DECEMBER 2017**

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The Directors have the pleasure of presenting this annual report to the members of the Corporation for the year ended 31 December 2017.

**1. Principal activities**

The objects of the corporation are to promote and undertake the exploration, development, production and disposal of petroleum.

**2. Statement of directors' responsibilities**

The Companies Act, 1963 (Act 179) requires the directors to prepare consolidated financial statements for each financial period, which give a true and fair view of the state of affairs of the Corporation and of the profit or loss for that period.

In preparing the consolidated financial statements, the Directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgment and estimates have been made in the preparation of the consolidated financial statements for the year ended 31 December 2017. The directors confirm that the consolidated financial statements have been prepared on a going concern basis.

The directors are responsible for ensuring that the Corporation keeps accounting records which disclose with reasonable accuracy the financial position of the Corporation and which enable them to ensure that the consolidated financial statements comply with the Companies Act, 1963 (Act 179). They are also responsible for safeguarding the assets of the Corporation and hence for taking steps for the prevention and detection of fraud and other irregularities. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

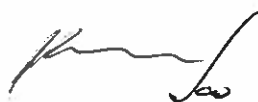
**3. Directors in office**

The directors in office at the time of signing these financial statements are:

Mr. Freddie Blay	Chairman (appointed 3 May 2017)
Dr. K.K Sarpong	Chief Executive (24 January 2017)
Mr. Kwabena Kwakye	Member (appointed 3 May 2017)
Prof. J. S. Nabila	Member (appointed 3 May 2017)
Mr. Yaw Kyel	Member (appointed 3 May 2017)
Nana Adjoa Hackman	Member (appointed 3 May 2017)
Ogyeahohoo Yaw Gyebi	Member (appointed 3 May 2017)
Ms. Matilda Ohene	Secretary

On behalf of the Board:

Director:



Date:

25/4/19

Director:



Date:

25/4/19



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## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GHANA NATIONAL PETROLEUM CORPORATION**

### **Report on the Audit of the Consolidated and Separate Financial Statements**

#### **Opinion**

We have audited the consolidated and separate financial statements of Ghana National Petroleum Corporation (GNPC) set out on pages 8 to 66, which comprise the statement of financial position as at 31 December 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements 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 accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Ghana National Petroleum Corporation (GNPC) as at 31 December 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), the Ghana National Petroleum Corporation Law, 1983 (PNDC Law 64), Petroleum Revenue Management Act, 2011 (Act 815) as amended and the Ghana Companies Act, 1963 (Act 179).

#### **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 consolidated and separate Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Ghana National Petroleum Corporation and its subsidiaries. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audits of Ghana National Petroleum Corporation (GNPC) and its subsidiaries. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.



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Key Audit Matter	How the matter was addressed in the audit
<p><b>Implementation challenges of the SAP Hana software</b></p> <p>The SAP accounting software is not fully functional following the change in software from Navision 2013 to SAP Hana and non-implementation of certain modules.</p> <p>Data migration as a result of the change in software is characterised by instances where the general ledger balances do not agree to the underlying subledger balances for some modules;</p> <ul style="list-style-type: none"> <li>• Property, Plant and Equipment,</li> <li>• Cash and Bank-overnight interest,</li> <li>• Inventory,</li> <li>• Accounts Payable and</li> <li>• Accounts Receivable</li> </ul> <p>There exists the risk that affected general ledger balances may not be accurately stated and the underlying subledger transactions not completely captured.</p> <p><b>Significant accounts</b></p> <p><b>Revenue</b></p> <p>Ninety percent (90%) of the corporation's current year revenue was generated from the sale of crude oil and nine percent (9%) generated from the sale of gas production.</p>	<p>Our audit procedures on valuation, existence and completeness of underlying transactions supporting the affected accounts included, among others the following;</p> <ul style="list-style-type: none"> <li>• We evaluated the appropriateness of management's process for identifying and recording transactions relating to the affected general ledger and subledger accounts;</li> <li>• We read contracts and agreements with vendors to understand the nature of timing and extent of these transactions.</li> <li>• We performed reasonableness tests on fixed assets depreciation.</li> <li>• We validated fixed assets additions and transfers from Work in Progress (WIP).</li> <li>• We reviewed general ledger and subledger reconciliations to ensure completeness of the underlying transactions for affected accounts.</li> <li>• Throughout the performance of our audit procedures, we remained alert for any transactions outside the normal course of business.</li> <li>• We utilized data analysis tools to interrogate entire data sets for potential unrecorded transactions.</li> <li>• We verified that transactions were duly authorized in line with the corporation's authority matrix.</li> </ul> <p>Our audit procedures on occurrence, measurement and completeness of underlying</p>



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Key Audit Matter	How the matter was addressed in the audit
<p><b>Revenue (continued)</b></p> <p>Increase in liftings from the TEN and Sankofa fields significantly contributed to the increase in current year revenue. This exceeded hundred percent (100%) as compared to prior year,</p> <p>There exists the risk that liftings during the year may not be completely reported leading to misstatements in the corporation's earnings.</p> <p>This has been disclosed in Note 5 of the financial statements.</p>	<p>transactions supporting the affected accounts included, among others the following;</p> <ul style="list-style-type: none"> <li>• We performed revenue recognition procedures such as analytical procedures,</li> <li>• We reviewed sales agreement,</li> <li>• We reviewed certificates issued by the Operator which supported liftings, and</li> <li>• performed tests of transactions</li> </ul>
<p><b>Petroleum projects</b></p> <p>Petroleum projects constitutes approximately forty-three percent (43%) of total assets as at end of the year. A rise in petroleum activities in the Tweneboa, Enyenra and Ntomme (TEN) and Sankofa Gyi-nyame (SGN) fields during the year significantly contributed to the increase in petroleum projects as compared to prior year.</p> <p>There exists the risk that the valuation of petroleum projects may be materially misstated.</p> <p>This has been disclosed in Note 16 of the financial statements.</p>	<p>Our audit procedures on valuation, existence and completeness of underlying transactions supporting the affected accounts included, among others the following;</p> <ul style="list-style-type: none"> <li>• Tested the basis on which additions, amortisations and disposals were recorded,</li> <li>• Examined invoices, authorisations, contracts, agreements and other data supporting ownership of assets capitalised during the period,</li> </ul>

### Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act, 1963 (Act 179). The other information does not include the consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate 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.



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## **Responsibilities of the Directors for the Consolidated and Separate Financial Statements**

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Ghana National Petroleum Corporation Law, 1983 (PNDC Law 64), Petroleum Revenue Management Act, 2011 (Act 815) as amended and the Ghana Companies Act, 1963 (Act 179), and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Corporation's financial reporting processes.

## **Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated and separate 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.





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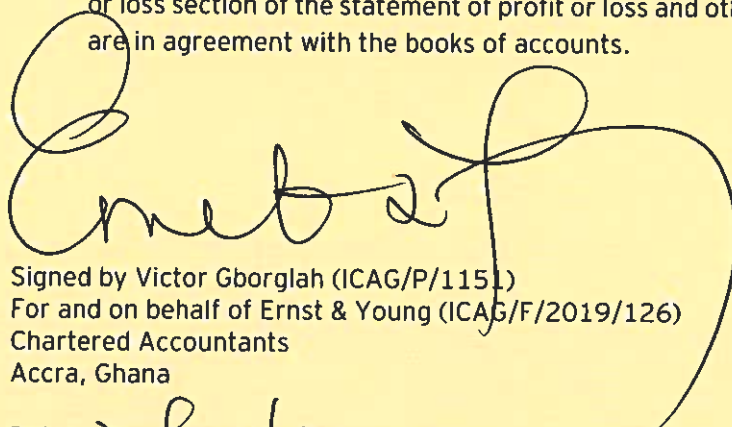
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate 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

The Ghana Companies Act, 1963 (Act 179) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii. In our opinion proper books of account have been kept by the Group, so far as appears from our examination of those books; and
- iii. The balance sheet (statement of financial position) and the profit and loss account (the profit or loss section of the statement of profit or loss and other comprehensive income) of the Group are in agreement with the books of accounts.



Signed by Victor Gborglah (ICAG/P/1151)  
For and on behalf of Ernst & Young (ICAG/F/2019/126)  
Chartered Accountants  
Accra, Ghana

Date: 25/04/2019

GHANA NATIONAL PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Group		GNPC	
		2017 USD	2016 USD	2017 USD	2016 USD
Revenue	5	268,252,251	127,426,900	267,737,386	126,942,871
Cost of sales	6	<u>(102,700,261)</u>	<u>(76,693,316)</u>	<u>(102,603,540)</u>	<u>(76,605,810)</u>
Gross profit		165,551,990	50,733,584	165,133,846	50,337,061
Other operating income	7	18,973,797	22,142,194	18,966,343	22,125,165
General & administrative expenses	8	<u>(76,793,188)</u>	<u>(92,649,558)</u>	<u>(78,185,317)</u>	<u>(81,822,518)</u>
Other operating expenses	9	<u>(5,273,573)</u>	<u>(4,400,262)</u>	<u>(5,273,573)</u>	<u>(4,400,262)</u>
<b>Operating Profit/Loss</b>		<b>102,459,026</b>	<b>(24,174,042)</b>	<b>100,641,299</b>	<b>(13,760,554)</b>
Finance Cost	10	<u>(15,582,276)</u>	<u>(2,023,692)</u>	<u>(13,752,570)</u>	-
Share of loss in associate company	20a	-	<u>(943,729)</u>	-	-
Share of profit/(loss) of joint venture	20b	<u>37,524</u>	<u>(10,079)</u>	-	-
<b>Profit/ (loss) before tax</b>		<b>86,914,274</b>	<b>(27,151,542)</b>	<b>86,888,729</b>	<b>(13,760,554)</b>
Income tax expense	11b	<u>(15,262)</u>	<u>(32,488)</u>	-	-
<b>Profit/ (loss) after tax</b>		<b>86,899,012</b>	<b>(27,184,030)</b>	<b>86,888,729</b>	<b>(13,760,554)</b>
<b>Other comprehensive income for the year</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Remeasurement gains (losses) of defined benefit obligation	30.2	<u>(21,870)</u>	34,174	<u>(21,870)</u>	34,174
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Translation Difference		<u>950,265</u>	<u>3,028,748</u>	-	-
<b>Other comprehensive income for the year, net of tax</b>		<b><u>928,395</u></b>	<b><u>3,062,922</u></b>	<b><u>(21,870)</u></b>	<b><u>34,174</u></b>
<b>Total comprehensive income for the year, net of tax</b>		<b><u>87,827,407</u></b>	<b><u>(24,121,108)</u></b>	<b><u>86,866,859</u></b>	<b><u>(13,726,380)</u></b>
<b>Profit/(Loss) for the year attributable to:</b>					
Owners of the Corporation		87,193,644	(25,944,106)		
Non-controlling Interests		<u>(294,632)</u>	<u>(1,239,924)</u>		
		<b><u>86,899,012</u></b>	<b><u>(27,184,030)</u></b>		
<b>Total comprehensive income attributable to:</b>					
Owners of the Corporation		88,031,310	(23,162,978)		
Non-controlling interests		<u>(203,903)</u>	<u>(958,130)</u>		
		<b><u>87,827,407</u></b>	<b><u>(24,121,108)</u></b>		

The notes 1 to 41 form an integral part of these financial statements.

