

ELECTRICITY COMPANY OF GHANA LIMITED



**FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER 2020**

ELECTRICITY COMPANY OF GHANA LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

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ELECTRICITY COMPANY OF GHANA LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2020

CORPORATE INFORMATION

			Appointed On	Mandate expired on
Directors:	Mr. Keli Gadzekpo	Chairman	15/08/2017	
	Mr. Kwame Agyeman-Budu (Managing Direct -	Member	7/11/2019	
	Ing. (Mrs) Carlien Dorcas Bou-Chedid -	Member	15/08/2017	
	Mr. John Kojo Arkorful -	Member	15/08/2017	
	Mr. Odeneho Kwaku Appiah -	Member	15/08/2017	
	Alhaji Amadu Kaleem -	Member	15/08/2017	
	Hon. Matthew Nyindam -	Member	15/08/2017	
	Mad. Maataa Opare -	Member	15/08/2017	
	Ing. Bernard Sackey	Member	15/08/2017	

Secretary: Mr Apeagyei Apeakorang

Postal Electro-Volta House
Address: P O Box GP 521
Accra

Auditor: Ghana Audit Service
Head office,
Accra

Bankers: Ghana Commercial Bank Limited
Local: Merchant Bank (Ghana) Limited
Ecobank Ghana Limited
Societe Generale Ghana

Foreign : Ghana International Bank Plc London

ELECTRICITY COMPANY OF GHANA LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2020

REPORT OF THE DIRECTORS

The directors have the pleasure in presenting the financial statements of the company for the year ended 31st December 2020 and report as follows:

(a) Ownership

The company is wholly owned by the Government of Ghana.

(b) Nature of Business

The company is authorised to carry on the following business:

- i. To purchase, take-over or otherwise acquire the undertaking and business previously carried on by the Electricity Corporation of Ghana, as well as its goodwill, assets, properties, rights, debts, liabilities and obligations.
- ii. To transmit, supply and distribute electricity.
- iii. To purchase electricity in bulk from the Volta River Authority or any other supplier for distribution.
- iv. To construct, reconstruct, install, assemble, repair, maintain, operate or remove sub-transmission lines, distribution lines, transformer stations, electrical appliances, fittings and installations.
- v. To carry out any other activities incidental or conducive to the attainment of the objects specified in items (i) to (iv) above.

(c) Results of operations and dividend

The operations for the year resulted in a net profit of GHS726.800 million before tax. The directors do not propose the payment of any dividend for the year.

(d) Names of directors

Names of directors who have held office during the year are as listed on page 1.

(e) Auditor

In accordance with Section 139 (5) of the Companies Act 2019 (Act 992) Ghana Audit Service shall continue in office as the auditor of the company.

BY ORDER OF THE BOARD

CHAIRPERSON

Name :

Keli Gadzekpo

Date

23/12/2021

MANAGING DIRECTOR

Name :

KNAME AGYEMAN-BINSU

Date :

23/12/2021

ELECTRICITY COMPANY OF GHANA LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board of Directors is responsible for preparing the financial statements for each financial year which give a true and fair view of the financial position of the company at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the Board of Directors is required to:

- (a) Select suitable accounting policies and apply them consistently;
- (b) Make judgements and estimates that are reasonable and prudent;
- (c) Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Board of Directors is responsible for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with International Financial Reporting Standards. They are responsible for taking such steps as are reasonably open to them to safeguard the assets of the company, and to prevent and detect fraud

The above statement should be read in conjunction with the statement of the auditor's responsibility set out on page 4 which is made with a view to distinguishing for members the respective responsibilities of the directors and the auditor in relation to the financial statements.

Going Concern

The company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainty that cast significant doubt about the company's ability to continue as a going concern. Therefore, the financial statements continues to be prepared on the going concern basis.

ELECTRICITY COMPANY OF GHANA

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ELECTRICITY COMPANY OF GHANA LIMITED FOR THE YEAR ENDED 31ST DECEMBER 2020

Report on the financial statements

We have audited the accompanying financial statements of Electricity Company of Ghana Limited which comprise the statement of financial position as at 31st December 2020, statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes set out on pages 13 to 54.

Directors' responsibility for the financial statements

As stated on page 3 the Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act 2019 (Act 992). This responsibility includes designing, implementing and maintaining the internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Electricity Company of Ghana Limited

Independent Auditor's Report to the Members of the Electricity Company of Ghana

Report on the Audit of the Electricity Company of Ghana's Financial Statements

Opinion

We have audited the accompanying financial statements of Electricity Company of Ghana Limited which comprise the statement of financial position as at 31st December 2020, statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes set out on pages 13 to 54.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company as at 31st December, 2020 and the comprehensive income and the statement of changes in equity Cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), and in the manner required by the Companies Act 2019, (Act 992).

Basis for Opinion

We conducted our audit in accordance with International Standards for Supreme Audit Institutions. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the *Electricity Company of Ghana* in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to our audit of the financial statements in Ghana, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Directors Responsibilities for the Financial Statements

The Directors are responsible for the preparation of the Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in a manner required by the Companies Act 2019 (Act 992) and for such internal control as the Directors determine is

necessary to enable the preparation of Financial Statements that are free from material misstatement whether due to fraud or error. In preparing the Financial Statements, the Directors are responsible for assessing the company's ability to continue as a going concern disclosing as applicable, matters related to going concern and using the going concern basis of accounting, unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the company's Financial Reporting.

Auditor's Responsibility for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Financial Reporting Standards (IFRS), which is consistent with the Fundamental Auditing Principles (ISSAIs 100-999) of the International Standards for Supreme Audit Institutions, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Financial Reporting Standard (IFRS) which is consistent with the Fundamental Auditing Principles (ISSAIs 100-999) of the International Standards for Supreme Audit Institutions, we exercised professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but

- not for the purpose of expressing an opinion on the effectiveness of the *Company's* internal controls.
- Evaluate the appropriateness of accounting policies uses and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Director's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the *Company's* ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the *Company* to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the Directors, we determine those matters that were most significant in the audit of the *Company's* Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless laws or regulations preclude public disclosures about the matter or when in extreme circumstances, we determine that a matter should not be communicated in our report because the adverse

consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 purpose of our audit;
- ii. in our opinion proper books of account have been kept by the Company and its Subsidiaries, so far as appears from our examination of those books; and
- iii. the Company's balance sheet (included in the Statement of Financial Position) and Profit and loss account (included in the Statement of Comprehensive Income) are in agreement with the books of account.



JOHN GODFRED KOJO ADDISON
DEPUTY AUDITOR-GENERAL/CAD
for: **AUDITOR-GENERAL**

Dated... 24 December 2021

ELECTRICITY COMPANY OF GHANA LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2020

	Note	2020 GHS'000	2019 Restated GHS'000
Revenue	1	6,913,415	7,282,559
Government Grant (GOG Payments)	2	6,841,095	1,069,667
Direct costs	3	(10,782,452)	(9,046,839)
Gross margin		2,972,059	(694,613)
Distribution costs	4	(372,431)	(280,166)
Administrative expenses	5	(1,016,062)	(341,277)
Other income	6	41,872	148,399
Operating (Loss)/Profit		1,625,437	(1,167,656)
Finance income	7	13,181	9,229
Finance costs	8	(912,894)	(360,499)
Net finance costs		(899,713)	(351,270)
Share of profit / (loss) of associate	9	1,076	3,446
(Loss) / Profit before tax expense		726,800	(1,515,480)
Tax expense	10	(545,397)	49,906
(Loss)/Profit after tax	11	181,403	(1,465,574)
OTHER COMPREHENSIVE INCOME			
Surplus on revaluation	23	241,574	2,150,208
Deferred tax on revaluation surplus	23	(60,394)	(537,552)
		181,181	1,612,656
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		362,583	147,082
Earning per share (EPS) in GHPs		0.73	0.003

ELECTRICITY COMPANY OF GHANA LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2020


