



GHANA NATIONAL PETROLEUM CORPORATION (GNPC)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

GHANA NATIONAL PETROLEUM CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

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Particulars of entries in the interest register

The Directors have no interest to warrant any entry in the interest register during the year.

Signed on behalf of the Board by:

Director: 
Date: 18th September 2021

Director: 
Date: 18th September 2021

**INDEPENDENT AUDITORS' REPORT
TO THE GOVERNMENT OF GHANA, THROUGH THE MINISTER FOR ENERGY**

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 9 to 72, which comprise the statement of financial position as at 31 December 2019, 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 2019, 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 Companies Act, 2019 (Act 992).

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 *Auditors' 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.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 72 page document titled 'Ghana National Petroleum Corporation, Consolidated financial statements, 31 December 2019' other than the financial statements and our auditor's 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.

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.

Key Audit Matter	How the matter was addressed in the audit
<p>Implementation challenges of the SAP HANA 4 software</p> <p>The Corporation has invested over US\$11million in the implementation of an accounting software called SAP HANA 4. However, the software is not fully functional as at 31 December 2019, following the change in software from Navision v2013 to SAP HANA 4.</p> <p>The data migration process as a result of the change in software has challenges, where the opening balances for the old system were not successfully loaded into the SAP HANA 4 system. The opening balances are therefore maintained outside SAP HANA 4.</p> <p>Not all purchased modules have been implemented. We note that the implementation is being carried out in phases.</p> <p>There exists the risk that affected general ledger balances may not be accurately stated.</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"> • We evaluated the appropriateness of management's process for identifying and recording transactions relating to the affected general ledger and subledger accounts. • We reviewed contracts and agreements with vendors to understand the nature, timing and extent of these transactions. • We performed reasonableness tests on property, plant and equipment depreciation. • We validated Property, Plant and Equipment additions and transfers from Work in Progress (WIP). • We reviewed general ledger and subledger reconciliations to ensure completeness of the underlying transactions for affected accounts. • Throughout the performance of our audit procedures, we remained alert for any transactions outside the normal course of business. • We utilized our data analysis tools to interrogate entire data sets for potential unrecorded transactions. • We verified that transactions were duly authorized in line with the Corporation's authority matrix.

Key Audit Matter	How the matter was addressed in the audit
	<ul style="list-style-type: none"> We ensured that the closing balances for 2018 agree with the opening balances for 2019.
<p>Petroleum projects</p> <p>Petroleum projects constitutes approximately thirty-four percent (34%) of total assets as at the end of the year. An increase in petroleum project cost of Tweneboa Enyera Ntomme (TEN) and Sankofa Gyi-Nyame (SGN) due to recognition of the right-of-use assets during the year contributed to the significant 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>Our audit procedures on valuation, existence and completeness of underlying transactions supporting the affected accounts included, among others the following. We:</p> <ul style="list-style-type: none"> Tested the basis on which additions, amortisations and disposals were recorded Examined invoices, authorisations, contracts, agreements and other data supporting ownership of assets capitalised during the period.
<p>Significant accounts</p> <p>Revenue</p> <p>Fifty nine percent (59%) of the Corporation's current year revenue was generated from the sale of crude oil and forty one percent (41%) generated from the sale of gas.</p> <p>Increase in gas sales significantly contributed to the increase in current year revenue. This significantly resulted in a twenty five percent (25%) increment in revenue as compared to prior year.</p> <p>There exists the risk that the measurement of gas sold during the year may be misstated in the Corporation's earnings.</p>	<p>Our audit procedures on occurrence, measurement and completeness of underlying transactions supporting the affected accounts included, among others the following;</p> <ul style="list-style-type: none"> We performed revenue recognition procedures such as analytical procedures, We reviewed sales agreement, <p>We reviewed certificates issued by the Operator which supported liftings, and performed tests of transactions</p> <ul style="list-style-type: none"> We reviewed the existence and valuation of deductions from gross revenue such as Government royalties, loan repayment from Government share of crude revenue, net government share of crude revenue

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 Companies Act, 2019 (Act 992). , 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.
- 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.

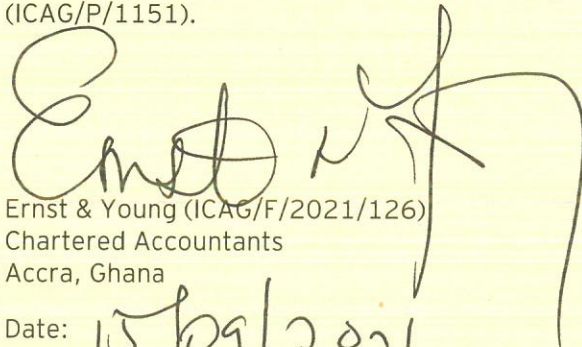
We communicate with the directors and audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The Companies Act, 2019 (Act 992) 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.

The engagement partner on the audit resulting in this independent auditors' report is Victor Gborglah (ICAG/P/1151).



Ernst & Young (ICAG/F/2021/126)
Chartered Accountants
Accra, Ghana
Date: 15/09/2021

GHANA NATIONAL PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Group		GNPC	
		2019 USD	2018 USD	2019 USD	2018 USD
Net Revenue	5	593,497,125	474,541,649	592,895,750	473,956,031
Cost of sales	6	<u>(434,010,579)</u>	<u>(235,873,593)</u>	<u>(433,957,533)</u>	<u>(235,804,089)</u>
Gross profit		159,486,546	238,668,056	158,938,217	238,151,942
Other operating income	7	39,842,583	35,191,418	39,835,708	35,219,826
General & administrative expenses	8	<u>(136,981,999)</u>	<u>(138,380,846)</u>	<u>(139,084,579)</u>	<u>(143,870,691)</u>
Other operating expenses	9	<u>(1,739,759)</u>	<u>(1,726,144)</u>	<u>(1,739,759)</u>	<u>(1,726,144)</u>
Operating Profit		60,607,371	133,752,484	57,949,587	127,774,933
Finance cost	10	<u>(23,378,626)</u>	<u>(21,261,479)</u>	<u>(23,373,697)</u>	<u>(19,410,873)</u>
Share of (loss)/profit of joint venture	20b	<u>(313,392)</u>	<u>324,747</u>	-	-
Profit before tax		36,915,353	112,815,752	34,575,890	108,364,060
Income tax expense	11b	<u>(32,393)</u>	<u>(11,499)</u>	-	-
Profit after tax		36,882,960	112,804,253	34,575,890	108,364,060
Other comprehensive income for the year					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement losses of defined benefit obligation	31.2	<u>(188,769)</u>	<u>(49,698)</u>	<u>(188,769)</u>	<u>(49,698)</u>
Items that may be reclassified subsequently to profit or loss					
Translation Difference		<u>17,405</u>	<u>(24,170)</u>	-	-
Other comprehensive income for the year, net of tax		<u>(171,364)</u>	<u>(73,868)</u>	<u>(188,769)</u>	<u>(49,698)</u>
Total comprehensive income for the year, net of tax		<u>36,711,596</u>	<u>112,730,385</u>	<u>34,387,121</u>	<u>108,314,362</u>
Profit for the year attributable to:					
Owners of the Corporation		36,981,732	113,525,998		
Non-controlling Interests		<u>(98,772)</u>	<u>(721,745)</u>		
		<u>36,882,960</u>	<u>112,804,253</u>		
Total comprehensive income attributable to:					
Owners of the Corporation		36,803,406	113,461,798		
Non-controlling interests		<u>(91,810)</u>	<u>(731,413)</u>		
		<u>36,711,596</u>	<u>112,730,385</u>		

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 2019

Assets	Notes	Group		GNPC	
		2019 USD	2018 USD	2019 USD	2018 USD
Non-current assets					
Property, plant & equipment	12	38,415,633	34,313,516	37,954,599	33,853,341
Intangible assets	13	2,459,258	1,824,875	2,459,258	1,824,875
Exploration and evaluation assets	14	75,731,361	58,911,998	65,678,147	53,036,046
Petroleum projects	15	640,265,282	538,127,871	640,265,282	538,127,871
Other non-current assets	16	3,079,282	3,041,333	3,079,282	3,041,333
Other financial assets	17	6,590,519	11,739,754	6,590,519	11,739,754
Due from government agencies	18	500,378,087	103,501,246	500,378,087	103,501,246
Investment in subsidiaries	19	-	-	22,720	22,720
Investment in associate and Joint Venture	20	<u>1,086,586</u>	<u>1,301,713</u>	<u>229,828</u>	<u>131,563</u>
Total non-current assets		<u>1,268,006,008</u>	<u>752,762,306</u>	<u>1,256,657,722</u>	<u>745,278,749</u>
Current assets					
Inventories	21	254,234	267,337	241,082	253,965
Due from related parties	22	57,623	217,140	10,843,462	6,879,565
Trade & other receivables	23	262,524,856	139,877,115	262,496,932	139,855,667
Prepayment	24	341,849,956	65,771,182	341,849,956	65,771,182
Cash & bank balances	25	<u>24,011,123</u>	<u>34,566,551</u>	<u>23,989,081</u>	<u>34,540,042</u>
Total current assets		<u>628,697,792</u>	<u>240,699,325</u>	<u>639,420,513</u>	<u>247,300,421</u>
Total assets		<u>1,896,703,800</u>	<u>993,461,631</u>	<u>1,896,078,235</u>	<u>992,579,170</u>