## GHANA NATIONAL PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017

Assets	Notes	Group		GNPC	
		2017 USD	2016 USD	2017 USD	2016 USD
<b>Non-current assets</b>					
Property, plant & equipment	12	25,392,887	15,034,329	24,884,237	14,614,367
Intangible assets	13	3,824,301	6,578,930	3,824,301	6,578,930
Exploration Expenditure	15	5,685,933	4,676,931	-	-
Petroleum projects	16	526,282,468	469,610,972	526,282,468	469,610,972
Investment in subsidiaries	19	-	-	22,720	22,720
Investment in associate and Joint Venture	20	1,008,280	1,002,002	131,563	2,330,947
Due from government agencies	18	290,912,779	189,094,433	290,912,779	189,094,433
Held to maturity financial assets	17	<u>119,191,685</u>	<u>136,191,685</u>	<u>119,191,685</u>	<u>136,191,685</u>
<b>Total non-current assets</b>		<b><u>972,298,333</u></b>	<b><u>822,189,282</u></b>	<b><u>965,249,753</u></b>	<b><u>818,444,054</u></b>
<b>Current assets</b>					
Inventories	21	326,973	268,139	314,238	256,698
Due from related parties	22	-	-	6,498,751	5,258,260
Trade & other receivables	23	172,091,646	111,891,326	172,076,182	111,859,344
Held to maturity financial assets	17	4,000,000	12,000,000	4,000,000	12,000,000
Cash & bank balances	24	<u>62,528,783</u>	<u>27,724,614</u>	<u>62,498,468</u>	<u>27,638,011</u>
<b>Total current assets</b>		<b><u>238,947,402</u></b>	<b><u>151,884,079</u></b>	<b><u>245,387,639</u></b>	<b><u>157,012,313</u></b>
<b>Total assets</b>		<b><u>1,211,245,735</u></b>	<b><u>974,073,361</u></b>	<b><u>1,210,637,392</u></b>	<b><u>975,456,367</u></b>

The notes 1 to 41 form an integral part of these financial statements

## GHANA NATIONAL PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AS AT 31 DECEMBER 2017

Equity and Liabilities	Notes	Group		GNPC	
		2017 USD	2016 USD	2017 USD	2016 USD
Equity					
Stated capital	25	3,332,726	3,332,726	3,332,726	3,332,726
Petroleum equity fund	26	117,830,392	60,021,333	117,830,392	60,021,333
Petroleum project fund	27	277,279,272	215,506,462	277,279,272	215,506,462
Retained earnings		215,900,962	248,311,057	236,192,172	268,907,181
Translation reserve		<u>2,839,948</u>	<u>1,980,411</u>	-	-
Equity attributable to equity holders of the parent		617,183,300	529,151,989	634,634,561	547,767,702
Non-controlling interests		<u>(2,195,585)</u>	<u>(1,991,681)</u>	-	-
<b>Total equity</b>		<b><u>614,987,715</u></b>	<b><u>527,160,308</u></b>	<b><u>634,634,561</u></b>	<b><u>547,767,702</u></b>
<b>Non-current liabilities</b>					
Training & technology fund	28	48,117,441	43,107,990	48,117,441	43,107,989
Medium term loan	29	443,066,268	334,973,825	435,859,518	327,399,903
Deferred tax liabilities	11c	21,259	14,581	-	-
Employee benefits obligation	30	<u>532,200</u>	<u>545,984</u>	<u>532,200</u>	<u>545,984</u>
<b>Total non-current liabilities</b>		<b><u>491,737,168</u></b>	<b><u>378,642,380</u></b>	<b><u>484,509,159</u></b>	<b><u>371,053,876</u></b>
<b>Current liabilities</b>					
Trade & other payables	31	104,506,696	68,254,015	91,493,671	56,634,789
Corporate tax liabilities	11a	<u>14,156</u>	<u>16,658</u>	-	-
<b>Total current liabilities</b>		<b><u>104,520,852</u></b>	<b><u>68,270,673</u></b>	<b><u>91,493,671</u></b>	<b><u>56,634,789</u></b>
<b>Total liabilities</b>		<b><u>596,258,020</u></b>	<b><u>446,913,053</u></b>	<b><u>576,002,830</u></b>	<b><u>427,688,665</u></b>
<b>Total equity and liabilities</b>		<b><u>1,211,245,735</u></b>	<b><u>974,073,361</u></b>	<b><u>1,210,637,391</u></b>	<b><u>975,456,367</u></b>

Director:



Director:



Date:

25/4/19

Date:

25/4/19

The notes 1 to 41 form an integral part of these financial statements.

GHANA NATIONAL PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017

Group	Stated capital USD	Petroleum equity fund USD	Petroleum project fund USD	Retained earnings USD	Exchange Translation reserve USD	Non Controlling Interest USD	Total equity USD
Balance at 1 Jan 2017	3,332,726	60,021,333	215,506,462	248,311,057	1,980,411	(1,991,681)	527,160,308
Profit for the year	-	-	-	87,193,644	-	(294,632)	86,899,012
Other comprehensive income	-	-	-	(21,870)	859,537	90,728	928,395
Transfer to retained earnings	-	57,809,059	61,772,810	(119,581,869)	-	-	-
Balance at 31 Dec 2017	3,332,726	117,830,392	277,279,272	215,900,962	2,839,948	(2,195,585)	614,987,715
Balance at 1 Jan 2016	3,332,726	64,360,009	233,810,230	251,578,545	(766,543)	(1,033,551)	551,281,416
Profit for the year	-	-	-	(25,944,106)	-	(1,239,924)	(27,184,030)
Other comprehensive income	-	-	-	34,174	2,746,954	281,794	3,062,922
Transfer to retained earnings	-	(4,338,676)	(18,303,768)	22,642,444	-	-	-
Balance at 31 Dec 2016	3,332,726	60,021,333	215,506,462	248,311,057	1,980,411	(1,991,681)	527,160,308

The notes 1 to 41 form an integral part of these financial statements.

## GHANA NATIONAL PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017

GNPC	Stated capital USD	Petroleum equity fund USD	Petroleum project fund USD	Retained earnings USD	Total equity USD
Balance at 1 Jan 2017	3,332,726	60,021,333	215,506,462	268,907,181	547,767,702
Profit for the year	-	-	-	86,888,729	86,888,729
Other comprehensive income	-	-	-	(21,870)	(21,870)
Transfer from retained earnings	-	57,809,059	61,772,810	(119,581,869)	-
Balance at 31 Dec 2017	<u>3,332,726</u>	<u>117,830,392</u>	<u>277,279,272</u>	<u>236,192,171</u>	<u>634,634,561</u>
Balance at 1 Jan 2016	3,332,726	64,360,009	233,810,230	259,991,117	561,494,082
Profit for the year	-	-	-	(13,760,554)	(13,760,554)
Other comprehensive income	-	-	-	34,174	34,174
Transfer to retained earnings	-	(4,338,676)	(18,303,768)	22,642,444	-
Balance at 31 Dec 2016	<u>3,332,726</u>	<u>60,021,333</u>	<u>215,506,462</u>	<u>268,907,181</u>	<u>547,767,702</u>

The notes 1 to 41 form an integral part of these financial statements

## GHANA NATIONAL PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Group 2017 USD	2016 USD	GNPC 2017 USD	2016 USD
<b>Cash flows from operating activities</b>		<b>86,899,012</b>	<b>(27,184,030)</b>	<b>86,888,729</b>	<b>(13,760,554)</b>
Profit (loss) before tax					
Adjustments for:					
Depreciation charge	12	2,147,869	1,183,541	2,068,472	1,139,548
Amortisation of intangible assets	13	3,052,098	2,032,190	3,052,098	2,032,190
Petroleum project cost amortisation	16.1	38,600,527	11,097,580	38,600,527	11,097,580
Net foreign exchange differences		(1,202,458)	3,691,460	-	75,834
Provisions and accruals		5,498,281	(306,732)	5,498,281	(306,732)
Profit on disposal of fixed assets	14	(4,432)	(45,594)	(4,432)	(45,594)
Share of (profit)/loss in joint venture	20b	(37,524)	10,079	-	-
Impairment of subsidiary assets		-	21,636,898	-	8,923,597
Impairment of associate		2,199,384	-	2,199,384	-
Income Tax Expense		15,262	20,885	-	-
Finance income	7	(8,027,370)	(9,904,824)	(8,027,370)	(9,904,824)
<b>Working capital adjustments:</b>					
(Increase) in amount due from government & its agencies		(15,469,743)	(5,400,683)	(15,469,743)	(5,400,683)
Decrease/(Increase) in stocks		(58,834)	(28,361)	(57,539)	(27,868)
Decrease/(Increase) in amount due from related party		-	-	(1,240,335)	(2,651,280)
Decrease/(Increase) in debtors		(58,144,687)	(52,167,706)	(58,145,814)	(52,171,849)
(Decrease)/Increase in creditors		30,729,373	39,323,457	29,324,947	39,302,205
Deferred income		(31,247)	-	(31,247)	-
Income taxes paid		86,165,511	(16,041,840)	84,655,958	(21,698,430)
		(11,086)	(9,786)	-	-
<b>Net cash generated from (used in) operating activities</b>		<b>86,154,425</b>	<b>(16,051,626)</b>	<b>84,655,958</b>	<b>(21,698,430)</b>

GHANA NATIONAL PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Group		GNPC	
		2017	2016	2017	2016
		USD	USD	USD	USD
<b>Net cash generated from (used in) operating activities</b>		<b>86,154,425</b>	<b>(16,051,626)</b>	<b>84,655,958</b>	<b>(21,698,430)</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of fixed assets		48,403	45,594	48,403	45,594
Purchase of property, plant & equipment	12	(12,550,397)	(6,897,332)	(12,382,313)	(6,492,303)
Purchase of intangible assets	13	(297,468)	(6,742,324)	(297,468)	(6,742,324)
Additions to petroleum projects	16	(94,023,358)	(171,274,924)	(94,023,358)	(171,274,924)
Exploration expenditure	15	(2,257,666)	(2,757,629)	(1,248,664)	-
Held to maturity financial assets		17,000,000	4,996,232	17,000,000	4,996,232
Dividend received		31,246	-	31,246	-
Interest received		<u>5,956,149</u>	<u>13,167,564</u>	<u>5,956,149</u>	<u>13,167,564</u>
<b>Net cash from (used in) investing activities</b>		<b>(86,093,091)</b>	<b>(169,462,819)</b>	<b>(84,916,005)</b>	<b>(166,300,161)</b>
<b>Cash flows from financing activities</b>					
Proceeds from medium term loan		21,737,582	159,131,204	22,111,052	161,540,079
Training & technology grant		<u>5,009,452</u>	<u>1,673,702</u>	<u>5,009,452</u>	<u>1,673,702</u>
<b>Net cash generated by financing activities</b>		<b>26,747,034</b>	<b>160,804,906</b>	<b>27,120,504</b>	<b>163,213,781</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>26,808,368</b>	<b>(24,709,539)</b>	<b>26,860,457</b>	<b>(24,784,810)</b>
<b>Cash &amp; cash equivalents at the beginning of the year</b>		<b><u>39,720,415</u></b>	<b><u>64,434,153</u></b>	<b><u>39,638,011</u></b>	<b><u>64,422,821</u></b>
<b>Cash &amp; cash equivalents at the end of the year</b>	24	<b><u>66,528,783</u></b>	<b><u>39,724,614</u></b>	<b><u>66,498,468</u></b>	<b><u>39,638,011</u></b>

The notes 1 to 41 form an integral part of these financial statements



**1 GENERAL INFORMATION**

Ghana National Petroleum Corporation is a Corporation established by the Ghana National Petroleum Corporation Law, 1983 (PNDC Law 64) and domiciled in Ghana. The Corporation's registered office is at Petroleum House, Tema. Its ultimate controlling party is the Government of Ghana.