	Note	2020 GHS'000	2019 Restated GHS'000
ASSETS			
Non-current assets			
Property, plant & equipment	12	20,461,551	19,651,277
Investment	13	8,436	7,680
		20,469,987	19,658,957
Current assets			
Inventories	14	211,926	175,667
Trade and other receivables	15	9,501,146	5,398,684
Prepayments	16	98,292	87,893
Cash and cash equivalents	17	404,426	423,159
		10,215,789	6,085,403
Total assets		30,685,777	25,744,360
Equity attributable to the owners of the company			
Stated capital	19	50,000	5
Government equity	20	8,064	8,064
Other components of equity	21	198,798	248,793
Capital surplus	22	9,467,883	9,681,197
Income surplus	23	(1,307,734)	(1,883,632)
Total equity		8,417,011	8,054,427
Liabilities			
Non-current liabilities			
Deferred credit	24	751,339	746,280
Deferred tax liabilities	25	3,410,122	2,986,031
Borrowings - due after one year	26 (a)	1,675,867	1,457,149
		5,837,328	5,189,461
Current liabilities			
Bank overdraft	18	129,347	51,651
Provision for company tax	25(c)	290,710	109,010
Trade and other payables	27	15,098,865	11,787,354
Borrowings - due within one year	26(b)	912,517	552,458
		16,431,439	12,500,472
Total liabilities		22,268,767	17,689,933
Total equity and liabilities		30,685,777	25,744,360

The financial statements and accompanying notes on pages 13 to 54 were approved by the Board of Directors on December 2021 and signed on its behalf by :

Chairperson:

Name:


Date:


Keli Gadzekpo
23/12/2021

Managing Director:

Name:

Date:


Kwame Agyeman-Busu
23/12/2021

ELECTRICITY COMPANY OF GHANA LIMITED

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

	Stated capital	Gov't equity	Other components of Equity	Capital surplus	Income surplus	Total
	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000
Balance at 1st January 2020	5	8,064	248,793	9,681,197	(1,883,632)	8,054,427
Profit for the year					181,403	181,403
Transfer Other Govt Equity	49,995		(49,995)			-
Net revaluation surplus after tax				181,181		181,181
Transfer of depreciation charge on ppe out of revaluation surplus net of tax				(394,495)	394,495	-
Balance at 31st December 2020	<u>50,000</u>	<u>8,064</u>	<u>198,798</u>	<u>9,467,883</u>	<u>(1,307,734)</u>	<u>8,417,011</u>

	Stated capital	Gov't equity	Other components of equity	Capital surplus	Income surplus	Total
	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000
Balance at 1st January 2019	5	8,064	312,904	8,471,925	(821,441)	7,971,457
Loss for the year					(1,465,574)	(1,465,574)
Development finance			(64,111)			(64,111)
Net revaluation surplus after tax				1,612,656		1,612,656
Transfer of depreciation charge on ppe out of revaluation surplus net of tax				(403,383)	403,383	-
Balance at 31st December 2019	<u>5</u>	<u>8,064</u>	<u>248,793</u>	<u>9,681,197</u>	<u>(1,883,632)</u>	<u>8,054,427</u>

ELECTRICITY COMPANY OF GHANA LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2020

		2020	2019
	Note	GHS' 000	Restated GHS' 000
Operating activities			
Net cash inflow from operating activities	29(a)	994,662	1,019,627
Investing activities			
Interest paid/cancelled		(96,464)	(48,602)
Interest received	7	13,181	9,229
Payments to acquire property, plant & equipment and towards capital work in progress	12(c)	(1,472,426)	(902,934)
Proceeds from sale of property, plant & equipment			
Government/Customer contribution to property, plant & equipment		34,909	81,022
Net cash outflow towards investing activities		(1,520,800)	(861,286)
Financing activities			
Long term loan drawdowns/capitalization	26(a)	544,742	193,521
Long term loan repayments/transfers	26(a)	(65,039)	(133,533)
Long term loan equity(other Govt equity)		-	-
Development finance transfers	23	(49,995)	(64,111)
Net cash inflow from financing activities		429,708	(4,123)
Increase (Decrease) in cash and cash equivalents in the year		(96,430)	154,219
Cash and cash equivalents at 1st January		371,509	217,290
Cash and cash equivalents at 31st December	29(b)	275,079	371,509

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

1.0 REPORTING ENTITY

Electricity Company of Ghana Limited is a wholly state-owned limited liability company incorporated and domiciled in Ghana. The address of its registered office is Electro-Volta House, P. O. Box 521 Accra. The company is primarily involved in distribution of electricity to the southern part of Ghana. The company is not registered on any stock exchange.

The financial statements of Electricity Company of Ghana Limited for the year ended 31st December 2020 were authorized for issue in accordance with a resolution of the Board of Directors on

1.2 BASIS OF PREPARATION

The company's financial statements are prepared in Ghana cedis, which is the company's functional currency. The Ghana cedi (GH¢) is the currency of the primary economic environment in which the company operates.

The financial statements of Electricity Company of Ghana Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretation as adopted by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment, assets available-for-sale, and financial assets and financial liabilities at fair value through profit or loss.

1.3 USE OF ESTIMATES AND JUDGEMENT

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas of assumptions and estimates which are significant to the financial statements.

1.4.3 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The company has elected not to early adopt the following standards, amendments and interpretations to existing standards that were issued but not yet effective, for the accounting periods beginning 1st January 2020. Their application will however not have significant impacts on the company's financial statements.

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

Standard/ Interpretation	Content	Applicable for financial years beginning on/after
IAS 1	Presentation of Financial Statements on classification of liabilities Disclosure of Accounting Policies	1 st January 2021 1 st January 2023
IAS 16	Property, Plant and Equipment	1 st January 2022
IAS 37	Provisions, contingent liabilities and contingent assets	1 st January 2022
IAS 12	Deferred Tax related to Assets and Liabilities arising from a single transaction	1 st January 2023
IAS 8	Accounting Policies, changes in Accounting Estimates and Errors	1 st January 2023
IAS 20	Accounting for Government grant and disclosure of Government assistance	1 st January 2021

IAS 1. Presentation of Financial Statements on classification of liabilities

The standard clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectation of the entity or events after the reporting date. The amendments also what is meant by settlement of liability.

Disclosure of Accounting Policies

The amendments require entities to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance to explain how an entity can identify material accounting policy information

IAS 16. Property, Plant and Equipment

The amendments prohibit the entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items in profit or loss.

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

IAS 37. Provisions, contingent liabilities and contingent assets

The amendments specify in onerous contracts in which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received under the contract.

In accordance with the amendments, which is effective on January 1, 2022, the cost of fulfilling a contract comprises costs that relates directly to the contract, and includes the following:

- i) The incremental costs of fulfilling that contract such as direct labour and materials, and
- ii) An allocation of other costs that relates directly to fulfilling contracts such as an allocation of the depreciation charge for an item of Property, Plant and Equipment used in fulfilling that contract.

IAS 12. Income Taxes

The amendment clarifies how an entity accounts for income tax, including deferred tax, representing tax payable or recoverable in the future. In specified instances, entities are exempt from recognizing deferred tax when the recognize assets and liabilities for the first time. The purpose of the amendments is to reduce the diversity in reporting deferred tax on leases and and decommissioning obligations, by clarifying when the exemption from recognizing deferred tax would apply to the initial recognition of such items.

IAS 8. Accounting Policies, Changes in Accounting Estimates and Errors

The amendments seek to show how entities should distinguish between changes in accounting policies and changes in accounting estimates. In the amendments, the new definition of accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The requirements for recognizing the effect of change in accounting prospectively remain unchanged.

2.0 SIGNIFICANT ACCOUNTING POLICIES

2.1 PROPERTY, PLANT AND EQUIPMENT

• RECOGNITION AND MEASUREMENT

All classes of property, plant and equipment (PPE) are initially measured at cost. Cost includes expenditure that is directly attributed to the acquisition of the items. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributed to bringing the asset to its intended working condition. Acquired software that forms part of equipment is capitalized as part of the equipment.

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

• SUBSEQUENT MEASUREMENT

Subsequent costs are included in the carrying amounts of assets or recognized as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

All classes of PPE in service are revalued on the basis of replacement cost at 31st December and incorporated in the financial statements. Physical revaluation of all PPE is carried out by independent consultants every five (5) years. In between the physical revaluation an index, underscored by movements in United States of America (USA) Consumer price index (CPI) and exchange rate of USA dollar against the reporting currency of Ghana cedi is used to estimate replacement cost for all classes of PPE.