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 2019

Equity and Liabilities	Notes	Group		GNPC	
		2019 USD	2018 USD	2019 USD	2018 USD
Equity					
Stated capital	26	3,332,726	3,332,726	3,332,726	3,332,726
Petroleum equity fund	27	155,969,344	105,331,516	155,969,344	105,331,516
Petroleum project fund	28	317,229,766	280,263,069	317,229,766	280,263,069
Retained earnings		23,544,062	74,356,769	36,269,178	89,486,589
Translation reserve		<u>2,835,888</u>	<u>2,825,446</u>	-	-
Equity attributable to equity holders of the parent		502,911,786	466,109,526	512,801,014	478,413,900
Non-controlling interests		<u>(3,018,807)</u>	<u>(2,926,998)</u>	-	-
Total equity		<u>499,892,979</u>	<u>463,182,528</u>	<u>512,801,014</u>	<u>478,413,900</u>
Non-current liabilities					
Training & technology fund	29	42,880,711	38,328,796	42,880,711	38,328,796
Medium term loan	30	779,306,605	269,237,299	778,812,958	266,159,374
Deferred tax liabilities	11c	39,068	22,850	-	-
Employee benefits obligation	31	<u>1,508,699</u>	<u>575,778</u>	<u>1,508,699</u>	<u>575,778</u>
Total non-current liabilities		<u>823,735,083</u>	<u>308,164,723</u>	<u>823,202,368</u>	<u>305,063,948</u>
Current liabilities					
Trade & other payables	32	573,073,939	222,108,148	560,074,853	209,101,322
Corporate tax liabilities	11a	<u>1,799</u>	<u>6,232</u>	-	-
Total current liabilities		<u>573,075,738</u>	<u>222,114,380</u>	<u>560,074,853</u>	<u>209,101,322</u>
Total liabilities		<u>1,396,810,821</u>	<u>530,279,103</u>	<u>1,383,277,221</u>	<u>514,165,270</u>
Total equity and liabilities		<u>1,896,703,800</u>	<u>993,461,631</u>	<u>1,896,078,235</u>	<u>992,579,170</u>

Director:



Date:

15th September 2021

Director:



Date:

15th September 2021

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 2019

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
As at 1 Jan 2019	3,332,726	105,331,516	280,263,069	74,356,769	2,825,446	(2,926,998)	463,182,528
IFRS impact from Consolidation	-	-	-	(1,145)	-	-	(1,145)
Profit/ (loss) for the year	-	-	-	36,981,732	-	(98,772)	36,882,960
Other comprehensive income	-	-	-	(188,769)	-	-	(188,769)
Translation difference	-	-	-	(87,604,525)	10,442	6,963	17,405
Transfer to retained earnings	-	50,637,828	36,966,697	(87,604,525)	-	-	-
As at 31 Dec 2019	<u>3,332,726</u>	<u>155,969,344</u>	<u>317,229,766</u>	<u>23,544,062</u>	<u>2,835,888</u>	<u>(3,018,807)</u>	<u>499,892,979</u>
As at 1 Jan 2018	3,332,726	117,830,392	277,279,272	(48,634,610)	2,839,948	(2,195,585)	350,452,143
Profit for the year	-	-	-	113,525,998	-	(721,745)	112,804,253
Other comprehensive income	-	-	-	(49,698)	(14,502)	(9,668)	(73,868)
Transfer to retained earnings	-	(12,498,876)	2,983,797	9,515,079	-	-	-
As at 31 Dec 2018	<u>3,332,726</u>	<u>105,331,516</u>	<u>280,263,069</u>	<u>74,356,769</u>	<u>2,825,446</u>	<u>(2,926,998)</u>	<u>463,182,528</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 2019

	Notes	Group 2019 USD	2018 USD	GNPC 2019 USD	2018 USD
Cash flows from operating activities					
Profit before tax		36,915,353	112,815,752	34,575,890	108,364,060
Adjustments for:					
Depreciation charge	12	3,343,224	2,311,402	3,251,902	2,224,901
Amortisation of intangible assets	13	1,726,767	3,059,310	1,726,767	3,059,310
Petroleum project cost amortisation	15.1	38,503,122	52,809,291	38,503,122	52,809,291
Asset write off		-	(3,760)	-	-
Net foreign exchange differences		(4,003,859)	1,585,900		
Provisions and accruals		(3,154,414)	43,578	(3,154,414)	1,629,477
Profit on disposal of fixed assets	7	87,650	-	87,650	-
Dividend income		-	-	-	(31,314)
Share of (profit)/loss in joint venture	20a	313,392	(324,747)	-	-
Income Tax Expense		32,393	11,499	-	-
Finance cost	10	23,378,626	21,261,479	23,373,697	19,410,873
Finance income	7	(396,558)	(4,556,644)	(396,558)	(4,556,644)
Working capital adjustments:					
Decrease/(increase) in amount due from government & its agencies		(396,876,841)	(7,000,673)	(396,876,841)	(7,000,673)
Decrease/(Increase) in stocks		(13,103)	59,644	(12,883)	60,273
Increase in amount due from related party		-	-	(3,963,897)	(380,814)
Increase in debtors and prepayments		(398,727,515)	(101,877,959)	(398,720,039)	(101,668,671)
Increase in creditors		350,965,791	96,278,782	350,973,531	98,147,078
Income taxes paid		(347,905,972)	176,472,854	(350,632,073)	172,067,147
		(15,877)	(17,832)	-	-
Net cash generated from operating activities		(347,921,849)	176,455,022	(350,632,073)	172,067,147

GHANA NATIONAL PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Group 2019 USD	2018 USD	GNPC 2019 USD	2018 USD
Net cash generated from operating activities		(347,921,849)	176,455,022	(350,632,073)	172,067,147
Cash flows from investing activities					
Purchase of property, plant & equip.	12	(7,445,341)	(13,621,520)	(7,353,158)	(13,546,533)
Purchase of intangible assets	13	(2,361,150)	(293,256)	(2,361,150)	(293,256)
Additions to petroleum projects	15	(140,640,533)	(80,290,132)	(140,640,533)	(80,290,132)
Payments for other non-current assets		-	(2,886,611)	-	(2,886,611)
Exploration assets	14/16	(12,680,050)	(37,745,352)	(12,680,050)	(37,555,332)
Right of use of asset		(44,868)	-	(44,868)	-
Defined Benefit obligation payment		(163,427)	(41,804)	(163,427)	(41,804)
Proceeds from financial assets at amortised cost		177,316,504	110,045,573	177,350,192	110,045,572
Dividend received		-	31,314	-	31,314
Interest received		396,558	-	396,558	-
Net cash used in investing activities		14,377,693	(24,801,788)	14,503,564	(24,536,782)
Cash flows from financing activities					
Proceeds from loan		510,064,378	14,191,194	512,653,584	14,191,194
Repayment of loan		(182,523,735)	(188,020,163)	(182,524,121)	(183,891,338)
Payment for Training & technology grant		(4,551,915)	(9,788,647)	(4,551,915)	(9,788,647)
Net cash (used in)/generated by financing activities		322,988,728	(183,617,616)	325,577,548	(179,488,791)
Net (decrease)/ increase in cash and cash equivalents		(10,555,428)	(31,964,382)	(10,550,961)	(31,958,426)
Net foreign currency exchange difference		-	2,150	-	-
Cash & cash equivalents @ 01/01/19		34,566,551	66,528,783	34,540,042	66,498,468
Cash & cash equivalents @ 31/12/19	24	24,011,123	34,566,551	23,989,081	34,540,042

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 2019. 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.

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three interpretations (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').

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term. For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 6.5%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2019**2. NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS (CONTINUED)**

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 1 January 2019:

	Carrying amount at 31 December 2018	Reclassification	Remeasurement	IFRS 16 carrying amount at 1 January 2019
Prepayments	1,423,842	(1,423,842)		
Right of use of assets Buildings		1,423,842		1,423,842
Right of use of assets FPSO			101,421,221	101,421,221
Impact on total assets				<u>102,845,063</u>
Lease liabilities			(101,421,221)	(101,421,221)
Impact on total assets				(101,421,221)

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	Remeasurement
Operating lease liabilities before discounting	185,340,411
Finance lease obligations	<u>(83,919,190)</u>
Total lease liabilities recognised under IFRS 16 at 1 January 2019	101,421,221

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 measured 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 statement of profit or loss and other comprehensive income 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 involve 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)

3.10 Oil and gas properties and other property, plant and equipment (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.

3.11 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.

3.12 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Impairment of non-financial assets (continued)

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 statement of profit or loss unless the asset is carried at revalue amount, in which case the reversal is treated as a revaluation increase.

3.13 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 subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss

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

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

Subsequent measurement

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (continued)

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables and amounts due from government.

Financial assets at fair value through OCI (debt instruments)

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

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

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

Financial assets designated at fair value through OCI (equity instruments)

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (continued)

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income.

Dividends on listed equity investments are also recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established.

Derecognition

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

➤ The rights to receive cash flows from the asset have expired

Or

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

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

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

Impairment of financial assets

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (continued)

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

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

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

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 incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (continued)

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 date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss 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 or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

c. Offsetting of financial instruments

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer. Control is generally transferred when the product is physically transferred into a vessel, pipe or other delivery mechanism.

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

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.

Contract balances

Contract assets

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

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). The Group's summary accounting policies for financial assets are described in section 3.13.