The principal activities of the corporation are exploration, development, production, disposal and refining of crude oil.

**2 NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS**

Certain standards and amendments became effective for annual periods beginning on or after 1 January 2017. The nature and the impact of these standards and amendments are described below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual consolidated financial statements of the Group.

**Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative**

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gain or losses). The amendments did not have any material impact on the Group's financial statements.

**Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses**

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The c applied amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the group.

**Amendments to IFRS 12 Disclosure of Interests in Other Entities: *Clarification of the scope of disclosure requirements in IFRS 12***

The amendments clarify that the disclosure some requirements in IFRS 12 apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. These amendments did not affect the corporation's financial statements.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

#### 3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Corporation takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Corporation and entities (including structured entities) controlled by the GNPC and its subsidiaries. Control is achieved when the Corporation:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

GNPC reassesses whether or not it controls an investee if the facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Corporation has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

GNPC considers all relevant facts and circumstances in assessing whether or not the Corporation's voting rights in an investee are sufficient to give it power, including:

- the size of the Corporation's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Corporation, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Corporation has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Corporation obtains control over the subsidiary and ceases when the Corporation loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Corporation gains control until the date when the Corporation ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Corporation and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.4 Interests in joint arrangements

IFRS defines a joint arrangement as an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control

##### 3.4.1 Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. In relation to its interests in joint operations, the Corporation recognises its:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation;
- Share of the revenue from the sale of the output by the joint operation; and
- Expenses, including its share of any expenses incurred jointly.

##### 3.4.2. Joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. The Corporation's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment in the joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Corporation's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss and other comprehensive income (OCI) reflects the Corporation's share of the results of operations of the joint venture. Any change in OCI of that investee is presented as part of the Corporation's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Corporation recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Corporation and the joint venture are eliminated to the extent of the interest in the joint venture.

Investments in joint ventures are measure at cost in the corporation's separate financial statements.

##### 3.4.3. Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4.3. Investments in associates (continued)**

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Investments in associates are measured at cost in the corporation's separate financial statements

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.5 Foreign currencies**

The Group's consolidated financial statements are presented in US Dollars, which is the same as the Corporation's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group presents its financial statements in US Dollars.

**Group companies**

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

**Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss

**3.6 Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of materials is the purchase cost, determined on first-in, first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**3.7 Provisions**

Provisions are recognised when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Corporation 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 any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the statement of profit or loss and other comprehensive income.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.8 Oil exploration, evaluation and development expenditure**

Oil exploration, evaluation and development expenditure is accounted for using the successful efforts method of accounting.

**(a) Exploration and evaluation costs**

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalised as exploration and evaluation intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include directly attributable employee remuneration, materials and fuel used, rig costs and payments made to contractors.

Geological and geophysical costs are recognised in the statement of profit or loss and other comprehensive income, as incurred. If no potentially commercial hydrocarbons are discovered, the exploration asset is written off through the statement of profit or loss and other comprehensive income as a dry hole. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalised as an intangible asset.

All such capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through the statement of profit or loss and other comprehensive income.

When proved reserves of oil and natural gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties. Other than licence costs, no amortisation is charged during the exploration and evaluation phase.

**(b) Development costs**

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties.

**3.9 Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, but exclude any restricted cash. Restricted cash is not available for use by the Corporation and therefore is not considered highly liquid - for example, cash set aside to cover decommissioning obligations.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.10 Oil and gas properties and other property, plant and equipment****Initial recognition**

Oil and gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment.

When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to oil and gas property asset additions, improvements or new developments.

**Depreciation/amortisation**

Oil and gas properties are depreciated/amortised on a unit-of-production basis over the total proved developed and undeveloped reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved developed and undeveloped reserves of the relevant area. The unit-of-production rate calculation for the depreciation/amortisation of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure.

Other property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives. The following rates are applicable:

Leasehold land & buildings	2-7%
Furniture & fittings	10-30%
Office & bungalow equipment	20%
Motor vehicles	25%
Other machinery & equipment	5%
Oil and gas assets	Units of production (UOP)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.



**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Major maintenance, inspection and repairs**

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Corporation, the expenditure is capitalised. Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) and is immediately written off. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

**3.8 Other intangible assets**

**Other intangible assets include computer software**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets with definite lives are carried at cost less any accumulated amortisation (calculated on a straight-line basis over their useful lives) and accumulated impairment losses, if any. Indefinite lived intangibles are not amortised, instead they are tested for impairment annually.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised. Instead, the related expenditure is recognised in the statement of profit or loss and other comprehensive income in the period 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 is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify 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 statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition 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 statement of profit or loss and other comprehensive income when the asset is derecognised.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.9 Impairment of non-financial assets**

The carrying values of non-financial assets are reviewed for indications of impairment annually, or when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units to which the asset belongs are written down to their recoverable amount. The recoverable amount of non-financial assets is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the assets recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalue amount, in which case the reversal is treated as a revaluation increase.

**3.10 Financial instruments**

**Initial recognition and subsequent measurement**

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

**a. Financial assets**

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments, available-for-sale (AFS) financial assets, or derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets in a timeframe established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date at which the Corporation commits to purchase or sell the asset.

The Corporation's financial assets include cash and cash equivalents, trade and other receivables and short term investments.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent measurement**

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

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments;
- AFS financial investments.

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments, as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative changes in fair value) or finance revenue (positive net changes in fair value) in the statement of profit or loss and other comprehensive income. The Corporation has not designated any financial assets at fair value through profit or loss.

**Loans and receivables**

This category is the most relevant to the Corporation. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. 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 effective interest rate. The effective interest rate amortisation is included in finance income in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables.

**Held-to maturity**

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Were the Corporation to sell more than an insignificant amount of held-to-maturity assets, the entire category would have to be reclassified as available for sale.

The investments which are mainly fixed deposits with banks would be classified under this category. Regular way purchases and sales of financial assets held-to-maturity are recognised on trade-date - the date on which the Corporation commits to purchase or sell the asset.

**3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Available-for-sale**

Available-for-sale assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates, or equity prices. Investment securities and treasury bills are classified as available for sale. AFS financial assets are measured at fair value with fair value gains or losses recognised in other comprehensive income. The Corporation currently has no available- for sale financial assets.

**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 Corporation's consolidated statement of financial position) when:

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

**Impairment of financial assets**

The Corporation assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments; the probability that they will enter bankruptcy or other financial reorganisation; and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**b. 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 Corporation's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Corporation that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial recognition date and only if the conditions in IAS 39 are satisfied. The Corporation has not designated any financial liabilities as at fair value through profit or loss.

**Loans and borrowings**

This is the category most relevant to the Corporation. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the effective interest rate 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 effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit or loss and other comprehensive income. This category generally applies to interest-bearing loans and borrowings.

**Derecognition**

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as 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 and other comprehensive income.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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, or to realise the assets and settle the liabilities simultaneously.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.11 Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, sales taxes, excise duties and similar levies. Revenue from the production of crude oil and gas is recognised based on the terms of the relevant Petroleum Agreement and the Petroleum Revenue Management Act 815, 2011 (PRMA).

The PRMA specifies the sharing of the crude oil proceeds between the State and GNPC. Revenue therefore represents the equity financing costs and the cash or the equivalent barrels of oil ceded to the national oil company out of the carried and participating interests recommended by the Minister of finance and approved by Parliament.

#### Interest Income

For all financial instruments measured at amortised cost and interest-bearing financial assets, interest income is recorded using the effective interest rate, which is the rate that discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in non-trading income in the statement of profit or loss and other comprehensive income.

#### 3.12 Over/underlift

Lifting or offtake arrangements for oil produced in GNPC's jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production less stock is "underlift" or "overlift". Underlift and overlift are disclosed appropriately in the financial statements.

#### 3.13 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 (a qualifying asset) are capitalised as part of the cost of the respective assets. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Corporation during the period.

All other borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

Even though exploration and evaluation assets can be qualifying assets, they generally do not meet the probable economic benefits' test and also are rarely debt funded. Any related borrowing costs incurred during this phase are therefore generally recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.14 Employee benefit**

The corporation operates a defined contribution plan and a defined benefit plan. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Under the National pension scheme, the corporation contributes 13.5% of employees' basic salary to the Social Security and National Insurance Trust (SSNIT) for employee pension. The corporation's obligation is limited to the relevant contribution, which were settled on due dates. The pension liabilities and obligation therefore rest with SSNIT.

A defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The corporation pays its employees medical benefit after retirement until death of the retired employee.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period.

**3.15 Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

**Current tax**

Revenue received under the Petroleum Revenue Management Act relating to crude oil and gas sales are non-taxable. Revenue received is a reimbursement of the cost incurred by GNPC in carrying out government business under petroleum agreements. Taxes are however, payable on the non-trading income, such as services to oil companies, rental income and interest on investments, obtained by the Corporation in the course of the reporting period.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income] because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

**Value added tax (VAT)**

GNPC does not deal in taxable goods and services. Crude is currently not a taxable supply for VAT purposes and therefore no VAT input tax relating to the activities of crude can be claimed or recovered. VAT input incurred is included as part of the cost of operations and expensed.

VAT is charged on non-trading income other than the interest on investments. Any input tax related to these taxable services are claimed to the extent that the input VAT is directly attributable to the taxable services.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.15 Taxation**

**Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.



## 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

### 4.1 Judgements

In the process of applying the Corporation's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

#### Joint arrangements

Judgement is required to determine when the Corporation has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Corporation has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, such as approval of the capital expenditure program for each year and appointing, remunerating and terminating the key management personnel or service providers of the joint arrangement. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Judgement is also required to classify a joint arrangement. Classifying the arrangement requires the Corporation to assess their rights and obligations arising from the arrangement. Specifically, the Corporation considers:

- The structure of the joint arrangement - whether it is structured through a separate vehicle;
- When the arrangement is structured through a separate vehicle, the Corporation also considers the rights and obligations arising from;
- The legal form of the separate vehicle;
- The terms of the contractual arrangement;
- Other facts and circumstances (when relevant).

This assessment often requires significant judgement, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting.

#### Contingencies

By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

**4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**

**4.2 Estimates and assumptions**

The key assumptions concerning the 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 described below. The Corporation based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Corporation. Such changes are reflected in the assumptions when they occur.