• DEPRECIATION

Depreciation on PPE in service is calculated so as to write off the gross book value on a straight line basis over the expected useful lives of the assets concerned from the date of acquisition or revaluation. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The applicable rates are as follows:

	%
• Sub-transmission	2 ½ - 4
• Distribution network	2 ½ - 4
• Buildings and civil works	2 ½ - 4
• General tools	12 ½
• Fixtures and fittings	12 ½
• Meters	5
• Computer equipment	25 - 33 ½
• Motor vehicles	10 – 25

2.2 INTANGIBLE ASSETS

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

useful lives of three to four years. Subsequent costs associated with maintaining computer programmes are recognized as an expense as incurred. Unless it increases the future economic benefits embodied in the specific asset to which it relates that it will be capitalized.

2.3 IMPAIRMENT OF NON-FINANCIAL ASSETS

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.4 NON-CURRENT ASSETS

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.5 GOVERNMENT GRANT

Grant and assistance from the government are reported at fair value when it can reasonably be assumed that the grant will be received and the company will meet the conditions of the grant. A grant tied to a non-current asset is amortized against related asset annual depreciation. A grant intended to cover expenses is reported in the Statement of Comprehensive Income over the same periods as an expense.

2.6 FOREIGN CURRENCY TRANSLATION

The company's financial statements are presented in Ghana cedis, which is the company's functional currency. The Ghana cedi (GHS) is the currency of the primary economic environment in which the company operates. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlements such as transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Comprehensive Income.

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

2.7 FINANCIAL ASSETS INITIAL RECOGNITION

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, and loans, receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives designed as hedging instrument. Financial assets are recognized initially at fair value plus, in the case of investment not at fair value through profit or loss, directly attributable transactions costs. The Company's financial assets include cash and short-term deposits, trade and other receivables.

2.8 RECEIVABLES

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective rate method. Trade receivables are amounts due from customers for services provided and merchandize sold in the ordinary course of business. Trade receivables have a short anticipated term and therefore recognized initially at fair value and subsequently at nominal value, less provision for impairment.

2.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held in call accounts with banks, other short-term highly liquid investments with original maturities of six months or less, and bank overdrafts. Bank overdrafts are shown with borrowings in current liabilities on the balance sheet.

2.10 FINANCIAL LIABILITIES INITIAL RECOGNITION

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings as appropriate. The company determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognized initially at fair value and in the case of loans and borrowings, directly attributable transaction costs. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and classified as current liabilities because of their anticipated short term. The company's financial liabilities include trade and other payables, bank overdraft, loans and borrowings.

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

2.11 SUBSEQUENT MEASUREMENT OF FINANCIAL LIABILITIES

The measurement of financial liabilities depends on their classification. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized. Trade payables are subsequently measured at nominal value because of their short-term nature.

2.12 OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis.

2.13 EMPLOYEE BENEFITS

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid under short term cash bonus if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The company has a provident fund scheme for all permanent employees. Employees contribute between 7.5% and 10% of their basic salary to the fund whilst the company contributes 4%. The obligation under the plan is limited to the relevant contribution and these are settled on due dates to the fund manager.

Under a 3 Tier National Contributory Benefit Pension Scheme, the company contributes 23% of employee's basic salary, whilst the employee contributes 10.5%. The first tier of 13.5% is paid to and managed by Social Security and National Insurance Trust (SSNIT).

The second tier of 5% and the third tier of 15% are paid to and managed by trustees of ECG Pension Scheme. The obligation under these plans are limited to the relevant contributions and these are settled on due dates to the trustees.

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

2.14 INVESTMENT IN EQUITY

Investment is an entity over which the company has no significant influence and control, accompanying a shareholding of 12% of shares. Investment in Equity is held at fair value through the Other Comprehensive Income with no recycling of changes in fair value accumulated in Equity through Other Comprehensive Income (OCI).

2.15 INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.16 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets.

2.17 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business of the company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts. The company recognizes revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity and when specific criteria have been met. The criteria met when electricity power that is distributed to customers through post-paid and prepaid meters and actual power used by each customer for a particular period is determined and the applicable tariff applied.

2.18 FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested and is recognized in the income statement using the effective interest method. Finance expenses comprise interest expense on

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

borrowings. All borrowing costs are recognized in the income statement using the effective interest method.

2.19 INCOME TAX

Income Tax on the profit for the year consists of current and deferred tax. Income tax is recognized in the Statement of Comprehensive Income, except to the extent that it relates to items recognized directly in equity. Current tax is provided at current rates and is calculated on the basis of results for the period, taking account of manufacturing relief, where appropriate.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognized only to the extent that the Board considers that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date. Deferred tax is charged or credited to the Income Statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2.20 EARNING PER SHARE

The company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the number of ordinary shares outstanding during the period. The company has no convertible notes and share options, which could potentially dilute its EPS and therefore the company's Basic and diluted EPS are essentially the same.

2.21 COMPARATIVES

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Comparative figures have been adjusted to conform to changes in presentation in the current year.

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

3.0 RISK MANAGEMENT

Risk is an active element in the business environment within which the company operates. The company is committed to successfully managing its exposure to risk and to minimizing its impact on the achievement of corporate objectives. The following identify the components that the company has established as procedures to risk management process:

- Processes for identifying and prioritizing the company's risks for Management and Board;
- Monitoring mechanisms to ensure proper execution of mitigation plans;
- Ongoing assessments to highlight trends and to identify new and emerging risks areas;
- Maintenance of a company's perspective on risk through a process of consolidating and aligning the various views of risk across the company.

The risk management framework outlined above is based on an enterprise risk management model, which ECG adopted in 2009. This risk management process provides an integrated approach to risk and become an established best practice model for risk management. The enterprise approach provides ongoing assessment of the consolidated risk position for the company. The combined risk plans of each Business Unit are reviewed to highlight trends and to identify common and interdependent risks across the company.

• HEALTH AND SAFETY RISK

The company is committed to the highest possible safety standards to protect against the risk of injury to staff, contractors and the general public. Safety is a core value of ECG. There is continuing drive to maintain awareness among all staff concerning the importance of safety. A health and safety culture is strongly fostered throughout the company.

• REGULATORY RISK

ECG regulatory risk relates to compliance with operational regulatory obligation and the impact of price reviews and the ongoing unbundling and deregulation of the electricity generation market in the country. The company manages these risks through a team with representation from Finance, Legal, Engineering and Customer Services Directorates, and coordinated by the Divisional Managers in charge of Corporate Planning and Regulatory and Governmental Affairs. The team provides inputs for tariff proposals to PURC and the ongoing deregulation of the market for power generation and distribution.

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

- **BUSINESS PERFORMANCE RISK**

Business performance risk is the risk that the company's business may not perform as expected either due to internal factors or due to competitive pressures in the markets in which it operates. Performance risks are identified and mitigation actions are planned and assigned. At Corporate level, the overall business performance risk is managed through a number of measures including but not limited to ensuring appropriate management team in place, rigorous budget and business planning, monthly and quarterly reporting and variance analysis, financial controls, key performance indicators and regular forecasting.

- **KNOWLEDGE/SKILLS RISKS**

The company is mindful of its high dependency on the technical competence and credibility of its management and staff. ECG is strongly aware of the need to be in tune with technology direction within the industry, if it is to maintain high standard of competence, effectiveness and competitiveness. Accordingly, ECG continues to invest in staff training and development as well as ongoing performance improvement. ECG has introduced a balance scorecard methodology as a strategic management system. Corporate strategies are linked to individual work plans against which staff are monitored continuously.