Contract liabilities

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 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.

3.16 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.

3.17 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Taxation (continued)

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Leases

I) Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) *Right-of-use assets*

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

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies on Impairment for non-financial assets.

ii) *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Lease liabilities are separately presented on the face of the financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Leases (continued)

ii) Lease liabilities (continued)

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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 2019

5 REVENUE

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Gross crude oil revenue	732,491,390	625,196,431	732,491,390	625,196,431
Oil Revenue used to recover cost	70,633,880	141,310,590	70,633,880	141,310,590
Government Royalties	(182,301,141)	(168,738,877)	(182,301,141)	(168,738,877)
GCB Loan Repayment from Gov't's share of crude revenue	(7,458,584)	-	(7,458,584)	-
	<u>(263,994,382)</u>	<u>(197,090,570)</u>	<u>(263,994,382)</u>	<u>(197,090,570)</u>
Net share of crude oil revenue	349,371,163	400,677,574	349,371,163	400,677,574
Net share of gas sales	243,524,587	73,278,457	243,524,587	73,278,457
Services income	<u>601,375</u>	<u>585,618</u>	<u>-</u>	<u>-</u>
	<u>593,497,125</u>	<u>474,541,649</u>	<u>592,895,750</u>	<u>473,956,031</u>

The Group's revenue disaggregated by primary geographical markets is as follows:

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Foreign sales	349,371,163	400,677,574	349,371,163	400,677,574
Local sales	<u>244,125,962</u>	<u>73,864,075</u>	<u>243,524,587</u>	<u>73,278,457</u>
	<u>593,497,125</u>	<u>474,541,649</u>	<u>592,895,750</u>	<u>473,956,031</u>

5.1. SUMMARY OF LIFTING FOR THE YEAR

Jubilee Field	No. of barrels of oil	
	2019	2018
First lifting	948,122	973,730
Second lifting	994,251	996,161
Third lifting	993,641	945,681
Fourth lifting	994,557	944,609
Fifth lifting	948,568	947,251
Sixth lifting	<u>922,164</u>	<u>-</u>
	<u>5,801,303</u>	<u>4,807,432</u>
TEN Fields	2019	2018
First lifting	994,389	994,723
Second Lifting	995,076	995,085
Third Lifting	995,956	995,477
Fourth Lifting	994,463	995,171
Fifth Lifting	<u>945,931</u>	<u>-</u>
	<u>4,925,815</u>	<u>3,980,456</u>
Sankofa Field	2019	2018
First Lifting	<u>2,032,494</u>	<u>2,020,941</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2019

6. COST OF SALES

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Cost associated with production (note 6.1)	77,260,681	176,305,128	77,260,681	176,305,128
Gas product Cost	269,381,361	46,819,716	269,381,361	46,819,716
Insurance Cost	32,961,867	12,679,245	32,961,867	12,679,245
Gas Transmission Cost	54,353,624	-	54,353,624	-
Other	53,046	69,504	-	-
	<u>434,010,579</u>	<u>235,873,593</u>	<u>433,957,533</u>	<u>235,804,089</u>

6.1 ANALYSIS OF COST OF PRODUCTION

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Jubilee production	15,054,716	89,523,830	15,054,716	89,523,828
TEN production	(19,234,515)	16,705,846	(19,234,515)	16,705,846
SGN production	25,912,116	17,266,161	25,912,116	17,266,161
Jubilee cost amortisation	8,268,681	6,835,567	8,268,681	6,835,567
OCTP cost amortisation	17,403,578	12,696,909	17,403,578	12,696,909
OCTP FPSO amortisation	5,156,320	-	5,156,320	-
TEN FPSO amortisation	8,104,468	-	8,104,468	-
TEN capital cost amortisations	16,595,317	33,276,815	16,595,317	33,276,817
	<u>77,260,681</u>	<u>176,305,128</u>	<u>77,260,681</u>	<u>176,305,128</u>

7. OTHER OPERATING INCOME

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Interest on short term investments	396,558	4,556,644	396,558	4,556,644
Other Operating Income	26,640,676	-	26,640,676	-
Services rendered to oil exploration companies	58,544	182,017	58,544	182,017
Data licence fee	-	254,493	-	254,493
Transfer from Training & Technology Fund (Note 28)	10,223,085	17,963,647	10,223,085	17,963,647
Exchange gain	2,256,671	1,224,545	2,249,796	1,221,639
Rental income	45,440	68,212	45,440	68,212
Other non-trading income (Note 7.1)	133,959	9,888,034	133,959	9,888,034
Gain from fuel trading (note 7.2)	-	1,053,826	-	1,053,826
Dividend earned	-	-	-	31,314
Profit on disposals of PPE	87,650	-	87,650	-
	<u>39,842,583</u>	<u>35,191,418</u>	<u>39,835,708</u>	<u>35,219,826</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2019

7.1 OTHER NON-TRADING INCOME

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Staff secondment to GNPC Technip	-	217,139	-	217,139
Refund from government*	-	7,947,983	-	7,947,983
Other non-trading income**	<u>133,959</u>	<u>1,722,912</u>	<u>133,959</u>	<u>1,722,912</u>
	<u>133,959</u>	<u>9,888,034</u>	<u>133,959</u>	<u>9,888,034</u>

***Refund from government**

This represents refund received from Ghana Government for payments made by the corporation on behalf of a Ghana Government agency. The payment was written off in the prior year as recovery from government was not expected. In the current year, the monies received has been recognised as other income.

****Other non-trading income**

This represents income from sale of tender documents and scraps.

7.2 GAIN/(LOSS) FROM FUEL TRADING

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Product sales	-	220,893,721	-	220,893,721
Product cost	-	<u>(219,839,895)</u>	-	<u>(219,839,895)</u>
Gain	=	<u>1,053,826</u>	=	<u>1,053,826</u>

Terms and conditions of products trading

GNPC is in a contractual arrangement to buy heavy fuel from Litasco and sell to Karpowership at a margin. GNPC is not involved in the product transfer of the Heavy Fuel, this is done directly between Litasco and Karpowership but the administrative work is done by GNPC hence the gain from fuel trading.

8. GENERAL AND ADMINISTRATIVE EXPENSE

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Personnel emoluments	23,429,152	25,269,343	23,310,832	25,158,863
General operating expenses	12,310,536	15,435,785	14,622,758	21,122,611
Corporate Social Investment	20,784,113	21,627,286	20,784,113	21,627,286
Exploration promotion expenses	332,657	484,896	332,657	484,896
Depreciation and amortization charge	5,069,991	5,370,712	4,978,669	5,284,211
Board expenses	998,085	1,137,428	998,085	1,137,428
Bank charges	2,077,318	2,981,193	2,077,318	2,981,193
SOPCL shut down cost (Note 8.1)	175,480	332,005	175,480	332,005
Credit loss provisions (IFRS 9 Impact)	42,870,320	30,783,386	42,870,320	30,783,386
Petroleum project expenses (Note 8.2)	<u>28,934,347</u>	<u>34,958,812</u>	<u>28,934,347</u>	<u>34,958,812</u>
	<u>136,981,999</u>	<u>138,380,846</u>	<u>139,084,579</u>	<u>143,870,691</u>

8.1 SOPCL SHUT DOWN COST

Approval has been given by the board for GNPC to undertake the decommissioning of the Saltpond Oil Fields formerly operated by Saltpond Offshore Producing Company Limited (SOPCL). The cost of the decommissioning is to be borne by GNPC for which a budget allocation has been made and provided for in this account. GNPC manages the platform with skeletal staff and procurement is ongoing to procure a decommissioning contractor to decommission the field.

8.2 PETROLEUM PROJECT EXPENDITURE

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Ultra-Deep-Water Keta Project	911,432	1,093,183	911,432	1,093,183
North & South Project	1,953,068	2,342,535	1,953,068	2,342,535
TEN Project	4,499,291	5,396,507	4,499,291	5,396,507
OCTP - ENI Project	1,302,046	1,816,274	1,302,046	1,816,274
HESS block	2,346,576	2,814,513	2,346,576	2,814,513
Jubilee investment	14,409,305	17,282,706	14,409,305	17,282,706
South deep water	1,519,053	1,821,972	1,519,053	1,821,972
Voltain basin project	<u>1,993,577</u>	<u>2,391,121</u>	<u>1,993,577</u>	<u>2,391,121</u>
	<u>28,934,348</u>	<u>34,958,811</u>	<u>28,934,348</u>	<u>34,958,811</u>

9. OTHER OPERATING EXPENSE

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Maritime boundary special project	<u>1,739,759</u>	<u>1,726,144</u>	<u>1,739,759</u>	<u>1,726,144</u>
	<u>1,739,759</u>	<u>1,726,144</u>	<u>1,739,759</u>	<u>1,726,144</u>

10. FINANCE COST

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

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Litasco Loan	771,875	3,367,585	771,875	3,367,585
TEN/OCTP	12,956,077	16,043,288	12,956,077	16,043,288
Mole	4,929	5,145	-	-
Right of use - Building	44,868	-	44,868	-
Right of use - FPSO	9,600,877	-	9,600,877	-
Prestea Sankofa Gold	-	<u>1,845,461</u>	-	-
	<u>23,378,626</u>	<u>21,261,479</u>	<u>23,373,697</u>	<u>19,410,873</u>