**Exploration and evaluation expenditures**

The application of the Corporation's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Corporation defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

**Units of production (UOP) depreciation of oil and gas assets**

Oil and gas properties are depreciated using the UOP method over total proved developed and undeveloped hydrocarbon reserves. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining production from the field.

The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located.

These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimates change. Changes to prove reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- The effect on proved reserves of differences between actual commodity prices and commodity price assumptions;
- Unforeseen operational issues.

Changes in estimates are accounted for prospectively.

**Fair value measurement**

In estimating the fair value of an asset or liability, the corporation uses market-observable data to the extent that it is available. Where Level 1 inputs are not available, the corporation engages third party qualified valuers to perform the valuation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
31 DECEMBER 2017

## 5 REVENUE

	Group		GNPC	
	2017	2016	2017	2016
	USD	USD	USD	USD
Net share of crude oil revenue	240,466,535	108,104,738	240,466,535	108,104,737
Net share of gas sales	27,270,851	18,838,134	27,270,851	18,838,134
Services income	514,865	484,028	-	-
	<u>268,252,251</u>	<u>127,426,900</u>	<u>267,737,386</u>	<u>126,942,871</u>

## 5.1. SUMMARY OF LIFTING FOR THE YEAR

Jubilee Field	No. of barrels of oil	
	2017	2016
First lifting	947,806	947,980
Second lifting	948,931	995,152
Third lifting	952,938	983,847
Fourth lifting	953,094	949,320
Fifth lifting	947,648	984,163
Sixth lifting	992,459	-
	<u>5,742,876</u>	<u>4,860,462</u>
<b>TEN Fields</b>	<b>2017</b>	<b>2016</b>
First lifting	996,588	996,459
Second Lifting	995,657	
Third Lifting	1,038,748	
Fourth Lifting	<u>1,007,382</u>	-
	<u>4,038,375</u>	<u>996,459</u>
<b>Sankofa Field</b>	<b>2017</b>	<b>2016</b>
First Lifting	<u>831,987</u>	-

## GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
31 DECEMBER 2017

## 6. COST OF SALES

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
Cost associated with production (note 6.1)	101,781,665	76,605,810	101,781,665	76,605,810
Insurance Cost	821,875	-	821,875	-
Others	<u>96,721</u>	<u>87,506</u>	<u>-</u>	<u>-</u>
	<b><u>102,700,261</u></b>	<b><u>76,693,316</u></b>	<b><u>102,603,540</u></b>	<b><u>76,605,810</u></b>

## 6.1 ANALYSIS OF COST OF PRODUCTION

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
Jubilee production	35,476,793	37,929,789	35,476,793	37,929,789
TEN production	18,240,159	18,112,673	18,240,159	18,112,673
SGN production	9,464,186	-	9,464,186	-
Jubilee capital cost amortisation	8,224,829	4,721,819	8,224,829	4,721,819
SGN cost amortisation	3,585,942	-	3,585,942	-
TEN capital cost amortisation	<u>26,789,756</u>	<u>15,841,529</u>	<u>26,789,756</u>	<u>15,841,529</u>
	<b><u>101,781,665</u></b>	<b><u>76,605,810</u></b>	<b><u>101,781,665</u></b>	<b><u>76,605,810</u></b>

## 7. OTHER OPERATING INCOME

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
Interest on short term investments	8,027,370	9,904,824	8,027,370	9,904,824
Services rendered to oil exploration companies	138,811	12,985	138,811	12,985
Data licence fee	-	241,020	-	241,020
Transfer from Training & Technology Fund	2,425,843	1,652,232	2,425,843	1,652,232
Exchange gain	3,996,675	8,340,193	3,989,561	8,323,164
Rental income	46,016	9,622	46,016	9,622
Miscellaneous income	2,904,123	169,217	29,037,627	169,217
Dividend earned	31,246	-	31,246	-
Income from refined trading (note 9.1)	1,399,281	1,766,507	1,399,281	1,766,507
Disposals	<u>4,432</u>	<u>45,594</u>	<u>4,432</u>	<u>45,594</u>
	<b><u>18,973,797</u></b>	<b><u>22,142,194</u></b>	<b><u>18,966,343</u></b>	<b><u>22,125,165</u></b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
31 DECEMBER 2017

## 8. GENERAL AND ADMINISTRATIVE EXPENSE

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
Personnel emoluments	17,165,839	14,176,065	17,054,206	14,176,065
General operating expenses	14,538,494	31,786,794	16,121,652	21,003,746
Exploration promotion expenses	490,425	951,849	490,425	951,849
Depreciation and amortization charge	5,199,966	3,215,731	5,120,570	3,171,739
Board expenses	930,943	732,050	930,943	732,050
Bank charges	665,137	117	665,137	117
SOPCL Decommissioning (Note 8.1)	9,792,459	-	9,792,459	-
Petroleum project expenditure (Note 8.2)	<u>28,009,925</u>	<u>41,786,952</u>	<u>28,009,925</u>	<u>41,786,952</u>
	<u>76,793,188</u>	<u>92,649,558</u>	<u>78,185,317</u>	<u>81,822,518</u>

## 8.1 SOPCL DECOMMISSIONING

The board gave a directive to decommission the Oil field Saltpond Offshore Producing Company Limited (SOPCL) due to safety and environmental concerns. The cost of the decommissioning is to be borne by GNPC. This amount represents accrued costs for consultants to prepare decommissioning plans and procedures.

## 8.2 PETROLEUM PROJECT EXPENDITURE

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
Ultra-Deep Water Keta Project	1,029,109	1,413,692	1,029,109	1,413,692
North & South Project	2,024,461	3,029,341	2,024,461	3,029,341
TEN Project	4,663,758	6,978,704	4,663,758	6,978,704
OCTP - ENI Project	1,349,641	2,019,561	1,349,641	2,019,561
HESS block	2,432,352	3,639,697	2,432,352	3,639,697
Jubilee investment	14,936,023	22,349,804	14,936,023	22,349,804
South deep water	<u>1,574,581</u>	<u>2,356,153</u>	<u>1,574,581</u>	<u>2,356,153</u>
	<u>28,009,925</u>	<u>41,786,952</u>	<u>28,009,925</u>	<u>41,786,952</u>

## 9. OTHER OPERATING EXPENSE

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
Maritime boundary special project	<u>5,273,573</u>	<u>4,400,262</u>	<u>5,273,573</u>	<u>4,400,262</u>
	<u>5,273,573</u>	<u>4,400,262</u>	<u>5,273,573</u>	<u>4,400,262</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
31 DECEMBER 2017

## 9.1 GAIN/(LOSS) FROM PRODUCTS TRADING

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
Product sales	131,846,432	183,648,330	131,846,432	183,648,330
Product cost	<u>(130,447,151)</u>	<u>(181,881,823)</u>	<u>(130,447,151)</u>	<u>(181,881,823)</u>
Gain/(Loss)	<u>1,399,281</u>	<u>1,766,507</u>	<u>1,399,281</u>	<u>1,766,507</u>

## Terms and Conditions of products trading

The gain or loss from products trading in the current year refers to margins on Heavy fuel oil trading.

## 10. FINANCE COST

The finance cost relates to interest charged in relation to TEN outstanding debt.

## 11. TAXATION

## a. Tax payable

## Group

	Balance 1 January USD	Charge for the year USD	Payment in the year USD	Adjustment USD	Balance 31 December USD
Year of assessment Up to 2016	9,539	8,868	(9,786)	8,037	16,658
2017	-	-	<u>(11,086)</u>	<u>8,584</u>	<u>(2,502)</u>
	<u>9,539</u>	<u>8,868</u>	<u>(20,872)</u>	<u>16,621</u>	<u>14,156</u>

## b. Tax expense

	Group	
	USD 2017	USD 2016
Income tax charge		8,868
Deferred Tax	6,678	15,583
Tax Adjustment	<u>8,584</u>	<u>8,037</u>
	<u>15,262</u>	<u>32,488</u>

## c. Deferred Tax

	Group	
	USD 2017	USD 2016
Deferred Tax Liability	<u>21,259</u>	<u>14,581</u>
	<u>21,259</u>	<u>14,581</u>

The tax status of the Group is subject to review by the Ghana Revenue Authority.

## GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
31 DECEMBER 2017

## 12. PROPERTY, PLANT AND EQUIPMENT

At 31 December 2017  
GNPC

Cost	Leasehold land & buildings USD	Furniture & fittings USD	Office equipment USD	Motor vehicles USD	Machinery & equipment USD	Work-in-progress USD	Total USD
Balance as at 1 Jan	3,389,142	361,666	5,937,927	3,077,755	461,668	7,371,448	20,599,606
Additions	7,503,100	11,001	187,901	683,000	-	3,997,311	12,382,313
Disposals	-	-	-	(79,505)	-	-	(79,505)
Transfer	573,316	-	1,089,097	-	-	(1,662,413)	-
<b>Total</b>	<b>11,465,558</b>	<b>372,667</b>	<b>7,214,925</b>	<b>3,681,250</b>	<b>461,668</b>	<b>9,706,346</b>	<b>32,902,414</b>
<b>Accumulated depreciation</b>							
Balance as at 1 Jan	162,001	235,782	3,417,216	1,895,186	275,054	-	5,985,239
Charge for the year	229,299	54,566	1,181,918	518,946	83,743	-	2,068,472
Disposals	-	-	-	(35,534)	-	-	(35,534)
<b>Total</b>	<b>391,300</b>	<b>290,348</b>	<b>4,599,134</b>	<b>2,378,598</b>	<b>358,797</b>	<b>-</b>	<b>8,018,177</b>
<b>Net book value</b>							
<b>As at 31 December 2017</b>	<b>11,074,258</b>	<b>82,319</b>	<b>2,615,791</b>	<b>1,302,652</b>	<b>102,871</b>	<b>9,706,346</b>	<b>24,884,237</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
31 DECEMBER 2017

## 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

At 31 December 2016

GNPC

Cost	Leasehold land & buildings USD	Furniture & fittings USD	Office equipment USD	Motor vehicles USD	Machinery & equipment USD	Work-in- progress USD	Total USD
Balance as at 1 Jan	3,096,103	283,916	4,390,393	2,291,414	303,574	3,120,697	13,486,097
Additions	293,039	77,750	1,547,534	894,498	158,094	4,250,751	7,221,666
Disposals	-	-	-	(108,157)	-	-	(108,157)
<b>Total</b>	<b>3,389,142</b>	<b>361,666</b>	<b>5,937,927</b>	<b>3,077,755</b>	<b>461,668</b>	<b>7,371,448</b>	<b>20,599,606</b>
<b>Accumulated depreciation</b>							
Balance as at 1 Jan	127,327	199,842	2,712,777	1,682,962	230,940	-	4,953,847
Charge for the year	34,674	35,940	704,439	320,381	44,114	-	1,139,548
Disposals	-	-	-	(108,157)	-	-	(108,157)
<b>Total</b>	<b>162,001</b>	<b>235,782</b>	<b>3,417,216</b>	<b>1,895,186</b>	<b>275,054</b>	<b>-</b>	<b>5,985,239</b>
<b>Net book value</b>							
<b>As at 31 December 2016</b>	<b>3,227,141</b>	<b>125,884</b>	<b>2,520,711</b>	<b>1,182,569</b>	<b>186,614</b>	<b>7,371,448</b>	<b>14,614,367</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
31 DECEMBER 2017