- **FINANCIAL/TREASURY RISKS**

The main treasury risks faced by the company relate to foreign exchange, interest rate and liquidity. Policies to protect ECG from these risks are regularly reviewed, revised and approved by the Board as appropriate. The Treasury Division at Head office is responsible for the day to day treasury activities of the company. For a more detailed description of the Treasury Division activities and the management of related financial risks, see Notes 34

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

		2020	2019
		GHS'000	Restated GHS'000
REVENUE AND COST STRUCTURE			
1	Revenue		
	Sale of electricity	6,482,837	2,164,786
	Sale-Restructured ECG	-	4,947,248
	Public lighting levy	109,566	29,844
	Govt. and cust. contribution amortisation	29,824	27,719
	Street lighting shortfall recovery	277,092	106,869
	Reconnection and meter maintenance fee	14,097	6,093
		6,913,415	7,282,559
2	Government Grant		
	Additions during the year	6,841,095	1,069,667
		6,841,095	1,069,667
3	Direct costs		
	Power purchases	8,822,730	8,002,977
	Transmission cost	903,713	206,197
	Operations	124,559	42,039
	Maintenance	266,242	126,767
	Transport	33,003	13,617
	Depreciation	632,203	655,243
		10,782,452	9,046,839
4	Distribution costs		
	Direct distribution costs	225,370	146,089
	Transport	11,407	2,829
	Depreciation	135,654	131,247
		372,431	280,166
5	Administrative expenses		
	Overhead expenses	933,430	278,080
	Loss on sale of damaged and obsolete stock	21,498	312
	Loss on sale of damage of fixed assets	13,114	29,395
	Transport	26,432	8,460
	Depreciation	21,589	25,030
		1,016,062	341,277
6	Other income		
	Hiring/charging of company transport	14	10
	Rent income	57	30
	Other non-operating income	41,801	148,359
		41,872	148,399

ELECTRICITY COMPANY OF GHANA LIMITED
**NOTES TO THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31ST DECEMBER 2020 (Continued)**

	Note	2020 GHS'000	2019 Restated GHS'000
7 Finance income			
Interest on short term investment & Loans		13,181	9,229
Foreign exchange gain(/loss): Sundries		13,181	9,229
8 Finance costs			
Interest on long-term borrowing		148,070	96,128
Foreign exchange loss:			
Long-term loans		117,118	244,303
Exchange loss capitalized		(13,738)	(62,532)
		103,380	181,771
Long-term interest creditors		198,948	42,534
Others		462,496	40,066
		764,824	264,371
		912,894	360,499
9 Share of (loss) profit of investment company			
12% share of (loss) profit of Nexans Kabelmetal Gh. Ltd.		1,426	2,312
Share of company tax		(350)	(578)
Dividend income		-	1,712
		1,076	3,446
10 Tax on profit on ordinary activities			
Deferred tax expense			
Provision of 25% tax on profit		181,700	
(Increase)/Reduction in deferred tax assets in the year	25(a)iii	456,885	56,697
Origination/reversal of temporary differences	25(b)	(93,188)	(106,603)
		545,397	(49,906)
11 Loss/Profit for the year			
The loss for the year is stated after charging:			
Depreciation of fixed assets in service		789,447	811,521
Salaries and wages		595,202	191,291
Auditor's remuneration		281	250
Board remuneration		605	591

ELECTRICITY COMPANY OF GHANA LIMITED
**NOTES TO THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31ST DECEMBER 2020 (Continued)**
**ELECTRICITY COMPANY OF GHANA LIMITED
PROPERTY, PLANTS AND EQUIPMENT SCHEDULE--2020**

12 (a)	COST	Balance As At 1-Jan-20	Revaluation Uplift	Additions During The Year	Deletions/ Transfers During The Year	Balance As At 31-Dec-20
		GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
	Subtransmission	7,213,302	87,582	49,753	-	7,350,637
	Distribution	13,892,915	169,138	204,037	16,668	14,249,421
	Land and Building	801,867	82,280	15,596	-	899,743
	General Tools	89,866	1,126	6,374	-	97,366
	Fixtures and Fittings	173,559	2,150	8,193	-	183,902
	Meters	2,230,469	28,128	190,488	1,126	2,447,959
	Tansport	245,082	3,093	22,514	701	269,988
	Computers Software/ LAN	130,137	1,588	2,257	-	133,982
		24,777,196	375,084	499,212	18,495	25,632,997
	DEPRECIATION	Balance As At 1-Jan-20	Revaluation Backlog	Depreciation Charge For The Year	Deletions/ Transfers During The Year	Balance As At 31-Dec-20
		GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
	Subtransmission	2,884,008	34,896	196,699	-	3,115,604
	Distribution	5,404,625	65,353	409,842	3,558	5,876,262
	Land and Building	182,336	18,507	14,304	-	215,147
	General Tools	63,550	769	5,740	-	70,059
	Fixtures and Fittings	88,888	1,076	20,364	-	110,328
	Meters	730,849	8,837	115,879	554	855,010
	Tansport	207,221	2,505	25,883	220	235,388
	Computers Software/ LAN	129,608	1,568	735	-	131,911
		9,691,084	133,511	789,447	4,333	10,609,709
	NET BOOK VALUE	15,086,112				15,023,289
12(b)	Capital Work in Progress	4,565,165				5,438,262
		19,651,277				20,461,551

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

	2020 GHS'000	2019 GHS'000
12b Capital work-in-progress by category		
Development jobs	2,944,581	2,596,443
Inventories reclassified project materials	1,968,601	1,465,331
Civil Works	416,515	365,986
Rechargeable Jobs	108,565	137,405
	5,438,262	4,565,165
12c Capital work in progress		
Balance at 1st January	4,564,845	3,934,841
Additions during the year less exchange loss capitalised	1,472,426	902,934
Exchange loss capitalized	(99,797)	(23,874)
Transfers to PPE in service during the year	(499,212)	(249,056)
Balance at 31st December	5,438,262	4,564,845
13 Investment		
Equity investment in a company		
Balance at 1st January	7,360	5,626
Dividend received	-	-
Share of loss/(profit) less company tax	1,034	1,728
Share of other comprehensive Income	42	6
Balance at 31st December	8,436	7,360
This represents 12% equity interest in Nexans Kabel Metal as at 2020 year end.		
14 Inventories		
Electrical materials	95,981	71,936
Mechanical materials	11,029	9,965
Materials-in-transit and others	109,178	98,028
	(4,262)	(4,262)
Provision for damaged, slow moving and obsolete stocks	211,926	175,667
15 Trade and Other receivables		
Customer balances - Private	4,728,981	1,034,616
- Covid 19 Relief	467,096	-
Total Customer Balances	5,196,077	1,034,616
Street lighting shortfall recovery - GoG	-	-
Government subsidies	-	-
Other trade debtors	-	67,191
ECG Receivables in PDS	4,234,115	4,231,077
Staff loans and advances*	70,954	65,800
	9,501,146	5,398,684

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

	2020 GHS'000	2019 GHS'000
16 Prepayments		
Advanced mobilization to suppliers/contractors	98,303	87,893
17 Cash and cash equivalents		
Bank balances	275,920	359,732
Cash on hand	21	-
Treasury bills	10,691	15,719
Fixed deposits	18,558	47,709
	305,190	423,159
18 Bank overdraft		
GCB High Street Operations	-	-
ADB - Current	(11,717)	15,659
Barclays Bank-Current	(890)	
Ecobank Ghana - Current	(3,968)	8,117
GIB London USD	11,762	8,452
Fidelity Bank USD Margin	3,157	13,202
GT Bank-Current	29,829	
Zenith Bank Current	4,047	
Other overdrawn accounts	4,380	6,220
	36,599	51,651
19 Stated capital		
Authorised number of ordinary shares of no par value: 500,000,000.		
Shares issued and fully paid for consideration other than cash is 500,000 shares valued at GH¢100 per share		
Balance at 1st January	5	5
Transfer from Other Govt Equity	49,995	
Balance at 31st December	50,000	5
There is no unpaid liability on any share and there are no shares in arrears		
20 Government equity		
Government equity represents surplus arising from conversion from corporation to limited liability company status	8,064	8,064
	8,064	8,064
21 Other components of equity		
Balance at 1st January	248,793	312,904
Transfer to Stated Capital	(49,995)	-
Prior year adjustment	-	(64,111)
Balance at 31st December	198,798	248,793

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR

ENDED 31ST DECEMBER 2020 (Continued)