11. TAXATION

a. Tax payable

Group	Balance 1 January	Charge for the year	Payment in the year	Adjustment	Balance 31 December
Year of assessment	USD	USD	USD	USD	USD
Up to 2017	14,156	-	-	-	14,156
2018	(7,924)	-	-	(7,532)	(15,456)
2019	-	<u>12,031</u>	<u>(8,932)</u>	-	<u>3,099</u>
	<u>6,232</u>	<u>12,031</u>	<u>(8,932)</u>	<u>(7,532)</u>	<u>1,799</u>

b. Tax expense

	Group USD 2019	USD 2018
Income tax charge	12,031	9,908
Deferred Tax	<u>20,362</u>	<u>1,591</u>
	<u>32,393</u>	<u>11,499</u>

c. Deferred Tax

	Group USD 2019	USD 2018
Balance at 1 January	22,850	21,259
Charge to profit or loss	<u>16,218</u>	<u>1,591</u>
	<u>39,068</u>	<u>22,850</u>

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

d. Effective tax reconciliation

Reconciliation of tax expense and the accounting profit multiplied by the domestic tax rate is shown below:

	Group USD	USD
Accounting profit before tax from continuing operations	36,915,354	112,815,752
Tax at statutory tax rates (25%)	9,228,838	28,203,938
Tax effect of income exempt from tax	<u>(9,196,446)</u>	<u>(28,192,439)</u>
At the effective income tax rate of 0.01% (0.02%)	<u>32,392</u>	<u>11,499</u>

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2019

12. PROPERTY, PLANT AND EQUIPMENT

12.1 At 31 December 2019 - 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	12,699,028	705,009	11,229,425	5,169,236	695,315	14,301,708	15,769	44,815,490
Additions	-	61,610	90,462	6,291	704,128	6,579,575	3,275	7,445,341
Disposal (Note 12)	-	-	-	(341,418)	-	-	-	(341,418)
Transfers	-	-	67,417	-	-	(67,417)	-	-
Total	12,699,028	766,619	11,387,304	4,834,109	1,399,443	20,813,866	19,044	51,919,413
Accumulated depreciation								
Balance as at 1 Jan	632,102	438,829	5,708,636	3,244,999	468,073	-	9,335	10,501,974
Charge for the year	250,263	55,903	1,633,428	810,998	587,453	-	5,179	3,343,224
Disposal	-	-	-	(341,418)	-	-	-	(341,418)
Total	882,365	494,732	7,342,064	3,714,579	1,055,526	-	14,514	13,503,780
Net book value								
As at 31 December 2019	11,816,663	276,887	4,045,240	1,119,530	343,917	20,808,866	4,530	38,415,633

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2019

12. PROPERTY PLANT AND EQUIPMENT (CONTINUED)

12.2 At 31 December 2018 - Group

Cost	Leasehold land & buildings		Furniture & fittings		Office equipment		Motor vehicles		Machinery & equipment		Work-in-progress		Linen glass and silver ware		Total	
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Balance as at 1 Jan	11,559,139	689,090	7,355,712	3,743,605	505,616	9,713,483	14,064	33,580,709								
Additions	10,947	38,823	43,880	1,429,869	190,958	11,904,034	3,009	13,621,520								
Reclassification (Note 12.5)						(766,628)		(766,628)								(766,628)
Write-Off (Note 12.5)						(1,580,900)		(1,580,900)								(1,580,900)
Translation Differences	(5,048)	(22,904)		(4,238)	(1,259)	(4,458)	(1,304)	(34,211)								
Transfers	1,133,990		3,829,833			(4,963,823)										
Total	12,699,028	705,009	11,229,425	5,169,236	695,315	14,301,708	15,769	44,815,490								
Accumulated depreciation																
Balance as at 1 Jan	399,388	362,989	4,649,396	2,397,593	374,085	-	4,371	8,187,822								
Charge for the year	232,625	74,321	1,059,240	846,830	93,666	-	4,720	2,311,403								
Translation Difference	89	1,519	-	576	322	-	244	2,749								
Total	632,102	438,829	5,708,636	3,244,999	468,073	-	9,335	10,501,974								
Net book value																
As at 31 December 2018	12,066,926	266,180	5,520,789	1,924,237	227,242	14,301,708	6,434	34,313,516								

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2019

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

12.3 At 31 December 2019 - 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	12,599,548	372,667	11,088,638	5,101,928	649,896	14,283,742	44,096,419
Additions	-	-	90,462	-	698,403	6,564,293	7,353,158
Disposal	-	-	-	(341,418)	-	-	(341,418)
Transfer	-	-	67,417	-	-	(67,417)	-
Total	12,599,548	372,667	11,246,517	4,760,510	1,348,299	20,780,618	51,108,159
Accumulated depreciation							
Balance as at 1 Jan	622,198	331,891	5,630,216	3,212,529	446,242	-	10,243,076
Charge for the year	248,488	19,753	1,605,271	797,407	580,983	-	3,251,902
Disposals	-	-	-	(341,418)	-	-	(341,418)
Total	870,686	351,644	7,235,487	3,668,518	1,027,225	-	13,153,560
Net book value							
As at 31 December 2019	11,728,862	21,023	4,011,030	1,091,992	321,074	20,780,618	37,954,599

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2019

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

12.4 At 31 December 2018 - 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	11,465,558	372,667	7,214,925	3,681,250	461,668	9,706,346	32,902,414
Additions	-	-	43,880	1,420,678	188,228	11,893,747	13,546,533
Reclassification (Note 12.5)	-	-	-	-	-	(766,628)	(766,628)
Write-off (Note 12.5)	-	-	-	-	-	(1,585,900)	(1,585,900)
Transfer	1,133,990	-	3,829,833	-	-	(4,963,823)	-
Total	<u>12,599,548</u>	<u>372,667</u>	<u>11,088,638</u>	<u>5,101,928</u>	<u>649,896</u>	<u>14,283,742</u>	<u>44,096,419</u>
Accumulated depreciation							
Balance as at 1 Jan	391,300	290,348	4,599,134	2,378,598	358,797	-	8,018,177
Charge for the year	230,898	41,544	1,031,083	833,931	87,445	-	2,224,901
Disposals	-	-	-	-	-	-	-
Total	<u>622,198</u>	<u>331,892</u>	<u>5,630,217</u>	<u>3,212,529</u>	<u>446,242</u>	<u>-</u>	<u>10,243,078</u>
Net book value							
As at 31 December 2018	<u>11,977,350</u>	<u>40,775</u>	<u>5,458,421</u>	<u>1,889,399</u>	<u>203,654</u>	<u>14,283,742</u>	<u>33,853,341</u>

12.5 In 2018, the Write-off relates to an amount initially recognised as work in progress (WIP) based on the information available at initial recognition. Current information suggests that \$1,580,900 relates to gas transportation cost which is recoverable through tariffs hence it has been expensed as part cost of sales. Also, an amount of \$766,628 previously recorded in WIP has been reclassified to software due to new information received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2019

13. INTANGIBLE ASSETS

GROUP

31 December 2019	Intangible - Software USD	Total USD
Cost		
Balance as at 1 Jan	11,065,785	11,065,785
Additions	<u>2,361,150</u>	<u>2,361,150</u>
Total	<u>13,426,935</u>	<u>13,426,935</u>
Accumulated amortization		
Balance as at 1 Jan	9,240,910	9,240,910
Charge for the year	<u>1,726,767</u>	<u>1,726,767</u>
Total	<u>10,967,677</u>	<u>10,967,677</u>
Net book value		
As at 31 December 2019	<u>2,459,258</u>	<u>2,459,258</u>

GNPC

31 December 2019	Intangible - Software USD	Total USD
Cost		
Balance as at 1 Jan	11,065,785	11,065,785
Additions	<u>2,361,150</u>	<u>2,361,150</u>
Total	<u>13,426,935</u>	<u>13,426,935</u>
Accumulated amortization		
Balance as at 1 Jan	9,240,910	9,240,910
Charge for the year	<u>1,726,767</u>	<u>1,726,767</u>
Total	<u>10,967,677</u>	<u>10,967,677</u>
Net book value		
As at 31 December 2019	<u>2,459,258</u>	<u>2,459,258</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2019

13. INTANGIBLE ASSETS (CONTINUED)

GROUP

31 December 2018	Intangible - Software USD	Total USD
Cost		
Balance as at 1 Jan	10,005,901	10,005,901
Additions	293,256	293,256
Reclassification	<u>766,628</u>	<u>766,628</u>
Total	<u>11,065,785</u>	<u>11,065,785</u>
Accumulated amortization		
Balance as at 1 Jan	6,181,600	6,181,600
Charge for the year	<u>3,059,310</u>	<u>3,059,310</u>
Total	<u>9,240,910</u>	<u>9,240,910</u>
Net book value		
As at 31 December 2018	<u>1,824,875</u>	<u>1,824,875</u>

GNPC

31 December 2018	Intangible USD	Total USD
Cost		
Balance as at 1 Jan	10,005,901	10,005,901
Additions	293,256	293,256
Transfers	<u>766,628</u>	<u>766,628</u>
Total	<u>11,065,785</u>	<u>11,065,785</u>
Accumulated amortization		
Balance as at 1 Jan	6,181,600	6,181,600
Charge for the year	<u>3,059,310</u>	<u>3,059,310</u>
Total	<u>9,240,910</u>	<u>9,240,910</u>
Net book value		
As at 31 December 2018	<u>1,824,875</u>	<u>1,824,875</u>