## 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

At 31 December 2017

Group

Cost	Leasehold land & buildings USD	Furniture & fittings USD	Office equipment USD	Motor vehicles USD	Machinery & equipment USD	Work-in- progress USD	Linen glass and silver ware USD	Total USD
Balance as at 1 Jan	3,463,534	586,837	6,078,714	3,098,354	501,566	7,371,448	9,363	21,109,816
Additions	7,522,289	102,253	187,901	724,756	4,050	4,004,448	4,701	12,550,398
Disposals	-	-	-	(79,505)	-	-	-	(79,505)
Transfers	<u>573,316</u>	-	<u>1,089,097</u>	-	-	<u>(1,662,413)</u>	-	-
Total	<u>11,559,139</u>	<u>689,090</u>	<u>7,355,712</u>	<u>3,743,605</u>	<u>505,616</u>	<u>9,713,483</u>	<u>14,064</u>	<u>33,580,709</u>
<b>Accumulated depreciation</b>								
Balance as at 1 Jan	168,334	277,704	3,439,321	1,905,874	283,996	-	258	6,075,487
Charge for the year	231,054	85,285	1,210,075	527,253	90,089	-	4,113	2,147,869
Disposals	-	-	-	(35,534)	-	-	-	(35,534)
Total	<u>399,388</u>	<u>362,989</u>	<u>4,649,396</u>	<u>2,397,593</u>	<u>374,085</u>	-	<u>4,371</u>	<u>8,187,822</u>
<b>Net book value</b>								
As at 31 December 2017	<u>11,159,751</u>	<u>326,101</u>	<u>2,706,316</u>	<u>1,346,012</u>	<u>131,531</u>	<u>9,713,483</u>	<u>9,693</u>	<u>25,392,887</u>

## GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
31 DECEMBER 2017

## 12. PROPERTY PLANT AND EQUIPMENT (CONTINUED)

At 31 December 2016

Group	Leasehold land & buildings USD	Furniture & fittings USD	Office equipment USD	Motor vehicles USD	Machinery & equipment USD	Work-in- progress USD	Linen glass and silver ware USD	Total USD
<b>Cost</b>								
Balance as at 1 Jan	3,148,039	332,736	4,376,257	2,304,712	324,192	3,123,573	6,237	13,615,746
Additions	315,495	254,101	1,702,457	901,799	177,374	4,247,875	3,126	7,602,227
Disposals	-	-	-	(108,157)	-	-	-	(108,157)
<b>Total</b>	<b>3,463,534</b>	<b>586,837</b>	<b>6,078,714</b>	<b>3,098,354</b>	<b>501,566</b>	<b>7,371,448</b>	<b>9,363</b>	<b>21,109,816</b>
<b>Accumulated depreciation</b>								
Balance as at 1 Jan	134,088	226,219	2,742,103	1,660,808	236,652	-	233	5,000,103
Charge for the year	34,246	51,485	697,218	353,223	47,344	-	25	1,183,541
Disposals	-	-	-	(108,157)	-	-	-	(108,157)
<b>Total</b>	<b>168,334</b>	<b>277,704</b>	<b>3,439,321</b>	<b>1,905,874</b>	<b>283,996</b>	<b>-</b>	<b>258</b>	<b>6,075,487</b>
<b>Net book value</b>								
As at 31 December 2016	3,295,200	309,133	2,639,393	1,192,480	217,570	7,371,448	9,105	15,034,329

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
31 DECEMBER 2017

## 13. INTANGIBLE ASSETS

GNPC  
At 31 December 2017

	Intangible USD	Work-in- progress USD	Total USD
<b>Cost</b>			
Balance as at 1 Jan	8,379,186	1,329,246	9,708,432
Additions	297,469	-	297,469
Transfers	<u>1,329,246</u>	<u>(1,329,246)</u>	-
Total	<u>10,005,901</u>	-	<u>10,005,901</u>
<b>Accumulated depreciation</b>			
Balance as at 1 Jan	3,129,502	-	3,129,502
Charge for the year	<u>3,052,098</u>	-	<u>3,052,098</u>
Total	<u>6,181,600</u>	-	<u>6,181,600</u>
<b>Net book value</b>			
As at 31 December 2017	<u>3,824,301</u>	-	<u>3,824,301</u>

Group  
At 31 December 2017

	Intangible USD	Work-in- progress USD	Total USD
<b>Cost</b>			
Balance as at 1 Jan	8,379,186	1,329,246	9,708,432
Additions	297,469	-	297,469
Transfers	<u>1,329,246</u>	<u>(1,329,246)</u>	-
Total	<u>10,005,901</u>	-	<u>10,005,901</u>
<b>Accumulated ion</b>			
Balance as at 1 Jan	3,129,502	-	3,129,502
Charge for the year	<u>3,052,098</u>	-	<u>3,052,098</u>
total	<u>6,181,600</u>	-	<u>6,181,600</u>
<b>Net book value</b>			
As at 31 December 2017	<u>3,824,301</u>	-	<u>3,824,301</u>

## 13. INTANGIBLE ASSETS (CONTINUED)

## GNPC

At 31 December 2016

	Intangible USD	Work-in- progress USD	Total USD
<b>Cost</b>			
Balance as at 1 Jan	6,742,324	1,329,246	8,071,570
Additions	1,636,862	-	1,636,862
Transfers	-	-	-
<b>Total</b>	<u>8,379,186</u>	<u>1,329,246</u>	<u>9,708,432</u>
<b>Accumulated depreciation</b>			
Balance as at 1 Jan	1,097,312	-	1,097,312
Charge for the year	<u>2,032,190</u>	-	<u>2,032,190</u>
<b>Total</b>	<u>3,129,502</u>	-	<u>3,129,502</u>
<b>Net book value</b>			
As at 31 December 2016	<u>5,249,684</u>	<u>1,329,246</u>	<u>6,578,930</u>

## Group

At 31 December 2016

	Intangible USD	Work-in- progress USD	Total USD
<b>Cost</b>			
Balance as at 1 Jan	6,742,324	1,329,246	8,071,570
Additions	1,636,862	-	1,636,862
Transfers	-	-	-
<b>Total</b>	<u>8,379,186</u>	<u>1,329,246</u>	<u>9,708,432</u>
<b>Accumulated depreciation</b>			
Balance as at 1 Jan	1,097,312	-	1,097,312
Charge for the year	<u>2,032,190</u>	-	<u>2,032,190</u>
<b>Total</b>	<u>3,129,502</u>	-	<u>3,129,502</u>
<b>Net book value</b>			
As at 31 December 2016	<u>5,249,684</u>	<u>1,329,246</u>	<u>6,578,930</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2017

## 14 Disposal schedule

Group		Accumulated	Net Book	Proceeds from	Profit/ (Loss) on
2017	Cost	depreciation	Value	sale	disposal
	USD	USD	USD	USD	USD
Motor vehicles	79,505	79,505	43,971	48,403	4,432

GNPC		Accumulated	Net Book	Proceeds from	Profit/ (Loss) on
2017	Cost	depreciation	Value	sale	disposal
	USD	USD	USD	USD	USD
Motor vehicles	79,505	79,505	43,971	48,403	4,432

Group		Accumulated	Net Book	Proceeds from	Profit/ (Loss) on
2016	Cost	depreciation	Value	sale	disposal
	USD	USD	USD	USD	USD
Motor vehicles	108,157	108,157	-	45,594	45,594

GNPC		Accumulated	Net Book	Proceeds from	Profit/ (Loss) on
2016	Cost	depreciation	Value	sale	disposal
	USD	USD	USD	USD	USD
Motor vehicles	108,157	108,157	-	45,594	45,594

## 15 EXPLORATION ASSETS

	Group		GNPC	
	2017	2016	2017	2017
	USD	USD	USD	USD
Balance at 1 Jan	4,676,931	2,765,729	-	-
On-going exploration	<u>1,009,002</u>	<u>1,911,202</u>	-	-
Balance at 31 December 2017	<u>5,685,933</u>	<u>4,676,931</u>	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
31 DECEMBER 2017

## 16 PETROLEUM PROJECTS

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
<b>Joint operations</b>				
Jubilee field investment (Note 16.1)	99,532,179	106,908,927	99,532,179	106,908,927
TEN Projects (Note 16.1)	280,610,299	280,892,625	280,610,299	280,892,625
SGN Projects (Note 16.1)	130,504,554	67,422,648	130,504,554	67,422,648
	<u>510,647,032</u>	<u>455,224,200</u>	<u>510,647,032</u>	<u>455,224,200</u>
<b>GNPC projects</b>				
LNG PJT	154,722	2,404,621	154,722	2,404,621
Voltaian basin project	15,480,714	11,982,151	15,480,714	11,982,151
	<u>5,635,436</u>	<u>14,386,772</u>	<u>15,635,436</u>	<u>14,386,772</u>
Total	<u>526,282,468</u>	<u>469,610,972</u>	<u>526,282,468</u>	<u>469,610,972</u>

## 16.1 AMORTIZATION OF PETROLEUM PROJECTS

The Corporation's currently oil-producing fields are the Jubilee and TEN, SGN Oil fields, and are amortized based on units of production from each field, in proportion to the Corporation's stake in that field.