	2020	2019
	GHS'000	GHS'000
22 Capital surplus		
Balance at 1st January	9,681,197	8,471,925
Surplus on revaluation of fixed assets in the year	241,574	2,150,208
Transfer to deferred tax on recognised surplus in the year	(60,394)	(537,552)
	9,862,378	10,084,581
Transfer to income surplus account re-depreciation charge	(394,495)	(403,383)
Balance at 31st December	9,467,883	9,681,197
23 Income surplus		
Balance at 1st Jan	(1,883,632)	(821,441)
(Deficit)/surplus for the year after tax	181,403	(1,465,574)
Direct transfer from capital surplus net of tax	394,495	403,383
Balance at 31st December	(1,307,734)	(1,883,632)
24 Deferred credit		
(a) Government contribution		
Balance at 1st Jan	470,467	426,826
Additions during the year	-	60,714
	470,467	487,540
Amount transferred to income statement	(18,819)	(17,073)
Balance at 31st December	451,648	470,467
(b) Customer contributions		
Balance at 1st Jan	275,814	266,152
Additions during the year	34,909	20,308
	310,723	286,460
Amount transferred to income statement	(11,033)	(10,646)
Balance at 31st December	299,691	275,814
Total	751,339	746,280

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

		2020 GHS'000	2019 GHS'000
25	Deferred tax liabilities		
25(a): (i)	Property, plant and equipment		
	Balance at 1st January	3,357,314	2,926,365
	Recognised in income during the year	(32,795)	430,949
	Balance at 31st December	3,324,519	3,357,314
(ii)	Direct transfer from capital surplus		
	Balance at 1st January	85,602	85,602
	Transfer during the year	-	-
	Balance at 31st December	85,602	85,602
(iii)	Deferred tax assets		
	Balance at 1st January	(456,885)	(513,582)
	(Increase)/Reduction in deferred tax assets in the year	456,885	56,697
	Balance at 31st December	-	(456,885)
	Total	3,410,122	2,986,031
25(b)	Movement related to revaluation, origination and reversal of temporary differences.		
	Deferred tax liability due to mismatch of bases	3,324,519	3,357,314
	Opening deferred tax	(3,357,314)	(2,926,365)
	Deferred tax for the year	(32,795)	430,949
	Deferred tax attributable to revaluation	(60,394)	(537,552)
	Deferred tax income/(expense) related to the origination/reversal of temporary differences	(93,189)	(106,603)

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

25(c) Taxation payable

Income tax

	Balance 1/1/2020	Payments during the year	Charged to P & L account	Balance at 31/12/2020
	GHS'000	GHS'000	GHS'000	GHS'000
2008	(5,655)	-	(5,655)	(5,655)
2009	(5,655)	-	-	(5,655)
2010	(18,497)	-	-	(18,497)
2011	(18,497)	-	-	(18,497)
2012	(18,497)	-	-	(18,497)
2013	(18,497)	-	-	(18,497)
2014	(18,497)	-	-	(18,497)
2015	(18,497)	-	-	(18,497)
2016	(18,497)	-	(90,513)	(109,010)
2017	(109,010)	-	-	(109,010)
2018	(109,010)	-	-	(109,010)
2019	(109,010)	-	-	(109,010)
2020	(109,010)	-	(181,700)	(290,710)

Tax liabilities up to and including the 2006 assessment have been agreed with the tax authorities.
The remaining liabilities are however subject to agreement with the tax authorities.

25(d) Reconciliation with effective tax rate

	2020 GHS'000	2019 GHS'000
Profit/(Loss) before taxation	726,800	(1,515,480)
Income tax using domestic tax rate (25%)	-	-
Deferred tax	545,397	(49,906)
Current tax charge	545,397	(49,906)
Effective tax rate	25	25

a) Tax losses carried forward

	2020 Tax Losses GH¢	Expiry Date	2019 Tax Losses GH¢	Expiry Date
Current Year	-	2023	(2,124,316)	2022
Previous Year- 2019	(1,054,649)	2022	(2,443,271)	2021
Previous Year- 2018	(1,830,021)	2021	(1,201,985)	2020
	<u>(2,884,670)</u>		<u>(5,769,572)</u>	

In line with the Income Tax Act, 2015 (Act 896), tax losses are allowed to be carried forward for three years

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

26(a): BORROWINGS	Balance as at 01/01/20 GHS'000	Drawdown GHS'000	Repayment GHS'000	Exchange difference GHS'000	Balance as at 31/12/20 GHS'000
IDA 2467	113,185	-	-	8,447	121,632
IDA 2682-I-GH DSUP	-	-	-	-	-
IDA 4356-GH	338,614	-	-	25,271	363,885
IDA 4730	363,929	-	-	27,161	391,090
NDF 80	29,933	-	-	2,233	32,166
2ND BULK SUPPLY POINT	568	-	-	106	674
KFW NO. 9866070GH	24,481	-	-	3,366	27,847
CGH101201A(CFD-INV)	11,313	-	-	1,556	12,869
SCADA PROJECT LOAN	-	-	-	-	-
CHIRANO LOAN	1,202	-	(385)	49	866
WESTERN DIAMOND LOAN	3,876	-	(2,017)	159	2,018
AfDB LOAN	111,328	-	-	4,556	115,884
ADF LOAN 2100150030894	87,023	8,759	-	3,562	99,343
IDA CR NO. 56290	154,394	53,984	-	10,176	200,510
MIN OF FINANCE/CAL BANK LOAN	442,920	-	-	18,128	461,048
GCB BANK LTD	-	182,000	(29,585)	-	152,415
GT BANK	25,175	-	(25,175)	-	-
FIDELITY	-	125,000	(7,877)	-	117,123
UMB	-	100,000	-	-	100,000
FIRST ATLANTIC BANK	-	75,000	-	-	75,000
BXC	301,666	-	-	12,347	314,013
	2,009,607	544,743	(65,039)	117,117	2,588,384
Less:					
Due within one year	(552,458)				(912,517)
Due after one year	1,457,149				1,675,867
26(b): Due within one year					
Loan	Balance at 1/1/2020				Balance at 31/12/2020
IDA 2467	113,185				121,632
IDA 4356-GH	161,345				205,732
IDA 4730	149,733				195,672
KFW NO. 9866070GH	11,657				14,586
NDF 80	29,933				32,166
2ND BULK SUPPLY POINT	568				674
SCADA LOAN	-				-
AfDB Loan	5,006				17,383
MOF SPECIAL LOAN	44,292				149,841
WESTERN DIAMONDS	1,938				2,017
GT BANK	25,175				-
FIDELITY	-				44,806
GCB LOAN	-				55,608
UMB	-				34,466
FIRST ATLANTIC BANK	-				25,850
CGH 1012 01A (CFD-INV)	9,256				11,699
CHIRANO LOAN	370				385
	552,458				912,517

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

		2020 GHS'000	2019 GHS'000
26(c):	Interest on long-term borrowings		
(i)	IDA 2467	9,244	8,602
(ii)	IDA 2682-I-GH	-	-
(iii)	IDA 4356-GH	19,286	17,947
(iv)	IDA 4730	20,728	19,312
(v)	KFW NO. 9866070GH	835	734
(vi)	CGH 101201A (CFD-INV)	354	311
(vii)	AfDB loan	1,159	1,113
(viii)	Chirano loan	29	37
ix)	Western Diamond	249	394
X)	BXC	11,900	11,433
xi)	GCB LTD	21,284	1,464
xii)	GT BANK	1,790	1,850
xiii)	1ST ATLANTIC BANK	4,503	322
xiv)	FIDELITY	15,421	
xv)	UMB BANK	8,917	
xvi)	ECOBANK	-	2,005
xvii)	Min of Finance SP Loan	32,371	31,097
		148,070	96,621

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (continued)

26(d)

i

IDA 2467

The IDA 2467 credit facility is a loan from the International Development Association (IDA) of SDR55,200,000 granted to the Government of Ghana in 1993 and relented to ECG and Volta River Authority. ECG's portion of SDR29,135,000 which has been increased to SDR29,400,000 is to finance the National Electrification Project. The loan is repayable in equal semi-annual instalments from June 1998 to December 2013. Interest is at the rate of 7.6% per annum on the outstanding loan balance payable 15th June and 15th December each year.