14 EXPLORATION ASSETS

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Explorco	10,053,214	5,875,952	-	-
Voltaian	<u>65,678,147</u>	<u>53,036,046</u>	<u>65,678,147</u>	<u>53,036,046</u>
	<u>75,731,361</u>	<u>58,911,998</u>	<u>65,678,147</u>	<u>53,036,046</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2019

15. PETROLEUM PROJECTS

	Group		GNPC	
	2019	2018	2019	2018
	USD	USD	USD	USD
Joint operations				
Jubilee field investment (Note 15.1)	87,036,928	88,347,669	87,036,928	88,347,669
Right of use - FPSO TEN	49,894,557		49,894,557	
Right of use - FPSO OCTP	38,265,876		38,265,876	
TEN Projects (Note 15.1)	257,413,037	269,343,465	257,413,037	269,343,465
SGN Projects (Note 15.1)	207,654,884	180,436,737	207,654,884	180,436,737
	<u>640,265,282</u>	<u>538,127,871</u>	<u>640,265,282</u>	<u>538,127,871</u>

15.1 AMORTIZATION OF PETROLEUM PROJECTS

The Corporation's currently oil-producing fields are the Jubilee and TEN, Sankofa Gye Nyame (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	
	2019	2018	2019	2018
	USD	USD	USD	USD
Cost				
Balance as at 1 Jan	721,633,700	641,343,568	721,633,700	641,343,568
Cash Overcall reversals (Jubilee - Note 15.2)	6,957,940	(4,348,943)	6,957,940	(4,348,943)
Right of use - FPSO TEN	57,999,025		57,999,025	
Right of use - FPSO OCTP	43,422,196		43,422,196	
Cash call Additions (TEN)	10,616,947	22,009,983	10,616,947	22,009,983
Cash calls Addition (SGN)	21,644,425	62,629,092	21,644,425	62,629,092
Additions for the year	<u>140,640,533</u>	<u>80,290,132</u>	<u>140,640,533</u>	<u>80,290,132</u>
	<u>862,274,233</u>	<u>721,633,700</u>	<u>862,274,233</u>	<u>721,633,700</u>
Amortization				
Balance as at 1 Jan	183,505,829	130,696,538	183,505,829	130,696,538
Opening Bal adjustment	(17,025,242)		(17,025,242)	
Jubilee	8,268,681	6,835,567	8,268,681	6,835,567
Right of use - FPSO TEN	8,104,468		8,104,468	
Right of use - FPSO OCTP	5,156,320		5,156,320	
TEN	16,595,317	33,276,815	16,595,317	33,276,815
Sankofa Gye Nyame (SGN)	17,403,578	12,696,909	17,403,578	12,696,909
Depreciation charge for the year	<u>38,503,122</u>	<u>52,809,291</u>	<u>38,503,122</u>	<u>52,809,291</u>
	<u>222,008,951</u>	<u>183,505,829</u>	<u>222,008,951</u>	<u>183,505,831</u>
Carrying amount at 31 December	<u>640,265,282</u>	<u>538,127,871</u>	<u>640,265,282</u>	<u>538,127,871</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2019

15.2 Cash Overall reversals

The resulted cash overall in the prior year which was reversed in the current year due to confirmation received from the operator.

16. OTHER NON-CURRENT ASSETS

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
LNG Project	3,079,282	3,041,333	3,079,282	3,041,333

17 NON-CURRENT FINANCIAL ASSETS

a. Long term investments

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Deposits with banks	3,687,917	9,187,917	3,687,917	9,187,917
Interest accrued	<u>2,902,602</u>	<u>2,551,837</u>	<u>2,902,602</u>	<u>2,551,837</u>
	<u>6,590,519</u>	<u>11,739,754</u>	<u>6,590,519</u>	<u>11,739,754</u>

b. Details of long term investments

Institutions	Investment amount US\$	Interest rate	Tenor (years)	Nature of bank guarantee
UMB	<u>3,687,917</u>	6%	10	VRA Crude purchase support

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	
	2019 USD	2018 USD	2019 USD	2018 USD
Government of Ghana	23,217,406	23,217,406	23,217,406	23,217,406
Ministry of Finance	50,000,000	50,000,000	50,000,000	50,000,000
Tema Oil Refinery	58,404,875	58,404,875	58,404,875	58,404,875
Ghana National Gas Company	76,690,753	73,313,089	76,690,753	73,313,089
MoE Current Account	23,803,916	25,262,500	23,803,916	25,262,500
BOST Loan	54,552,242	30,163,655	54,552,242	30,163,655
Ministry of Finance - Loan	166,098,785	-	166,098,785	-
Ministry of Energy - Priority Deficiency GAS	41,579,191	-	41,579,147	-
Volta River Authority	<u>216,764,220</u>	<u>48,815,875</u>	<u>216,764,220</u>	<u>48,815,875</u>
	711,111,388	309,177,400	711,111,388	309,177,400
Less: Impairment	<u>(210,733,301)</u>	<u>(205,676,154)</u>	<u>(210,733,301)</u>	<u>(205,676,154)</u>
As at 31 December	<u>500,378,087</u>	<u>103,501,246</u>	<u>500,378,087</u>	<u>103,501,246</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2019

18.1 DETAILS OF IMPAIRMENT

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Balance at 1 Jan	205,676,154	6,056,569	205,676,154	6,056,569
IFRS 9 adoption impact	-	194,412,208	-	194,412,208
Impairment during the year	<u>5,057,147</u>	<u>5,207,377</u>	<u>5,057,147</u>	<u>5,207,377</u>
Balance at 31 December	<u>210,733,301</u>	<u>205,676,154</u>	<u>210,733,301</u>	<u>205,676,154</u>

19 INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries	GNPC	
	2019 USD	2018 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	
			2019	2018
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%

- 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	
		2019	2018
Mole Motel Company Ltd	Hotel and hospitality services	40%	40%
Prestea Sankofa Gold Limited	Gold Mining	10%	10%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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19 INVESTMENT IN SUBSIDIARIES (CONTINUED)

a. MOLE MOTEL LIMITED

	2019 USD	2018 USD
Current assets	52,702	51,467
Non-current assets	<u>376,243</u>	<u>389,364</u>
Total assets	<u>428,945</u>	<u>440,831</u>
Current liabilities	115,793	137,968
Non-current liabilities	157,480	196,505
Equity attributable to owners of the Company	155,672	106,358
Non-controlling interests	<u>-</u>	<u>-</u>
Total equity and liabilities	<u>428,945</u>	<u>440,831</u>

Mole Limited	2019 USD	2018 USD
Revenue	601,375	585,618
Cost of sales	(53,046)	(69,504)
Other income	6,875	2,905
General and administrative expenses	(490,902)	(459,584)
Tax expense	<u>(32,393)</u>	<u>(11,499)</u>
Profit for the year	<u>31,909</u>	<u>47,936</u>
Profit attributable to owners of the Company	19,145	28,762
Profit attributable to the non-controlling interests	<u>12,763</u>	<u>19,174</u>
Profit for the year	31,908	47,936
Other comprehensive income for the year	<u>17,405</u>	<u>(24,170)</u>
Total comprehensive income for the year	<u>49,313</u>	<u>(23,766)</u>
Total comprehensive income attributable to owners of the Company	29,588	(14,260)
Total comprehensive income attributable to the non-controlling interests	<u>19,725</u>	<u>(9,506)</u>
	<u>49,313</u>	<u>(23,766)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2019

19. INVESTMENT IN SUBSIDIARIES (CONTINUED)

b. PRESTEA SANKOFA GOLD LIMITED

	2019 USD	2018 USD
Current assets	-	-
Non-current assets	-	-
Total assets	<u>-</u>	<u>-</u>
Current liabilities	12,096,089	12,096,089
Non-current liabilities	17,884,097	16,262,390
Equity attributable to owners of the Company	(29,980,186)	(28,358,479)
Non-controlling interests	-	-
Total equity & liabilities	<u>-</u>	<u>-</u>
Statement of profit or loss and other comprehensive income	2019	2018
	USD	USD
Revenue	-	-
Cost of sales	-	-
Other incomes	-	-
Expenses	<u>(1,115,354)</u>	<u>(7,404,626)</u>
Profit (loss) for the year	<u>(1,115,354)</u>	<u>(7,404,626)</u>
Loss attributable to owners of the Company	(1,003,818)	(6,664,163)
Loss attributable to the non-controlling interests	<u>(111,535)</u>	<u>(740,463)</u>
Loss for the year	(1,115,353)	(7,404,626)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>(1,115,353)</u>	<u>(7,404,626)</u>
Total comprehensive income attributable to owners of the Company	(1,003,818)	(6,664,163)
Total comprehensive income attributable to non-controlling interests	<u>(111,535)</u>	<u>(740,463)</u>

19. INVESTMENT IN SUBSIDIARIES (CONTINUED)

c. GNPC Exploration and Production Company Ltd

	2019 USD	2018 USD
Non-current assets	10,090,765	5,946,761
Current assets	<u>11,559</u>	<u>11,559</u>
Total assets	<u>10,102,324</u>	<u>5,958,320</u>
Liabilities		
Current liabilities	789,004	779,004
Non-current liabilities	10,673,532	6,496,270
Equity attributable to owners of the Company	(1,360,211)	(1,316,954)
Non-controlling interests	<u>-</u>	<u>-</u>
Total equity and liabilities	<u>10,102,325</u>	<u>5,958,320</u>