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
<b>Cost</b>				
Balance as at 1 Jan	547,320,210	384,072,063	547,320,210	384,072,063
Additions (Jubilee)	848,080	6,530,520	848,080	6,530,520
Additions (TEN)	26,507,430	89,391,593	26,507,430	89,391,593
Addition (SGN)	66,667,848	67,326,034	66,667,848	67,326,034
	<u>641,343,568</u>	<u>547,320,210</u>	<u>641,343,568</u>	<u>547,320,210</u>
<b>Amortization</b>				
Balance as at 1 Jan	92,096,011	80,998,430	92,096,011	80,998,430
Jubilee	8,224,829	5,534,610	8,224,829	5,534,610
TEN	26,789,756	5,562,971	26,789,756	5,562,971
Sankofa Gye Nyame (SGN)	3,585,942	-	3,585,942	-
	<u>130,696,538</u>	<u>92,096,011</u>	<u>130,696,538</u>	<u>92,096,011</u>
Carrying amount at 31 December	<u>510,647,030</u>	<u>455,224,199</u>	<u>510,647,030</u>	<u>455,224,199</u>

## 17 HELD TO MATURITY FINANCIAL ASSETS

## a. Long term investments

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
Bank guarantee	<u>119,191,685</u>	<u>136,191,685</u>	<u>119,191,685</u>	<u>136,191,685</u>

## b. Details of long term investments

Institutions	Investment amount US\$	Interest rate	Tenor (years)	Nature of bank guarantee
Stanbic	45,000,000	2%	10	KAR Power guarantee
Fidelity	45,000,000	6%	10	KAR Power guarantee
UMB	<u>29,187,917</u>	6%	10	VRA Crude purchase support
	<u>119,187,917</u>			

## c. Short term investments

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
Fixed deposits with banks	<u>4,000,000</u>	<u>12,000,000</u>	<u>4,000,000</u>	<u>12,000,000</u>

## d. Details of short term investments

Institutions	Investment amount US\$	Interest rate	Tenor (days)
GIB	<u>4,000,000</u>	-	Overnight
	<u>4,000,000</u>		

**18 DUE FROM GOVERNMENT AND ITS AGENCIES**

This represents the net position in respect of transfer of assets and liabilities between the Corporation and the government. Details of the amount due are disclosed below:

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
Government of Ghana	23,217,406	24,400,294	23,217,406	24,400,294
Ministry of Finance	50,000,000	50,000,000	50,000,000	50,000,000
Tema Oil Refinery (TOR)	58,404,875	58,404,875	58,404,875	58,404,875
Ghana National Gas Company	68,846,494	62,345,834	68,846,494	62,345,834
BOST Loan	96,500,573	-	96,500,573	-
Ghana Broadcasting Corporation (GBC)	-	948,000	-	948,000
	<u>296,969,348</u>	<u>196,099,003</u>	<u>296,969,348</u>	<u>196,099,003</u>
Less: (Impairment - TOR & GBC)	<u>(6,056,569)</u>	<u>(7,004,569)</u>	<u>(6,056,569)</u>	<u>(7,004,569)</u>
As at 31 December	<u>290,912,779</u>	<u>189,094,433</u>	<u>290,912,779</u>	<u>189,094,433</u>

**19 SUBSIDIARIES****Investment in subsidiaries**

	Group		GNPC	
	2017 USD	2016	2017 USD	2016 USD
Mole Motel Company Limited	-	-	9,570	9,570
Prestea Sankofa Gold Limited	-	-	795,905	795,905
GNPC Exploration and Production Company Limited	-	-	13,150	13,150
Less: Impairment	-	-	<u>(795,905)</u>	<u>(795,905)</u>
	-	-	<u>22,720</u>	<u>22,720</u>

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2017	2016
Mole Motel Company Limited	Hospitality	Mole, Ghana	60%	60%
Prestea Sankofa Gold Limited	Mining	Prestea, Ghana	90%	90%
GNPC Exploration and Production Company Limited	Crude oil exploration and production	Accra, Ghana	100%	100%



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
31 DECEMBER 2017

## 19 INVESTMENT IN SUBSIDIARIES (CONTINUED)

- a. Details of non-wholly owned subsidiaries that have material non-controlling interests to the Group are disclosed below.

Name of subsidiary	Principal activities	Proportion of ownership interest and voting power held by non-controlling interest	
		2017	2016
Mole Motel Company Ltd	Hotel and hospitality services	40%	40%
Prestea Sankofa Gold Limited	Gold Mining	10%	10%
<b>Total</b>			

Summarised financial information in respect of the Group's subsidiaries is set out below. The summarised financial information below represents amounts before intragroup eliminations.

## b. MOLE MOTEL LIMITED

Mole Limited	2017 USD	2016 USD
Revenue	514,865	484,028
Cost of sales	(96,721)	(87,506)
Other income	7,454	17,029
General and administrative expenses	(408,339)	(379,957)
Tax expense	(15,262)	(32,488)
Profit for the year	<u>1,997</u>	<u>1,106</u>
Profit attributable to owners of the Company	1,198	664
Profit attributable to the non-controlling interests	<u>799</u>	<u>442</u>
Profit for the year	1,997	1,106
Other comprehensive income for the year	<u>(14,328)</u>	<u>(70,271)</u>
Total comprehensive income for the year	<u>(12,331)</u>	<u>(69,165)</u>
Total comprehensive income attributable to owners of the Company	(7,399)	(41,499)
Total comprehensive income attributable to the non-controlling interests	<u>(4,932)</u>	<u>(27,666)</u>
	<u>(12,331)</u>	<u>(69,165)</u>

31 DECEMBER 2017

## 19. INVESTMENT IN SUBSIDIARIES (CONTINUED)

## b. MOLE MOTEL LIMITED (CONTINUED)

	2017 USD	2016 USD
Current assets	61,357	118,467
Non-current assets	<u>404,581</u>	<u>297,035</u>
<b>Total assets</b>	<b><u>465,938</u></b>	<b><u>415,502</u></b>
Current liabilities	162,087	105,999
Non-current liabilities	221,259	214,581
Equity attributable to owners of the Company	82,592	94,922
Non-controlling interests	-	-
<b>Total equity and liabilities</b>	<b><u>465,938</u></b>	<b><u>415,502</u></b>

## c. PRESTEA SANKOFA GOLD LIMITED

	2017 USD	2016 USD
Current assets	-	-
Non-current assets	-	-
<b>Total assets</b>	<u>-</u>	<u>-</u>
Current liabilities	12,096,089	10,818,884
Non-current liabilities	8,857,764	8,145,260
Equity attributable to owners of the Company	(20,953,853)	(18,964,144)
Non-controlling interests	-	-
<b>Total equity &amp; liabilities</b>	<u>-</u>	<u>-</u>
<b>Prestea Sankofa Gold (Income statement)</b>	<b>2017 USD</b>	<b>2016 USD</b>
Revenue	-	-
Cost of sales	-	-
Other incomes	-	-
Expenses	<u>(2,954,303)</u>	<u>(12,403,663)</u>
Profit (loss) for the year	<u>(2,954,303)</u>	<u>(12,403,663)</u>
Loss attributable to owners of the Company	<u>(2,658,873)</u>	<u>(11,163,297)</u>
Loss attributable to the non-controlling interests	<u>(295,430)</u>	<u>(1,240,366)</u>
Loss for the year	<u>(2,954,303)</u>	<u>(12,403,663)</u>
Other comprehensive income for the year	<u>964,593</u>	<u>3,099,019</u>
<b>Total comprehensive income for the year</b>	<b><u>(1,989,710)</u></b>	<b><u>(9,304,644)</u></b>
<b>Total comprehensive income attributable to owners of the Company</b>	<b><u>(1,790,739)</u></b>	<b><u>(8,374,180)</u></b>
<b>Total comprehensive income attributable to the non-controlling interests</b>	<b><u>(198,971)</u></b>	<b><u>(930,464)</u></b>

## 19. INVESTMENT IN SUBSIDIARIES (CONTINUED)

## d. GNPC Exploration and Production Company Ltd

	2017 USD	2016 USD
Non-current assets	5,790,000	4,814,257
Current assets	<u>11,559</u>	<u>11,559</u>
<b>Total assets</b>	<b><u>5,801,559</u></b>	<b><u>4,825,816</u></b>
<b>Liabilities</b>		
Current liabilities	769,004	711,003
Non-current liabilities	6,306,250	5,292,267
Equity attributable to owners of the Company	(1,273,695)	(1,177,454)
Non-controlling interests	-	-
<b>Total equity and liabilities</b>	<b><u>5,801,559</u></b>	<b><u>4,825,816</u></b>

## GNPC Exploration and Production Company Ltd (Income statement)

	2017 USD	2016 USD
Revenue		
General administrative costs	<u>(96,240)</u>	<u>(872,456)</u>
Loss for the year	<u>(96,240)</u>	<u>(872,456)</u>
Other comprehensive income for the year	-	-
	<u>(96,240)</u>	<u>(872,456)</u>
Total comprehensive income attributable to owners of the Company	<u>(96,240)</u>	<u>(872,456)</u>
Total comprehensive income attributable to the non-controlling interests	-	-
Total comprehensive income for the year	<b><u>(96,240)</u></b>	<b><u>(872,456)</u></b>

## e. IMPAIRMENT OF SUBSIDIARY

The Corporation's subsidiary, Prestea Sankofa Gold Limited has ceased operations during 2016 due to technical and financial challenges. The Subsidiary's local bankers have commenced legal action for the recovery of loan granted to the subsidiary company.

As a result, the corporation has fully impaired its investments in the subsidiary and any amounts due from the subsidiary.

In the consolidated financial statements, the subsidiary's assets have been fully impaired due to uncertainty over their recoverability.

## 20. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
Investment in associate (note 20a)	-	-	-	2,199,384
Investment in joint venture (note 20b)	<u>1,008,280</u>	<u>1,002,002</u>	<u>131,563</u>	<u>131,563</u>
	<u>1,008,280</u>	<u>1,002,002</u>	<u>131,563</u>	<u>2,330,947</u>

Investment in associate and joint venture were accounted using the equity method for the group and at cost for Corporation (GNPC).

## 20a DETAILS OF ASSOCIATES

Details of the Group's material associate at the end of the reporting period are as follows:

Name of Associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2017	2016
Airtel	Telecommunications	Accra, Ghana	0.11%	25%

In September 2016, Airtel undertook a rights issue to raise additional equity capital which required GNPC to pay US\$122million. However, GNPC declined the offer, leading to a dilution of GNPC shareholding to only 0.11% in 2017. The above associate is accounted for using the equity method in these consolidated financial statements.

Summarised financial information in respect of the Group's associate is set out below.

The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs (adjusted by the Group for equity accounting purposes).

	2017 USD	2016 USD
Balance at 1 January	-	943,729
Share of profit (loss) of associate	-	<u>(943,729)</u>
<b>Group's carrying amount of the investment in associate</b>	<u>-</u>	<u>-</u>
	2017 USD'000	2016 USD'000
Total revenue of associate	123,515	142,810
Total expense of associate	<u>(141,963)</u>	<u>(208,026)</u>
Total loss after tax of associate	<u>(18,448)</u>	<u>(65,216)</u>
Other comprehensive income	-	-
Total comprehensive income	<u>(18,448)</u>	<u>(65,216)</u>
Share of loss of associate	<u>-</u>	<u>(943,729)</u>

## 20. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

## 20b JOINT VENTURES

Details of the Group's material joint ventures at the end of the reporting period are as follows:

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
Saltpond Offshore Producing Company (SOPCL)	620,156	620,156	620,156	620,156
GNPC-Technip Engineering, Services	1,008,280	1,002,002	131,563	131,563
Less: Impairment	<u>(620,156)</u>	<u>(620,156)</u>	<u>(620,156)</u>	<u>(620,156)</u>
	<u>1,008,280</u>	<u>1,002,002</u>	<u>131,563</u>	<u>131,563</u>

Proportion of ownership interest and voting power held by the Group

Name of Joint venture	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2017	2016
Saltpond Offshore Producing Company Limited	Crude oil production	Saltpond, Ghana	45%	45%
GNPC-Technip Engineering Services	Technology training	Accra, Ghana	30%	30%

The above joint ventures are accounted for using the equity method in these consolidated financial statements.

Summarised financial information in respect of the Group's joint ventures are set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs (adjusted by the Group for equity accounting purposes).