Under the HIPC arrangement, the portion of the loan due but not paid and accrued interest at 31st December 2008 were cancelled.

ii

IDA 2682-1-GH DSUP

The IDA 2682-1-GH was granted to the Government of Ghana in 2004 and relented to ECG under subsidiary loan agreement to finance the upgrade of distribution systems and build managerial capacities. The principal amount of SDR10,050,000 is repayable over 17 years, including 3 year grace period at an interest rate of 8% per annum.

iii

IDA 4356-GH

IDA 4356-GH credit facility was a loan from International Development Association of SDR59,100,000 granted to the Government of Ghana.

ECG'S portion of SDR24,740,000 a subsidiary loan agreement dated 9th November 2007 was for Energy Development and Access Project.

ECG shall pay to the Government of Ghana a commitment charge on the principal amount of the subsidiary loan not withdrawn from time to time at the rate of 0.5% on 1st February and 1st August each year. The loan attracts an interest of 5.3% per annum payable semi annually on 1st March and 1st September each year and the Principal amount withdrawn and outstanding from time to time. The Principal amount is also repayable semi-annually on 15th March and 15th September.

iv

NDF80

The NDF80 loan from the Nordic Development Fund of SDR4 million was granted to the Government of Ghana on 5th July 1994 and re-lent to ECG on the 25th March 1996. The proceeds of the loan shall be used exclusively for the purpose of financing the extension of electricity from the national power grid to small urban centres and rural areas of Ghana. ECG shall repay to the Government, the principal amount of the loan within thirty years (from the date of the agreement) in semi-annual instalments commencing after a grace period of ten years from the date of the loan without any interest.

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (continued)

Note 26(d) (continued):

Under the HIPC arrangement, the portion of the loan due but not paid and accrued interest at 31st December, 2008 were cancelled.

v SIDA LOAN

The loan was a facility granted to ECG and VRA in 1997 of which ECG's portion represents SEK16.5 million. This was to finance the construction of the second bulk supply point. Under the agreement the repayment shall be eighteen (18) equal semi-annual consecutive instalments, falling due on the earlier of (i) the date falling eighteen months after the commissioning of the project or (ii) 30th June 2001 with zero interest rate in each case.

Under the HIPC arrangement, the portion of the loan due but not paid and accrued interest at 31st December, 2008 were cancelled.

vi KFW NO. 9866070GH

The KFW No. 9866070GH was a loan of DM10 million granted to the government of Ghana in 1999 under the German Financial Co-operation with Ghana. The loan is to be used for the importation of spare parts and components for the substitution of about sixty 33 KW Circuit breakers and the replacement of 11 KV-Switchboards with vacuum breakers. Under a subsidiary loan agreement, an interest of 3 per cent per annum is charged on the amount withdrawn and outstanding. The loan is repayable over 30 years in 60 semi-annual instalments with 9 years grace period. The first instalment is due 1st June 2008.

Under the HIPC arrangement, the portion of the loan due but not paid and accrued interest at 31st December, 2008 were cancelled.

vii CGH 101201A (CFD-INV)

The CGH 101201A (CFD-INV) is a credit facility on preferential conditions of 30.5 million French Francs granted by Caisse Francaise De Development directly to ECG. The loan is for the partial financing of investments required for implementing a support programme for the commercial management of ECG. Interest on the loan is at the rate of 2.75% per annum. The loan will be repaid in 40 equal semi-annual instalments due on 30 April and 31 October each year. The first instalment shall be due on 30th April 1998. A guarantee for this loan which was provided by Ghana Commercial Bank Limited is secured by an Escrow account at GCB.

Under the HIPC arrangement, the portion of the loan due but not paid and accrued interest at 31st December 2008 were cancelled.

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (continued)

Note 26(d) (continued):

viii SIDA LOAN SCADA PROJECT

The SIDA loan of Swedish Kronor 18,157,700 was for the acquisition of SCADA (System Control and Data Acquisition) from ABB Network Partner. The loan was relented to the company by the Government of Ghana.

Under the HIPC arrangement, the portion of the loan due but not paid and accrued interest at 31st December 2008 were cancelled.

ix CHIRANO LOAN

This was an Investment in the construction of 31km of 33kv overhead line and upgrading the ECG Primary Sub-station at Asawinso by Chirano Gold Mine Company Limited (CGMCL) amounting to \$1,002,105.00

Under an agreement dated 25th April 2008, ECG agreed to repay Chirano Gold Mine Company Limited (CGMCL), the amount invested over 15 years at an interest rate of 2.5% commencing April 2008.

x WESTERN DIAMOND CEMENT LOAN

ECG received a loan of 2.1 million from Western Diamond Cement to construct a 2*60MVA Double Circuit Tower Line from Main C to Western Diamond Factory at Takoradi. The works also include the expansion of the existing primary substation at Apowa (Substation C). ECG is expected to repay the loan over a period of 6 years starting from January 2016 at an interest rate of 8% per annum

xi AFDB LOAN

The Government on lent an amount of UA12,190,000 to ECG on 27th April 2009 for the execution of Power System Reinforcement Project. Under the loan arrangement, ECG shall pay to the Government of Ghana the principal amount over 40 semi-annual equal instalment after a 10 year grace period.

The interest rate for the loan is 10% per annum from the 11th (2018) to the 20th year (2028) inclusive, and at the rate of 3% per annum thereafter.

xii ADF LOAN

This is a loan facility that the Government of Ghana on lent to ECG from the African Development Fund to carry out a Project amounting to UA28.6 million (equivalent of \$42.9 million). ECG shall repay to the Government the principal amount of the On lent loan over a period of 40 years in equal semi annual instalments payable semi annually on each 1st April and 1st October commencing from 1st October commencing from 1st October 2046 to 1st April 2065

xiii IDA NO 56290

This credit facility is an additional loan from the International Development Association (IDA) of SDR 45.7M granted to the Government of Ghana on the 11th October, 2016 and relented to ECG. The purpose of the loan was to assist the government in improving the operational efficiency of the electricity distribution system and increase the population access to electricity and transitioning the country to a low carbon economy through the reduction of greenhouse gas emissions

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 (continued)

The loan is repayable in semi-annual instalments from June 15th, 2020 to 15th December 2039
Interest is 1.25% per annum on the outstanding balance

xiii **IDA 4730**

This is additional IDA loan that the Government of Ghana on-lent to Electricity Company Ghana Ltd to finance activities relating to the Energy Development and Access Project Project. The rate of interest for the loan is 5.3% per annum. The loan shall be repaid over a period of 17 years

xiv **MINISTRY OF FINANCE/CAL BANK LOAN**

This is a subsidiary loan of \$80,000 from the Government of Ghana to Electricity Company of Ghana. The loan agreement which was signed on the 30th December 2016 was used to procure Smart Prepayment Meters and Accessories for ECG operations
ECG shall pay the loan over a period of 10 years in 40 equal quarterly instalment starting from 30th December 2017 to 30th September 2027 at an interest rate of 8.5% per annum

xv **BXC LOAN**

ECG's indebtedness to BXC after an audit of the materials used and the corresponding funds invested in Teshie, Bortianor and Nungua Districts of the ECG Operational Area. The total indebtedness to BXC on the investments in the three (3) districts, ie. Teshie, Bortianor and Nungua is Eighty-five Million, Nine Hundred and Twenty-Eight Thousand, One Hundred and One USD and Ninety-Four US Cents. (USD85,928,151.94). This was derived from a total validated material and operation and maintenance costs of USD 49,532,401.56 , interest of USD11,66,663.02 and a repayment plan of 12 years monthly instalment at an interest of 6% per annum.

xvi **SHORT TERM DIRECT BANK LOANS**

ECG contracted a syndicated loan amounting to GHS600million. Under the agreement, Fidelity Bank and Ghana Commercial Bank Limited being the Lead Arrangers, facility agents and security agents on conjunction with Universal Merchant Bank, First Atlantic Bank agreed to loan GHS600 million to enable ECG payoff Contractors, Suppliers Arrears, Finance Expansion and Maintenance works, refinance some existing USD facilities in the books of ECG at an interest rate of 19% per annum for three years

As at year end 2020, the amount disbursed under the loan by the banks were as follows:

GCB Bank Limited	GHS182 million
Fidelity Bank Ghana Limited	GHS125 million
Universal Merchant Bank Limited	GHS100 million
First Atlantic Bank Ghana Limited	GHS75 million
	GHS482 million

The remaining GHS118million was disbursed by GCB in March 2021

	2020	2019
	GHS'000	GHS'000
27 Trade and other payables		
Power purchases & transmission charges	8,782,000	8,843,560
Trade creditors	1,081,402	878,460
Other creditors	1,961,888	1,225,175
PDS revenue/material receipts in ECG	2,706,258	423,926
Interest creditors	561,931	410,847
Emergency power producers	5,386	5,386
	15,098,865	11,787,354

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

28 Capital commitments

At the balance sheet date, there were capital commitments totalling GHS1,417 million which have not been provided for in the financial statements.