Statement of profit or loss and other comprehensive income

	2019 USD	2018 USD
Revenue		
General administrative costs	<u>(43,258)</u>	<u>(43,258)</u>
Loss for the year	<u>(43,258)</u>	<u>(43,258)</u>
Other comprehensive income for the year	<u>-</u>	<u>-</u>
	<u>(43,258)</u>	<u>(43,258)</u>
Total comprehensive income attributable to owners of the Company	<u>(43,258)</u>	<u>(43,258)</u>
Total comprehensive income attributable to the non-controlling interests	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>(43,258)</u>	<u>(43,258)</u>

d. IMPAIRMENT OF SUBSIDIARY

The Corporation's subsidiary, Prestea Sankofa Gold Limited is at its' final face of refurbishment and the plant would be handed over by the consultant for full operations to commence in February 2021 after testing by January ending of 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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20. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Gulf Frontiers Logistics Ltd	98,265	-	98,265	-
Investment in joint venture (note 20a)	<u>988,321</u>	<u>1,301,713</u>	<u>131,563</u>	<u>131,563</u>
	<u>1,086,586</u>	<u>1,301,713</u>	<u>229,828</u>	<u>131,563</u>

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

20a JOINT VENTURES

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

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Saltpond Offshore Producing Company (SOPCL)	620,156	620,156	620,156	620,156
Gulf Frontiers Logistics Ltd	98,265	-	98,265	-
GNPC-Technip Engineering. Services	988,321	1,301,713	131,563	131,563
Less: Impairment	<u>(620,156)</u>	<u>(620,156)</u>	<u>(620,156)</u>	<u>(620,156)</u>
	<u>1,086,586</u>	<u>1,301,713</u>	<u>229,828</u>	<u>131,563</u>

Name of Joint venture	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2019	2018
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2019

20. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

20a JOINT VENTURES (CONTINUED)

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).

	2019 USD	2018 USD
Balance at 1 January	1,301,713	1,008,280
Share of profit from GNPC Technip	(313,392)	324,747
Dividend	<u>-</u>	<u>(31,314)</u>
Balance at 31 December	<u>988,321</u>	<u>1,301,713</u>

Details of GNPC Technip financial statements

	2019 USD	2018 USD
Total assets	6,266,913	15,844,809
Total liabilities	<u>(2,972,511)</u>	<u>(11,505,767)</u>
Net assets	<u>3,294,402</u>	<u>4,339,042</u>
Group's carrying amount	<u>988,321</u>	<u>1,301,713</u>
Total revenue of joint venture	8,891,481	4,132,038
Total profit after tax of joint venture	(2,614,261)	1,082,490
Total comprehensive income	(2,614,261)	1,082,490
Dividends received from the joint venture during the year	<u>-</u>	<u>31,314</u>
Share of profit of joint venture (30%)	<u>(313,392)</u>	<u>324,747</u>

20b IMPAIRMENT

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	
	2019 USD	2018 USD	2019 USD	2018 USD
Non-trade stock	230,368	267,238	217,216	253,866
Fuel coupon	<u>23,866</u>	<u>99</u>	<u>23,866</u>	<u>99</u>
	<u>254,234</u>	<u>267,337</u>	<u>241,082</u>	<u>253,965</u>

There were no provisions held as at year end. (2019; nil)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2019

22. DUE FROM RELATED PARTIES

This represents the advances due from related parties

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Saltpond Offshore Producing company	6,170,641	5,996,696	6,170,641	5,996,696
Prestea Sankofa	-	-	16,884,097	13,184,465
Mole Ltd	46,123	-	164,535	173,655
Technip	11,500	217,140	11,500	217,139
GNPC Explorco	-	-	10,667,427	6,488,771
				<u>(19,181,161)</u>
Less: impairment	<u>(6,170,641)</u>	<u>(5,996,696)</u>	<u>(23,054,738)</u>	<u>)</u>
	<u>57,623</u>	<u>217,140</u>	<u>10,843,462</u>	<u>6,879,565</u>

23. TRADE AND OTHER RECEIVABLES

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Trade debtors - trade marketing	266,528,633	131,086,629	266,528,633	131,086,629
Share of Crude Proceeds from GOG	127,268,747	109,405,853	127,268,747	109,405,853
Other debtors-foreign	47,334,800	41,423,380	47,308,300	41,401,914
Other debtors-local	93,742	261,048	91,175	259,373
Staff debtors	3,030,593	1,664,284	3,030,593	1,664,284
Input VAT	860,193	860,192	860,193	860,193
Tax credits	<u>567,045</u>	<u>522,045</u>	<u>567,045</u>	<u>522,045</u>
	<u>445,683,753</u>	<u>285,223,431</u>	<u>445,654,686</u>	<u>285,200,291</u>
Less: Provision for impairment (Note 23.1)	<u>(183,158,897)</u>	<u>(145,346,316)</u>	<u>(183,157,754)</u>	<u>(145,344,624)</u>
	<u>262,524,856</u>	<u>139,877,115</u>	<u>262,496,932</u>	<u>139,855,667</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	
	2019 USD	2018 USD	2019 USD	2018 USD
Balance at 1 Jan	145,346,316	42,422,281	145,344,581	42,422,281
IFRS 9 adoption initial impact	-	70,124,507	-	70,122,815
Impairment during the year	<u>37,812,581</u>	<u>32,799,528</u>	<u>37,813,173</u>	<u>32,799,528</u>
Balance at 31 Dec	<u>183,158,897</u>	<u>145,346,316</u>	<u>183,157,754</u>	<u>145,344,624</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2019

24. PREPAYMENTS

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Advances- Take or Pay Obligation	271,333,566	52,006,721	271,333,566	52,006,721
Payments for condensates	67,563,426	12,277,130	67,563,426	12,277,130
Right of use -Building	1,622,182	-	1,622,182	-
Other prepayments	<u>1,330,782</u>	<u>1,487,331</u>	<u>1,330,782</u>	<u>1,487,331</u>
	<u>341,849,956</u>	<u>65,771,182</u>	<u>341,849,956</u>	<u>65,771,182</u>

As is typical of non-associated gas agreements, GNPC has a take or pay obligation under the OCTP agreement to purchase and pay for a minimum guaranteed quantity of gas from the OCTP partners, even where the corporation is unable to physically take the required quantity. The OCTP Partners are also compensated for loss of condensate revenue resulting from the failure to offtake gas. The make-up gas provisions in the agreement, grants the corporation the right to recover any paid for gas within a period of 5 years.

25. CASH AND BANK

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Bank	23,556,077	34,076,356	23,537,913	34,049,847
Cash	<u>455,046</u>	<u>490,195</u>	<u>451,168</u>	<u>490,195</u>
	<u>24,011,123</u>	<u>34,566,551</u>	<u>23,989,081</u>	<u>34,540,042</u>

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

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Short term investments	-	-	-	-
Bank	23,556,077	34,076,356	23,537,913	34,049,847
Cash	<u>455,046</u>	<u>490,195</u>	<u>451,168</u>	<u>490,195</u>
	<u>24,011,123</u>	<u>34,566,551</u>	<u>23,989,081</u>	<u>34,540,042</u>

26. STATED CAPITAL

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

27. PETROLEUM EQUITY FUND

Amounts received from government towards financing the Group's share of production and development cost in various oil fields. The fund represents the unutilised portion of monies received within equity. Details of the fund is shown in the statement of changes in equity.

28. 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.

29. TRAINING AND TECHNOLOGY FUND

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

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Balance at 1 January	38,328,796	48,117,441	38,328,796	48,117,441
Additions	14,775,000	8,175,000	14,775,000	8,175,000
Transfer to profit or loss	<u>(10,223,085)</u>	<u>(17,963,645)</u>	<u>(10,223,085)</u>	<u>(17,963,645)</u>
Balance at 31 December	<u>42,880,711</u>	<u>38,328,796</u>	<u>42,880,711</u>	<u>38,328,796</u>

30. MEDIUM TERM LOANS

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
TEN Partner financing	115,813,059	177,567,269	115,813,059	177,567,269
SGN Partner financing (OCTP)	5,939,485	29,666,522	5,939,485	29,666,522
Term Loan & Borrowing	224,150,454	33,663,082	224,150,454	33,663,082
GoG advance for OCTP Gas	406,313,989	-	406,313,989	-
Bank loan	<u>27,089,618</u>	<u>28,340,426</u>	<u>26,595,971</u>	<u>25,262,501</u>
	<u>779,306,605</u>	<u>269,237,299</u>	<u>778,812,958</u>	<u>266,159,374</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. 40% of crude proceeds from TEN is used as payment toward this loan hence not accruing for more than a year.

30. MEDIUM TERM LOANS (CONTINUED)

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.

Term Loan & Borrowing

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 US\$14 million on every due date.

Government of Ghana Advance for OCTP Gas

As part of its obligations under the OCTP gas purchases, The Government of Ghana acting through the Ministry of finance made deposits into an Escrow account for the payment of gas purchase. The advance would be applied as credit to gas debtors after a reconciliation exercise in line with the Government's gas cash waterfall payment mechanism.

Bank loan

GNPC took a loan facility from GCB Bank to finance the construction of Gas Pipelines, Substation, Power Transmission Lines and Marine Civil engineering works in respect of the relocation of the Karpower Floating Plant from Tema to Sekondi Naval Base. The initial draw down in 2018 was for an amount of US\$25million at an interest rate of 9.125% p.a. An additional US\$ 6 million was drawn down in 2019 under the same terms. This facility is being serviced by Ministry of Finance through allocations from Petroleum revenue.