	2017 USD	2016 USD
Balance at 1 January	1,002,002	1,012,081
Share of profit/(loss) of GNPC Technip	37,524	(10,079)
Dividend	<u>(31,246)</u>	-
Balance at 31 December	<u>1,008,280</u>	<u>1,002,002</u>

## Details of GNPC Technip financial statements

	2017 USD	2016 USD
Total assets	17,970,776	17,515,565
Total liabilities	<u>(15,076,563)</u>	<u>(14,484,354)</u>
Net assets	<u>2,894,213</u>	<u>3,031,211</u>

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
31 DECEMBER 2017

20. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

20b JOINT VENTURES (CONTINUED)

Total revenue of joint venture	5,353,025	22,159,452
Total profit/(loss) after tax of joint venture	125,080	(33,597)
Other comprehensive income	-	-
Total comprehensive income	<u>125,080</u>	<u>(33,597)</u>
Dividends received from the joint venture during the year	31,246	-
Share of profit (loss) of joint venture (30%)	37,524	(10,079)

20c IMPAIRMENT OF INVESTMENTS

The equity investments in Saltpond Offshore Producing Company Limited (SOPCL), which is a joint venture has been fully impaired due to non-productivity of the investee. The project is planned to be decommissioned and the costs of decommissioning will be borne by GNPC.

21. INVENTORIES

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
Non-trade stock	314,768	267,029	302,033	255,588
Fuel Coupon	<u>12,205</u>	<u>1,110</u>	<u>12,205</u>	<u>1,110</u>
	<u>326,973</u>	<u>268,139</u>	<u>314,238</u>	<u>256,698</u>

22. DUE FROM RELATED PARTIES

This represents the advances given to subsidiaries

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
Saltpond Offshore Producing company	5,664,691	5,471,413	5,664,691	5,471,413
Prestea Sankofa	1,651,014	571,338	1,651,014	571,338
Mole Ltd	-	-	200,000	200,000
GNPC Explorco	-	-	6,298,751	5,058,260
Less: impairment	<u>(7,315,705)</u>	<u>(6,042,751)</u>	<u>(7,315,705)</u>	<u>(6,042,751)</u>
	<u>-</u>	<u>-</u>	<u>6,498,751</u>	<u>5,258,260</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
31 DECEMBER 2017

## 23. TRADE AND OTHER RECEIVABLES

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
Trade debtors - trade marketing	62,247,367	43,164,471	62,247,367	43,164,471
Share of Crude Proceeds from GOG	112,177,116	75,337,574	112,177,116	75,337,574
Other debtors-foreign	33,295,231	27,438,897	33,282,526	27,406,915
Other debtors-local	22,876	19,209	20,117	19,209
Staff debtors	474,837	1,243,505	474,837	1,243,505
Input VAT	860,193	860,193	860,193	860,193
Advances & prepayments	2,355,401	1,947,376	2,355,401	1,947,376
Tax credits	518,699	494,333	518,699	494,333
Accrued investment income	<u>2,562,207</u>	<u>2,292,279</u>	<u>2,562,207</u>	<u>2,292,279</u>
	214,513,927	152,797,837	214,498,463	152,765,855
Less: Provision for impairment (Note 23.1)	<u>(42,422,281)</u>	<u>(40,906,511)</u>	<u>(42,422,281)</u>	<u>(40,906,511)</u>
	<u>172,091,646</u>	<u>111,891,326</u>	<u>172,076,182</u>	<u>111,859,344</u>

Trade receivables are non-interest bearing and are normally settled between 30 days from the date of invoice.

## 23.1 DETAILS OF IMPAIRMENT

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
Balance at 1 Jan	40,906,511	12,461,081	40,906,511	12,461,081
Additional provision	<u>1,515,770</u>	<u>28,445,430</u>	<u>1,515,770</u>	<u>28,445,430</u>
Balance at 31 December	<u>42,422,281</u>	<u>40,906,511</u>	<u>42,422,281</u>	<u>40,906,511</u>

## 24. CASH AND BANK

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
Bank	62,040,048	27,535,998	62,009,733	27,449,395
Cash	<u>488,735</u>	<u>188,616</u>	<u>488,735</u>	<u>188,616</u>
	<u>62,528,783</u>	<u>27,724,614</u>	<u>62,498,468</u>	<u>27,638,011</u>

**24. CASH AND BANK (CONTINUED)**

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
Short term investments	4,000,000	12,000,000	4,000,000	12,000,000
Bank	62,040,048	27,535,998	62,009,733	27,449,395
Cash	<u>488,735</u>	<u>188,616</u>	<u>488,735</u>	<u>188,616</u>
	<b><u>66,528,783</u></b>	<b><u>39,724,614</u></b>	<b><u>66,498,468</u></b>	<b><u>39,638,011</u></b>

**25. STATED CAPITAL**

This represents amounts received from Government of Ghana towards the corporation's capitalisation.

**26. PETROLEUM EQUITY FUND**

Amounts received from government towards equity financing cost are capitalised and portions transferred to income statement to meet Production and amortised development cost. The fund represents the unamortised portion of petroleum assets in the books. Details of the fund is shown in the statement of changes in equity.

**27. PETROLEUM PROJECT FUND**

This represents the funds set aside to execute the Corporation's projects. Details of the fund is shown in the statement of changes in equity.

**28. TRAINING AND TECHNOLOGY FUND**

Training and Technology Fund is established to support the Corporation's manpower development and technology needs.

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
Balance at 1 January	43,107,990	41,434,287	43,107,990	41,434,287
Additions	7,435,294	3,325,935	7,435,294	3,325,935
Transfer to P & L	<u>(2,425,843)</u>	<u>(1,652,232)</u>	<u>(2,425,843)</u>	<u>(1,652,232)</u>
Balance at 31 December	<b><u>48,117,441</u></b>	<b><u>43,107,990</u></b>	<b><u>48,117,441</u></b>	<b><u>43,107,990</u></b>



## 29. MEDIUM TERM LOANS

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
TEN Partner financing	258,429,057	261,396,579	258,429,057	261,396,579
SGN Partner financing (OCTP)	91,081,858	66,003,324	91,081,858	66,003,324
Bank loan	93,555,353	7,573,922	86,348,603	-
	<u>443,066,268</u>	<u>334,973,825</u>	<u>435,859,518</u>	<u>327,399,903</u>

## Terms and conditions of loans

## TEN Partner financing

The TEN partner financing is funding provided by the DWT contractor for GNPC's share of the development cost for the TEN Fields. GNPC has elected to have the Contractor fund its additional interest of 5% in the field at an interest rate of Libor plus 1.5%pa in accordance with the terms of the petroleum agreement between the government of Ghana and GNPC on one hand and Tullow Ghana Limited, Sabre Oil and Gas Limited (PetroSA now owns the Sabre Oil & Gas interest) and Kosmos Energy Limited.

## SGN Partner Financing (OCTP)

The Corporation is required to pay for its share of development cost associated with its additional interest of 5% in the OCTP Block (Sankofa Gye Nyame). Under terms agreed in the Petroleum Agreement, GNPC opted for the OCTP Partners (ENI and Vitol) to pre-finance the additional interest cost obligations at a specified rate of 1 percent plus 3 months LIBOR. Repayment of the loan has commenced using the Corporation's share of OCTP crude oil production.

## Bank loan

This is in two parts:

- Litasco/BOST loan - GNPC was directed to take a loan facility from Litasco on behalf of BOST for USD100 million at 3-months LIBOR plus 4% which is being serviced by Government at eight equal instalments of USD14million on every due date
- The rest represents loans granted to a subsidiary by its bankers repayable over an agreed out of court terms of settlement in eight equal instalments ending in March 2019.

## 30. EMPLOYEE BENEFIT OBLIGATION

The movement in the defined benefit obligation is as follows:

	2017 USD	2016 USD
Balance at 1 January	545,984	395,391
Service cost	35,457	93,670
Interest cost	34,041	122,541
Actuarial (gain)/loss	21,870	(34,174)
Benefits payment	(105,152)	(31,444)
Balance at 31 December	<u>532,200</u>	<u>545,984</u>

## 30.1 EMPLOYEE BENEFIT EXPENSE RECOGNISED IN PROFIT OR LOSS

	2017 USD	2016 USD
Service cost	35,457	93,670
Interest cost	34,041	122,541
	<u>69,498</u>	<u>216,211</u>

## 30. EMPLOYEE BENEFIT OBLIGATION (CONTINUED)

## 30.2 REMEASUREMENT GAINS/ (LOSSES) IN OCI

	2017	2016
	USD	USD
Actuarial gain/(loss)	<u>(21,870)</u>	<u>34,174</u>

## a. Defined benefit obligation

The Corporation bears the cost of its retirees' medical expenses till death. The method of accounting and frequency of valuation are similar to those used for defined benefit schemes. The actuarial valuation to determine the liability is performed annually.

The principal actuarial assumptions used are as follows:

**Starting health care per capita costs**

The starting per capita cost is based on plan experience for 2017. No assumption was made explicitly for morbidity aging factors. Starting Per capita health care cost is GHS 3,312.

**Discount rate**

A rate of 25.2% per annum was used.

**Post retirement mortality rates**

Mortality rates are based on the South African SA 1956-62 mortality table with a loading provision of 20%. This is consistent with the Mortality table used in Ghana.

**Health care trend rates**

Assumed rates are based on publicly available data and the general increase in healthcare costs and macro-economic theory.

**Claims rate**

Assumed claim rates are based on the claims trend of GNPC as provided in the data. Hence a claim rate of 20% is fixed.

**31. TRADE AND OTHER PAYABLES**

	Group		GNPC	
	2017 USD	2016 USD	2017 USD	2016 USD
Trade & Other Creditors	76,243,552	59,638,350	64,275,620	48,108,464
Local creditors	12,443,516	5,273,665	11,398,425	5,184,325
Staff creditors	1,412,344	549,199	1,412,344	549,199
Jubilee Partner Financing	<u>14,407,282</u>	<u>2,792,801</u>	<u>14,407,282</u>	<u>2,792,801</u>
	<b><u>104,506,694</u></b>	<b><u>68,254,015</u></b>	<b><u>91,493,671</u></b>	<b><u>56,634,789</u></b>

Trade payables are non-interest bearing and are normally settled between 30 to 90 days.

**32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Corporation's principal financial liabilities, other than derivatives, comprise accounts payable, bank loans and overdrafts, and debentures. The main purpose of these financial instruments is to manage short-term cash flow and raise finance for the Corporation's capital expenditure programme. The Corporation's principal financial assets, other than derivatives, comprise trade and other receivables and cash and short-term deposits that arise directly from its operations.

**Risk exposures and responses**

The Corporation manages its exposure to key financial risks in accordance with its financial risk management policy.

The objective of the policy is to support the delivery of the Corporation's financial targets while protecting future financial security. The main risks that could adversely affect the Corporation's financial assets, liabilities or future cash flows are: market risks comprising commodity price risk, cash flow interest rate risk and foreign currency risk; liquidity risk; and credit risk. Management reviews and agrees policies for managing each of these risks that are summarised below.

The Corporation's senior management oversees the management of financial risks. The Corporation's senior management is supported by a Financial Risk Committee that advises on financial risks and the appropriate financial risk governance framework for the Corporation. The Financial Risk Committee provides assurance to the Corporation's senior management that the Corporation's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Corporation policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision.

**32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

It is the Corporation's policy that no trading in derivatives for speculative purposes shall be undertaken. Currently, the Corporation does not apply any form of hedge accounting.