	2020 GHS'000	2019 GHS'000
29(a) Reconciliation of net loss before tax to net cash inflow (outflow) from operating activities		
Net profit / (loss) for the year	726,800	(2,585,147)
Depreciation	789,447	811,521
Customer contributions amortisation	(11,033)	(10,646)
Gov't contributions amortisation	(18,819)	(17,073)
Exchange (gain) loss on long-term loans and interest creditors	198,948	224,305
Decrease (increase) in stocks	(36,259)	16,155
(Increase) decrease in trade and other debtors	(4,102,461)	(2,569,007)
(Increase) decrease in prepayments	(10,399)	(154)
Increase in trade and other payables	3,311,511	3,967,159
(Profit)/ loss on disposal of assets	13,114	29,395
Share of associate loss/ (profit)	(1,076)	(3,446)
Obsolete stocks		-
Interest expense	148,070	96,128
Interest income	(13,181)	(9,229)
	994,662	(50,040)
29(b) Analysis of changes in cash and cash equivalents		
Balance at 1st January	371,509	217,290
Net cash inflow (outflow)	(96,430)	154,219
Balance at 31st December	275,079	371,509
29(c) Analysis of cash and cash equivalents as shown in the balance sheet		
	2020 GHS'000	2019 GHS'000
Cash at bank and on hand	367,989	273,166
Short-term investments	36,437	110,751
Bank overdraft	(129,347)	(166,628)
	275,079	371,509

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

30(a) ACCOUNTING FOR SALES DURING THE PERIOD OF THE CONCESSION

The period of the concession covered 1st March 2019 to 23rd October, 2019. The period precedent from and subsequent to relates to ECG, and covers four (4) months namely January, February, November and December 2019.

Sales Revenue for ECG was therefore related to these four months, whilst the other component relates to treatment of Power purchases invoiced to PDS by Restructured ECG.

30(b) ACCOUNTING FOR PURCHASES DURING THE PERIOD OF THE CONCESSION

During the period of the concession, Restructured ECG dealt directly with the Power Producers, and so was purchasing Power from the Power Producers. The Power producers, except Gridco were invoicing Restructured ECG during the period of the concession.

The Power Purchases cost that was related to ECG was the power purchase cost for the year 2019.

Transmission cost relates to only four months namely January, February, November and December 2019.

30(c) TREATMENT OF TRANSACTIONS INVOLVING RESTRUCTURED ECG AND PDS

During the period of the concession, transactions that relates to both Restructured ECG and Power Distribution Services (PDS) were treated as receivables and payables in the books of both entities.

30(f) ACCOUNTING FOR REVENUE COLLECTED BY ECG ON BEHALF OF PDS

During the period of 2020, there were revenue collected by ECG on behalf of PDS regarding bills issued by the latter during the period of the Concession. These revenues collected by ECG had reduced the receivables of ECG. The total amount of revenue collected on behalf Of PDS makes ECG liable to PDS, whilst increasing its receivables.

The table below shows the bills (SLT & NSLT) issued by ECG (January to February 2019), and the period of the concession (March to October 2019), together with payments made in 2020 per the monthly bill raised.

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

SLT REVENUE COLLECTION RECEIVED BY ECG ON BEHALF OF PDS FOR THE YEAR ENDING 31ST DECEMBER 2020		
ISSUE DATE	BILL AMOUNT	PAYMENT (Jan-Dec 2020)
Jan-2019	190,948,807.76	135,271,229.46
Feb-2019	192,049,351.95	157,787,288.18
Mar-2019	188,151,045.64	133,766,092.25
Apr-2019	201,062,060.56	157,552,814.27
May-2019	195,192,060.06	149,146,991.62
Jun-2019	197,899,825.79	157,093,338.37
Jul-2019	191,219,060.91	148,170,999.59
Aug-2019	211,911,706.58	162,491,299.88
Sep-2019	205,139,014.44	159,486,009.55
Oct-2019	211,187,531.21	156,608,213.06
TOTAL	1,984,760,464.90	1,517,374,276.23

From the table above, a total amount of GHS1,224,315,758.59 was received by ECG on behalf of PDS in 2020 regarding SLT bills issued by PDS during the concession period (March to October 2019).

ECG is therefore indebted to PDS by the same amount which the former received on behalf of the latter.

NSLT REVENUE COLLECTION RECEIVED BY ECG ON BEHALF OF PDS FOR THE YEAR ENDED 31ST DECEMBER 2020

ISSUE DATE	BILL AMOUNT	PAYMENT (Jan-Dec 2020)
Jan-2019	160,563,512.17	128,277,855.60
Feb-2019	147,934,931.24	112,597,720.35
Mar-2019	140,054,256.72	108,114,687.38
Apr-2019	121,552,285.98	107,455,527.98
May-2019	132,811,222.62	113,770,125.25
Jun-2019	134,829,776.02	108,384,046.49
Jul-2019	198,974,600.46	105,599,117.17
Aug-2019	142,009,254.64	109,543,426.20
Sep-2019	106,883,011.76	89,064,523.92

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

Oct-2019	162,243,457.43	120,397,412.57
TOTAL	1,447,856,309.04	1,103,204,442.91

From the table above, a total amount of GHS862,328,866.96 was received by ECG on behalf of PDS during the 2020 financial year regarding NSLT bills issued by PDS during the period of the concession (March to October 2019)

ECG is therefore indebted to PDS by same amount.

The total amount of issued bills received by ECG on behalf of PDS for the 2020 financial year was GHS2,086,644,625.55

In all a total of GHS2,706,257,786.91 was indebted to PDS as at 31st December 2020.

30(g) ACCOUNTING FOR ECG RECEIVABLES IN PDS

During the period of the concession, there were unpaid invoices of Power purchase bills issued by Restructured ECG to PDS.

There were also materials which were issued by ECG to PDS to maintain the system. Again, there were also certain payments of PDS which were also effected by ECG during the early stages of the concession.

All these represent receivables in the books of ECG with the breakdown as follows:

	GHS'000
PDS Power Purchases	3,967,402.52
Materials issued to PDS	230,802.35
PDS/ECG Debtors Collection	28,494.02
Staff loan Receivable	3,888.96
Payments on behalf of PDS	<u>3,526.81</u>
	<u>4,234,114.66</u>

31 CORRECTION OF ERRORS

The Government of Ghana makes payments to Independent Power Producers (IPPs) for idle capacity charges and suppliers of fuel to the IPPs on behalf of ECG.

Since 2019, these payments have been offset against MDA bills for power consumption and any excess has been accounted for as equity in the financial statements of ECG.

It has since been established that the GoG's payments to IPPs and suppliers of fuel on behalf of ECG represents governments grants as required by IAS 20: *Accounting for Government Grants and Disclosure of Government Assistance* (IAS 20). The accounting treatment adopted for the payments should therefore be in accordance with the requirements of IAS 20 and not treated as equity.

As a consequence, equity was overstated, and revenue understated in the financial statements.

The errors have been corrected by restating the equity and revenue financial statement line items for 2019.