31. EMPLOYEE BENEFIT OBLIGATION

The movement in the defined benefit obligation is as follows:

	2019	2018
	USD	USD
Balance at 1 January	575,778	532,200
Service cost	111,931	7,441
Interest cost	245,643	28,243
Actuarial loss	738,774	49,698
Benefits payment	<u>(163,427)</u>	<u>(41,804)</u>
Balance at 31 December	<u>1,508,699</u>	<u>575,778</u>

31.1 EMPLOYEE BENEFIT EXPENSE RECOGNISED IN PROFIT OR LOSS

	2019	2018
	USD	USD
Service cost	111,932	7,441
Interest cost	<u>245,643</u>	<u>28,243</u>
	<u>357,575</u>	<u>35,684</u>

31. EMPLOYEE BENEFIT OBLIGATION

31.2 REMEASUREMENT GAINS/ (LOSSES) IN OCI

	2019	2018
	USD	USD
Actuarial loss	<u>188,769</u>	<u>49,698</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 2019. No assumption was made explicitly for morbidity aging factors. Starting Per capita health care cost is GHS 5,000.

Discount rate

A rate of 20% 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.

Changes in the significant actuarial assumptions

The calculation of the net defined benefit liability is sensitive to the significant actuarial assumptions mentioned above. The following table summarises the effects of changes in these actuarial assumptions on the defined benefit liability at 31 December:

32. TRADE AND OTHER PAYABLES

	Group		GNPC	
	2019 USD	2018 USD	2019 USD	2018 USD
Trade & Other Creditors	435,095,112	168,037,388	422,096,026	155,030,570
Defined Benefit	1,508,699	575,788	1,508,699	575,778
Lease Liability - FPSO & Building	112,586,826	-	112,586,826	-
Local creditors	3,666,844	4,090,973	3,666,844	4,090,973
Staff creditors	1,819,378	509,573	1,819,378	509,575
Jubilee Partner Financing (Note 32.1)	<u>18,397,080</u>	<u>48,894,426</u>	<u>18,397,080</u>	<u>48,894,426</u>
	<u>573,073,939</u>	<u>222,108,148</u>	<u>560,074,853</u>	<u>209,101,322</u>

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

32.1 JUBILEE PARTNER FINANCING

This represents the amount the Group owes the Jubilee Partners from in respect of Development and Production Costs.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group'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 Group's capital expenditure programme. The Group'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 Group 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 Group's financial targets while protecting future financial security. The main risks that could adversely affect the Group'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 Group's senior management oversees the management of financial risks. The Group's senior management is supported by a Financial Risk Committee that advises on financial risks and the appropriate financial risk governance framework for the Group.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. Currently, the Group 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 Group 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:

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

	2019 USD	2018 USD
Exchange rate USD / GHC	<u>5.5406</u>	<u>4.8207</u>

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 Group trades only with recognised, creditworthy third parties. It is the Group'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 Group 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 Group's exposure to bad debts is not significant.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Set out below is an analysis of various credit exposures:

Group	2019	2018
<i>Amount past due but not impaired</i>	USD	USD
Past due up to 30 days	4,556,534	2,340,025
Past due 31-60 days	262,674,269	134,897,351
Past due 61-90 days	51,254,255	26,321,814
Past due 91-120 days	8,714,662	4,475,447
Past due more than 120 days	126,849,520	65,144,044

GNPC	2019	2018
<i>Amount past due but not impaired</i>	USD	USD
Past due up to 30 days	4,427,324	2,340,025
Past due 31-60 days	255,225,416	134,897,351
Past due 61-90 days	49,800,838	26,321,814
Past due 91-120 days	8,467,540	4,475,447
Past due more than 120 days	123,252,447	65,144,044

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 Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group 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 tables below summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments

Group

As at December 2019

	Less than 1 year	More than 1 year	Total
	USD	USD	USD
Interest-bearing loans and borrowings	602,801,361	176,505,244	779,306,605
Trade and other payables	<u>327,199,720</u>	<u>126,849,520</u>	<u>454,049,240</u>
	<u>930,001,081</u>	<u>303,354,764</u>	<u>1,233,355,845</u>

As at December 2018

	Less than 1 year	More than 1	Total
	USD	year	USD
		USD	
Interest-bearing loans and borrowings	140,732,816	158,074,166	298,806,982
Trade and other payables	<u>209,224,933</u>	<u>12,883,218</u>	<u>222,108,151</u>
	<u>349,957,749</u>	<u>170,957,384</u>	<u>520,915,133</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2019

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

GNPC

As at December 2019

	Less than 1 year	More than 1 year	Total
	USD	USD	USD
Interest-bearing loans and borrowings	602,801,361	176,011,597	778,812,958
Trade and other payables	<u>317,921,317</u>	<u>123,252,447</u>	<u>441,173,764</u>
	<u>920,722,678</u>	<u>299,264,044</u>	<u>1,219,986,722</u>

As at December 2018

	Less than 1 year	More than 1 year	Total
	USD	USD	USD
Interest-bearing loans and borrowings	139,409,012	156,750,361	296,159,373
Trade and other payables	<u>209,101,322</u>	<u>-</u>	<u>209,101,322</u>
	<u>348,510,334</u>	<u>156,750,361</u>	<u>505,260,695</u>

34. 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.

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.

35. FAIR VALUE MEASUREMENT AND CATEGORIES OF FINANCIAL INSTRUMENTS

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

36. RELATED PARTY TRANSACTIONS

Information about subsidiaries

	Principal Activity	Country	Percentage of equity/interest	
			2019	2018
Prestea Sankofa Gold Limited	Mining	Ghana	90%	90%
Mole Motel Company Limited	Hospitality	Ghana	60%	60%

The holding entity:

GNPC is 100% owned by Government of Ghana.

Joint venture/Associate

The Corporation has a 45% interest in Saltpond offshore Corporation limited and 0.11% in Airtel Ghana

36 RELATED PARTY TRANSACTIONS (CONTINUED)**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	-	16,884,097
GNPC Exploration and Production Co. Ltd	-	10,667,427
Mole Motel	-	164,655
GNPC Technip	-	11,500
Saltpond Offshore Producing company	-	<u>6,170,641</u>
	<u>-</u>	<u>33,898,320</u>

Transactions with related parties

Transactions with related parties during the year are as follows:

Name of related party	Transaction type	Amount USD
GNPC Exploration and Production Co. Ltd	Advances and payments of cash calls	4,178,656
Airtel Ghana Limited	Telecom services	45,449
Prestea Sankofa Gold Limited	Advances and payment of expenses	3,699,632
Saltpond Offshore Producing Company Ltd	Advances and payment of expenses	<u>173,945</u>
		<u>8,097,682</u>

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 2018, impairment of receivables relating to amounts owed by related parties was USD 23,054,738 (2018: \$19,181,161).

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:

Key management personnel	2019 USD	2018 USD
Short term benefits	<u>3,791,045</u>	<u>356,173</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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36 RELATED PARTY TRANSACTIONS (CONTINUED)

Directors' remuneration

	2019 USD	2018 USD
Board fees	355,217	428,315
Other board expense	<u>542,868</u>	<u>575,373</u>
	<u>898,085</u>	<u>1,003,688</u>

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

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

37. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

IFRS 17 Insurance Contracts

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 Group.

Amendments to IFRS 3: *Definition of a Business*

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations*

to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: *Definition of Material*

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

38. COMMITMENTS FOR EXPENDITURE

Under the Off-Shore Cape Three Point (OCTP) agreement, the Corporation has a contractual obligation - Take or pay obligation - to purchase and pay for a minimum guaranteed quantity of gas from the OCTP partners, even where the corporation is unable to physically take the required quantities.

Additionally, the corporation is required to pay for condensates that would have accrued to the OCTP partners had the corporation lifted the required quantities of gas.

39. CONTINGENT ASSETS AND LIABILITIES

Petroleum products supplied to Sage Petroleum Limited by the Corporation in 2012 amounting to US\$13,051,837.42 is currently in dispute. A determination of the case has been made at the Commercial Division of the High Court of Ghana in November 2020 and would be duly accounted for in the 2020 account even though the Corporation has made full provision for this debt in its books.

40. DECOMMISSIONING LIABILITY

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

41. CORPORATE SOCIAL INVESTMENT

The Corporation 2019 executed its CSI projects through the GNPC Foundation. The total spend for the year was Twenty Million, Seven Hundred and Eighty-Four Thousand, One Hundred and Thirteen US Dollars (USD 20,784,113) disbursed as follows:

Key Activities undertaken:

- Construction of Thirty-Six (36) 12 Unit Sanitary Facility communities and Schools
- Construction of Two (2) 24 Unit Sanitary Facility for community and School
- Construction of Six (6) Unit classroom block for 55 Schools
- Construction of Three (3) Unit classroom block for 7 Schools
- Construction of Seven (7) Story Dormitory Facility for SHS Schools
- Construction of Six (6) Science Laboratory Facility for SHS Schools
- Construction of 287 Borehole across the country
- Construction of 9 Artificial Soccer Turf with Flood Lighting and Wire Fencing
- Donation of Chemical analyser to Nana Hima Dekyi Hospital at Dixcove
- Donation of 100KVA Generator Worawora Government Hospital
- Organise of free eye screening and Surgery for 5 communities in the Western and Western North Region
- Training & support for 400 artisans under Economic Empowerment
- Training of 100 STEM Students from Primary and JHS at Accra Digital Academy for computer coding
- Support for Professorial Chairs for 4 public Universities - UMAT, UG, UCC & KNUST
- Continued sponsorship of 1921 Students consisting of 1856 local and 65 international scholarships to undertake graduate level studies. The scholarship covers full tuition and boarding.
- Award of 200 scholarship to Medical Students to Cuba

42. 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 but notice of the impact of COVID 19 in the business must be made.