The Board of Directors reviews and agrees policies for managing these risks, which are summarised below.

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commodity price risk, interest rate risk and foreign currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, trade receivables, trade payables and accrued liabilities. Sensitivity analysis relating to key market risks has been provided below:

**(a) Foreign currency risk**

During the year the corporation has been exposed to currency risk on purchases and borrowings that are denominated in currencies other than the functional currency. The other currencies in which these transactions are denominated are in US\$.

The group's exposure to foreign currency risk, as at the relevant year ends, was as follows based on foreign currency amounts:

<b>31 December 2017</b>	<b>US\$</b>
Trade and other receivables	608,584
Trade and other payables	(10,796,675)
Cash, bank and investments	<u>3,037,030</u>
Net assets held in foreign currency	<u>(7,151,061)</u>

The following significant exchange rates applied at the following reporting date with respect to the US\$:

	<b>2017</b>	<b>2016</b>
	<b>USD</b>	<b>USD</b>
Exchange rate	<u>4.4164</u>	4.2023

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

**Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Corporation trades only with recognised, creditworthy third parties. It is the Corporation's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, which include an assessment of credit rating, short-term liquidity and financial position. The Corporation obtains sufficient collateral (where appropriate) from customers as a means of mitigating the risk of financial loss from defaults. In addition, receivable balances are monitored on an ongoing basis, with the result that the Corporation's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Corporation, which comprise cash and short-term investments, the Corporation's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Set out below is an analysis of various credit exposures:

**Group**

<i>Amount past due but not impaired</i>	2017 USD	2016 USD
Past due up to 30 days	1,300,355	2,792,801
Past due 31-60 days	112,177,116	43,960,786
Past due 61-90 days	16,840,307	3,704,481
Past due 91-120 days	6,245,050	7,199,083
Past due more than 120 days	35,543,218	57,657,152

**GNPC**

<i>Amount past due but not impaired</i>	2017 USD	2016 USD
Past due up to 30 days	1,300,355	2,792,801
Past due 31-60 days	112,177,116	43,960,786
Past due 61-90 days	16,840,307	3,704,481
Past due 91-120 days	6,245,050	7,199,083
Past due more than 120 days	35,543,218	57,657,152

**32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****Collateral and other credit enhancement**

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

**Liquidity risk**

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Corporation monitors its risk to a shortage of funds by monitoring its debt rating and the maturity dates of existing debt and other payables.

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The table below summarises the maturity profile of the Corporation's financial liabilities based on contractual undiscounted payments

**Group**

As at December 2017

	Less than 1 year USD	More than 1 year USD	Total USD
Interest-bearing loans and borrowings	115,666,365	334,606,654	450,273,019
Trade and other payables	<u>83,304,226</u>	<u>89,340</u>	<u>83,393,566</u>
	<u>198,970,591</u>	<u>334,695,994</u>	<u>533,666,585</u>

As at December 2016

	Less than 1 year USD	More than 1 year USD	Total USD
Interest-bearing loans and borrowings	66,003,325	268,970,501	334,973,826
Trade and other payables	<u>54,139,936</u>	<u>-</u>	<u>54,139,936</u>
	<u>120,143,261</u>	<u>268,970,501</u>	<u>389,113,762</u>

**GNPC**

As at December 2017

	Less than 1 year USD	More than 1 year USD	Total USD
Interest-bearing loans and borrowings	108,459,615	327,399,903	435,859,518
Trade and other payables	<u>83,245,635</u>	<u>-</u>	<u>83,245,635</u>
	<u>191,705,250</u>	<u>327,399,903</u>	<u>519,105,153</u>

As at December 2016

	Less than 1 year USD	More than 1 year USD	Total USD
Interest-bearing loans and borrowings	66,003,325	261,396,579	327,399,903
Trade and other payables	<u>53,920,688</u>	<u>-</u>	<u>53,920,688</u>
	<u>119,924,013</u>	<u>261,396,579</u>	<u>391,320,591</u>

**33. CAPITAL MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2016.

In the definition of capital, the group includes, share capital, retained earnings and loans. The Group is not subject to any externally imposed capital requirements.

**34. FAIR VALUE MEASUREMENT AND CATEGORIES OF FINANCIAL INSTRUMENTS**

The carrying amounts of the group and the Corporation's financial assets and liabilities approximate their fair values.

**35 RELATED PARTY TRANSACTIONS**

Information about subsidiaries

	Principal Activity	Country	Percentage of equity/interest	
			2017	2016
Prestea Sankofa Gold Limited	Mining	Ghana	90%	90%
Mole Motel Corporation Limited	Hospitality	Ghana	60%	60%

**The holding company**

GNPC is 100% owned by Government of Ghana.

**Joint venture/Associate**

The Corporation has a 45% interest in Saltpond offshore Corporation limited (2016: 45%) and 0.11% in Airtel Ghana. The group has fully impaired its investments in this joint venture in 2013, due to its loss making situation. The group has also fully impaired its investment in the associate, as the associate has a negative net assets position.

**Related party transactions**

During the year, the Corporation entered into the following transactions with its related parties:

Year end balances arising from transactions with related parties:

Name of related party	Amount due to USD	Amount due from USD
Prestea Sankofa Gold Limited	-	1,651,014
GNPC Exploration and Production Co. Ltd	-	6,298,751
Mole Motel	-	200,000
Saltpond Offshore Producing company	-	<u>5,664,691</u>
	-	<u>13,814,456</u>

**35 RELATED PARTY TRANSACTIONS (CONTINUED)****Transactions with related parties**

Transactions with related parties during the year are as follows:

<b>Name of related party</b>	<b>Transaction type</b>	<b>Amount USD</b>
GNPC Exploration and Production Co. Limited	Advances and payments of cash calls	1,240,491
Airtel Ghana Limited	Telecom services	96,664
Prestea Sankofa Gold Limited	Advances and payment of expenses	571,338
Saltpond Offshore Producing Company Limited	Advances and payment of expenses	<u>193,278</u>
		<b><u>2,101,771</u></b>

**Terms and conditions of transactions with related parties**

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2017, impairment of receivables relating to amounts owed by related parties was USD 7,315,705 (2016: \$6,042,751).

**Compensation of key management personnel and directors of the Corporation**

The remuneration of directors and other members of key management personnel during the year was as follows:

<b>Key management personnel</b>	<b>2017 USD</b>	<b>2016 USD</b>
Short term benefits	<u>2,254,308</u>	<u>1,231,285</u>
<b>Directors' remuneration</b>		
	<b>2017 USD</b>	<b>2016 USD</b>
Board fees	169,745	68,669
Termination bonus		247,783
Other board expense	<u>761,198</u>	<u>337,705</u>
	<b><u>930,943</u></b>	<b><u>654,158</u></b>

The remuneration of directors and key executives is determined by the Board welfare committee having regard to the performance of individuals and market trends.



**36 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The standards and interpretations that are issued but not yet effective up to the date of issuance of the corporation's financial statements listed below are those that the corporation reasonably expects will have an impact on disclosures, financial position or performance when applied at a future date. The Corporation intends to adopt these standards and interpretations, if applicable when they become effective. The Corporation has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

**IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018).

**IFRS 9 "Financial Instruments"** issued on 24 July 2015 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

**Classification and Measurement** - IFRS 9 introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements under IAS 39. The new model also results in a single impairment model being applied to all financial instruments.

**Impairment** - IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

**Hedge accounting** - IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.

**Own credit** - IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

**IFRS 15 "Revenue from Contracts with Customers"** and further amendments (effective for annual periods beginning on or after 1 January 2018).

**IFRS 15 "Revenue from Contracts with Customers"** issued by IASB on 28 May 2015 (on 11 September 2015 IASB deferred effective date of IFRS 15 to 1 January 2018). IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The core principle of the new Standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Group expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

**36 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)****IFRS 16 Leases**

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2017, the corporation plans to assess the potential effect of IFRS 16 on its financial statements.

**IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- ▶ A specific adaptation for contracts with direct participation features (the variable fee approach)
- ▶ A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the corporation.

**36 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)**

**Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The corporation will apply these amendments when they become effective.

**Transfers of Investment Property – Amendments to IAS 40**

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Corporation will apply amendments when they become effective. The corporation does not expect any effect on its financial statements.

Other standards, amendments and interpretations issued but not yet effective are listed below. They are not expected to have a significant impact to the corporation.

Annual Improvements 2014-2016 Cycle (issued in December 2016)

These improvements include:

- IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters (1 January 2018)
- IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (1 January 2018)
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (1 January 2018)
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment (1 January 2019)

**37 COMMITMENTS FOR EXPENDITURE**

There was no commitment to any form of capital expenditure

**38 CONTINGENT ASSETS AND LIABILITIES**

- Petroleum products supplied to Sage Petroleum Limited by the Corporation up to 2012 amounting to US\$13,051,837.42 is currently in dispute. The case is currently being pursued in the law courts. The Corporation has therefore made full provision for this debt in its books.

**39 DECOMMISSIONING LIABILITY**

The Corporation has no liability to decommission currently producing oil fields, as the decommissioning liabilities is to be borne by the contractors.

**40 CORPORATE SOCIAL RESPONSIBILITIES**

In 2017 the Corporation adopted a more definitive approach to CSR; and by executing fewer, yet bigger and bolder initiatives in the areas of health, education and sports development aimed at establishing GNPC as an admired brand. The Corporation also pursued a more proactive approach to brand management, public relations and stakeholder engagement. The total spend for the year was Nine Million, Seven Hundred and Fifty-Seven Thousand, Six Hundred and Sixteen US Dollars (USD 9,757,616) disbursed as follows:

**Key Activities undertaken:**

- Released 1<sup>st</sup> Tranche of Sponsorship for the Construction of Ghana's (and West Africa's) first Sickle Cell Treatment and Blood Centre at Komfo Anokye Teaching Hospital (KATH), Kumasi for research, training, diagnosis and treatment for sickle cell disease.
- Equipment Sponsorship for Efia Nkwanta Nurses and Midwifery Training College, Sekondi, W/Region .
- Sponsorship of Health Screening undertaken by Philipa Baafis Foundation. A large proportion of women from the Sekondi Takoradi Municipality, Ahanta West and Elembelle Districts were screened.
- Contributed to the Sierra Leone Disaster Fund.
- Through the GNPC Oil and Gas Foundation continued sponsorship of 1,068 Students consisting of 1,023 local and 45 international scholarships to undertake graduate level studies. The scholarship covering full tuition and boarding.
- Support for the Construction of Zuarungu Community Library, Bolgatanga.
- Support for the Construction of Applications Science Lab for University of Energy and Natural Resources (UENR).
- Support for the Ministry of Youth and Sports for sports development.
- Support for Ghana Athletics by sponsoring Ghana's fastest man competition.
- Donation to Rebecca Foundation for the construction of the Maternal Block in Kumasi.
- Construction of Two Storey office complex for Western Region House of Chiefs.
- Support to 2017 Millennium Marathon.
- Sports equipment for Koforidua SHTS.

**41 EVENTS AFTER THE REPORTING PERIOD**

There have been no events subsequent to the reporting date that would require a disclosure or adjustment to these financial statements.