IMPACT OF COVID 19

INTRODUCTION

The outbreak of the novel coronavirus (COVID-19) globally and more recently in Ghana has adversely affected economic activity. The global supply chain has been significantly disrupted, impacting investments and trade. In addition to the serious health implications on people and the strain on healthcare services, COVID-19 is steadily impacting negatively on many industries. In the Oil & Gas sector, the biggest impact has been the collapse in energy prices and demand. At the heart of this collapse is the weak fundamentals in the oil market, exacerbated by the price war between Saudi Arabia and Russia. The price of Brent crude oil per barrel has dropped by 38.77% from an average of US\$67.06 in December 2019 to a low of US\$41.06 as at yearend 2020. An average price of US\$44.37 per barrel is projected for Ghana's crude oil liftings in 2021 as budgeted.

The Greater Jubilee and TEN fields are dealing with challenges such as increasing water production, FPSO reliability issues, increasing gas-oil ratio (GOR) and well completion difficulties. Covid-19 has also severely restricted the movement of personnel and logistics required to efficiently operate the fields. These are expected to impact production and liftings adversely. In the original 2020 budget, the Corporation projected to lift twelve (12) cargoes. However, due to technical challenges of the producing fields, but ended up lifting ten (10) cargoes and it is projected that the Corporation will also lift 10 cargoes in 2021.

The Corporation therefore revised its original 2020 Work Programme and Budget to reflect the above developments. This document sets out the impact of Covid-19 and field operational challenges on GNPC and measures being undertaking to mitigate the impact.

IMPACT ON 2020 BUDGET

The Corporation's revised revenue projection (from both oil and gas activities) in 2020 is US\$837.73 million down from the original estimate of US\$926.81 million. Projection in respect of total expenditure is US\$1,125.64 million as against the original estimate of US\$1,287.78 million. This will result in a funding gap of US\$287.91 million compared to the original deficit of US\$360.97 million as depicted in Table 1.

42. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Table 1: Summary of Revised 2020 Budget

	ORIGINAL	REVISED	CHANGE	
	US\$m	US\$m	US\$m	%
UPSTREAM OIL BUSINESS - (A)				
Revenue	350.63	179.79	170.84	(48.72)
Expenditure	714.31	500.14	214.17	(29.98)
Net Position	(363.68)	(320.35)	(43.33)	(11.91)
UPSTREAM GAS BUSINESS - (B)				
Revenue	576.18	657.94	(81.76)	14.19
Expenditure	573.48	625.50	(52.02)	9.07
Net Position	2.71	32.44	(29.73)	1,097.05
UPSTREAM OIL & GAS BUSINESS - (A+B)				
Revenue	926.81	837.73	89.08	(9.61)
Expenditure	1,287.79	1,125.64	162.15	(12.59)
Total Financing Gap	(360.97)	(287.91)	(73.06)	(20.24)

Upstream Oil Operations

GNPC projected a total revenue of US\$179.79 million down from an original estimate of US\$350.63 million from its share of crude oil sales and internally generated funds for 2020 fiscal year and is projecting US\$227.54 for 2021. Expenditure in respect of petroleum exploration, appraisal, development & production, other petroleum related projects and operations of the Corporation was projected to be US\$500.14 million down from an initial budget of US\$714.31 million and US\$434.78 for 2021. The financing gap from upstream oil business will be receipts in respect of debts owed GNPC by GoG and related agencies as summarized below.

Gas Business Activities (Upstream Natural Gas and LNG)

As the National Gas Sector Aggregator, the Corporation will manage the purchase and disposal of gas from the three (3) domestic producing fields (Jubilee, TEN & OCTP) as well as the gas offtake contract with the Tema LNG project. The projected revenue from gas business was revised from US\$576.18 million to US\$657.94 million, made up of Sales Revenue of US\$641.79 million and Gas Aggregation Services income of US\$16.15 million. The Corporation project US\$952.45 for same in 2021. The corresponding expenditure for 2020 was projected at US\$625.50 million compared to the original estimate of US\$573.48million and projected as US\$4942.23 in 2021.

GNPC's major challenge is that the projected revenue from gas business is not likely to be collected due to the continued non-payment of fuel bills by the power sector.

42. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Funding the Financing Gap

Net financing gap for 2020 revised budget was US\$287.91 million (see Table 1). This was funded through cash balance from 2019, loans, contractor financing, receipts from debts owed to GNPC by Government and related agencies as shown in Table 2 below.

	ORIGINAL	REVISED
	US\$m	US\$m
Financing Gap		
SOURCES OF FUNDS		
Funds B/fwd	20.00	20.00
Head Office Project (Debt Market)	25.00	25.00
Refund HFO Supplies (Jan-July)	15.77	15.77
ECG – Interest & Commission on Guarantees	12.97	12.97
BOST – Under-recoveries iro Sale of Petroleum Products	21.30	21.30
Gas Enclave Roads	43.00	43.00
GNGC Offshore Pipeline	37.91	37.91
Ministry of Finance	50.00	50.00
Tema Oil Refinery Limited	58.40	58.40
OCTP Escrow	100.00	100.00
Total Funds	384.35	384.35
Less:		
Financing Gap	(360.97)	(287.91)
NET POSITION AFTER FINANCING	23.38	96.44

EFFECT OF COVID-19 ON OPERATIONS

The following measures have been proposed to deal with the impact on the covid-19 and the low oil price on the Corporation's operations.

Scale-back and Deferral of Projects

The Corporation has reviewed the scope of its work programme due to the significant shortfall in projected revenue for 2020. The Corporation plans to scale-back on its original expenditure plan on many exploration, production and capital projects as reflected in Table 2.

42. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Table 2: Review of Projects

	ORIGINAL	REVISED	DIFFERENCE*
	US\$m	US\$m	US\$m
EXPENDITURE			
DEVELOPMENT & PRODUCTION COST	327.27	228.20	99.07
Jubilee	89.20	84.11	5.09
Tweneboa Eryenra & Ntomme - DWT	99.62	46.60	53.02
OCTP (ENI) Sankofa- Gye Nyame Complex	78.01	76.13	1.88
DWT/CTP - (Aker)	0.40	0.36	0.04
SOPCL - Decommissioning	60.04	21.00	39.05
EXPLORATION & APPRAISAL PROJECTS	83.44	40.75	42.70
Voltaian Basin Project	50.88	20.40	30.49
GH-WB-01	10.18	2.05	8.13
Explorco PA Obligations	22.38	18.30	4.08
MIDSTREAM & OTHER PROJECTS	132.14	98.38	33.76
Ammonia Fertiliser Project	20.00	-	20.00
Gas Evacuation Enclave Roads	35.00	30.00	5.00
Prestea Sankofa Gold Ltd	11.26	5.00	6.26
City Gate Project	20.00	20.00	-
TTIP - Interest for 2020	11.69	11.69	-
Investment in Petroleum Hub	5.00	5.00	-
Marine Patrol Vessels	12.00	10.00	2.00
Biotechnology Project	5.50	5.00	0.50
CAPITAL PROJECTS	78.00	67.00	11.00
Corporate Offices	35.00	30.00	5.00
Research and Technology Centre	30.00	25.00	5.00
Works on Landed Property	6.00	5.00	1.00
Digital Transformation	7.00	7.00	-
TOTAL	620.85	434.33	186.52

*Difference represents savings on revised work scope and deferred project.

Implication on Employment

The level of recruitment for the year was scaled back to reflect reduction in activity. Hiring was done to fill in very critical gaps.

Impact on Investments in the Industry

Some planned exploration and development wells in 2020 were deferred to subsequent years. This is evidenced in the suspension of the Pecan Field development as announced by Aker Energy (Operator).

These developments will ultimately impact the Corporation's quest to replace and grow reserves and constrain investment in the upstream oil and gas sector.

42. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Corporate Social Investments Expenditure

The Corporation plans to rationalize expenditure on its social investments by implementing the following measures:

- Reduce the number of new foreign and local scholarships to be awarded for the 2020/21 academic year.
- New capital projects will not be undertaken unless already committed and commenced.
- Some on-going projects will be suspended taking due cognisance of the stage of completion.
- Donations and support to Government agencies and private sector beneficiaries will be suspended.

The Corporate Social Investment budget for 2020 has therefore been reviewed downwards by 36% from US\$55 million to US\$35 million.

CONCLUSION

The global negative impact of Covid-19 has affected the oil and gas industry and the revenue flow of GNPC. This has led to a scale back on the work programme and planned expenditure of the Corporation's key projects. Whilst the Corporation continues to implement measures to mitigate its impact on operations, the negative consequences of Covid-19 will persist in the short-to-medium term. Globally, this may impact on oil demand, oil prices and investment in new projects which will have a corresponding adverse impact on the Corporation's revenue.