The following tables summarise the impacts on the 2019 financial statements:

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

IMPACT ON INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2019

	Note	As Previously Reported 2019 GHS'000	Impact of Change 2019 GHS'000	As Restated 2019 GHS'000
Revenue	1	7,282,559	-	7,282,559
Government Grant (GOG Payments)	2	-	(1,069,667)	1,069,667
Direct costs	3	(9,046,839)	-	(9,046,839)
Gross margin		(1,764,280)	(1,069,667)	(694,613)
Distribution costs	4	(280,166)	-	(280,166)
Administrative expenses	5	(341,277)	-	(341,277)
Other income	6	148,399	-	148,399
Operating (Loss)/Profit		(2,237,323)	(1,069,667)	(1,167,656)
Finance income	7	9,229	-	9,229
Finance costs	8	(360,499)	-	(360,499)
Net finance costs		(351,270)	-	(351,270)
Share of profit / (loss) of associate	9	3,446	-	3,446
(Loss) / Profit before tax expense		(2,585,147)	(1,069,667)	(1,515,480)
Tax expense	10	49,906	-	49,906
(Loss)/Profit after tax	11	(2,535,241)	(1,069,667)	(1,465,574)
OTHER COMPREHENSIVE INCOME			-	-
Surplus on revaluation	23	2,150,208	-	2,150,208
Deferred tax on revaluation surplus	23	(537,552)	-	(537,552)
		1,612,656	-	1,612,656
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(922,585)	(1,069,667)	147,082
Earning per share (EPS) in GHPs		(0.018)	(0.02)	0.003

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

IMPACT ON FINANCIAL POSITION

AS AT 31ST DECEMBER 2019

	Note	As Previously Reported 2019 GHS'000	Impact of Change GHS'000	As Restated 2019 GHS'000
ASSETS				
Non-current assets				
Property, plant & equipment	12	19,651,277	-	19,651,277
Investment	13	7,680	-	7,680
		19,658,957	-	19,658,957
Current assets				
Inventories	14	175,667	-	175,667
Trade and other receivables	15	5,398,684	-	5,398,684
Prepayments	16	87,893	-	87,893
Cash and cash equivalents	17	423,159	-	423,159
		6,085,403	-	6,085,403
		-	-	-
Total assets		25,744,360	-	25,744,360
Equity attributable to the owners of the company				
Stated capital	19	5	-	5
Government equity	20	8,064	-	8,064
Other components of equity	21	248,793	-	248,793
Other Govt Equity		1,682,917	1,682,917	-
Capital surplus	22	9,681,197	-	9,681,197
Income surplus	23	(3,566,549)	(1,682,917)	(1,883,632)
Total equity		8,054,427	-	8,054,427
Liabilities				
Non-current liabilities				
Deferred credit	24	746,280	-	746,280
Deferred tax liabilities	25	2,986,031	-	2,986,031
Borrowings - due after one year	26 (a)	1,457,149	-	1,457,149
		5,189,461	-	5,189,461
Current liabilities				
Bank overdraft	18	51,651	-	51,651
Provision for company tax	25(c)	109,010	-	109,010
Trade and other payables	27	11,787,354	-	11,787,354
Borrowings - due within one year	26(b)	552,458	-	552,458
		12,500,472	-	12,500,472
Total liabilities		17,689,933	-	17,689,933
Total equity and liabilities		25,744,360	-	25,744,360

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

32 Regulatory risk

A significant regulatory risk identified is delayed review of tariff rates in line with changes in macroeconomic indicators. This is more pronounced with United States dollar denominated Power Purchase Agreements where generation cost, a pass-through cost could not be fully recovered through the tariff rates set by the regulator. Intervention to reduce generation cost under recovery is being discussed with the regulator to include such shortfalls in subsequent tariff rates adjustments.

In the year 2020, 33% of the power purchase did not pass through the tariff.

The major reasons accounting for the shortfall are forex losses, idle capacity, fuel under recovery, under recovery from steel companies and generation mix

Generation cost under recovery currently recorded is as follows:

	2020 GHSm	2019 GHSm
Opening balance	2,913	2,643
Additions	<u>303</u>	<u>270</u>
Closing balance	<u>3,216</u>	<u>2,913</u>

32(a) Forex Losses

These mainly arise from the low exchange rate used for the determination of the tariff in relation to the market rate used by Power Producers to invoice ECG.

The table below shows the forex losses for the year 2020 by comparing PURC exchange rate with the Bank of Ghana monthly average inter bank rate.

SUMMARY OF FOREIGN EXCHANGE LOSSES FOR THE YEAR ENDED 31 st DECEMBER 2020				
	Total Charge from Bills (USD)	Total Charge at PURC Rate (GH¢)	Total Charge @market rate (GH¢)	Forex Losses
JAN	110,265,050.76	592,862,098.42	622,997,536.79	(30,135,438.37)
FEB	97,296,463.53	523,133,895.46	526,373,867.70	(3,239,972.24)
MARCH	106,549,214.53	572,883,161.76	623,312,905.00	(50,429,743.24)
APRIL	109,677,558.34	589,703,327.93	640,516,940.71	(50,813,612.78)

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

MAY	114,786,564.61	617,172,921.94	671,903,155.94	(54,730,234.01)
JUNE	119,433,118.07	642,156,045.93	699,101,756.62	(56,945,710.70)
JULY	123,008,787.91	661,381,349.96	717,756,277.45	(56,374,927.50)
AUGUST	122,043,638.96	656,192,033.60	713,100,982.44	(56,908,948.85)
SEPTEMBER	116,726,326.20	627,602,438.08	685,475,350.61	(57,872,912.53)
OCTOBER	112,977,996.40	607,448,793.24	664,028,173.84	(56,579,380.60)
NOVEMBER	108,590,635.21	583,859,268.33	643,399,513.62	(59,540,245.29)
DECEMBER	122,254,392.59	657,325,192.64	726,191,091.98	(68,865,899.35)
Total				(602,437,025.43)

From the table above, total forex losses for the 2020 financial year was GH¢ 602.437m.

The strategy is to engage PURC to use Bank of Ghana monthly average interbank exchange rate for the determination of the tariff, and develop a hedging policy to guide ECG in managing forex exposure in the future under the Cash Waterfall Mechanism (CWM). These are used to offset Other Government Equity in the financials, which also impacts on the cost of Power Purchase for the period

32(b) Idle Capacity Charge

Idle Capacity charge is incurred on generating plants that have take-or-pay clauses in the Power Purchase Agreement (PPAs) namely Karpower, Cenit, Cenpower, Amandi and Early Power. It is to be noted that idle capacity is not recovered in the tariff since energy is not recovered by those plants.

The table below shows a summary of idle capacity cost on monthly basis in dollars, the interbank exchange rate and amount

Summary of Idle Capacity Charge for the year ending 31ST December 2020

Month	USD	RATE	AMOUNT
JAN	25,294,595.69	5.6500	142,914,465.63
FEB	17,716,596.40	5.4100	95,846,786.52
MARCH	14,264,390.16	5.8500	83,446,682.46

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

APRIL	31,306,081.09	5.8400	182,827,513.56
MAY	31,525,360.28	5.8535	184,533,696.41
JUNE	32,296,136.07	5.8535	189,045,432.49
JULY	30,601,860.71	5.8400	178,714,866.53
AUGUST	32,622,310.56	5.8460	190,710,027.55
SEPTEMBER	31,876,257.45	5.8850	187,591,775.11
OCTOBER	23,378,265.59	5.8850	137,581,093.01
NOVEMBER	22,823,428.69	5.9400	135,571,166.41
DECEMBER	22,002,658.50	5.9500	130,915,818.06
TOTAL	315,707,941.19		1,839,699,323.75

The impact of forex losses and idle capacity are the main reasons why the company is recording significant losses. In 2020 financial year alone, both forex losses and idle capacity cost added up to GHS 2,442.136m

These are used to offset Other Government Equity in the financials, which also impacts on the cost of Power Purchase for the period.

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

32(c) REVENUE SHORTFALL OF STEEL COMPANIES

These are shortfalls arising from PURC tariff rate for Steel companies compared with ECG negotiated rate. They therefore represent revenue shortfalls in the books of ECG.

Below is a table showing the revenue shortfalls for various steel companies, the total consumption, gazetted tariff and special(negotiated) steel tariff.

REVENUE SHORTFALL FROM SPECIAL RATES FOR STEEL COMPANIES						
SEQ.						
	Steel Companies	Total Consumption (kWh)	Implied tariff/ Gazette	Special Steel tariff	Difference in tariff	Revenue Shortfall
1	B5 Plus Company Ltd	74,646,208	0.8326	0.5357	0.30	22,162,459
2	Fabrimetal Ghana Limited	63,030,500	0.7952	0.5357	0.26	16,356,415
3	Ferro Fabric Manufacturing	75,450,008	0.8346	0.5357	0.30	22,552,007
4	Sentuo Steel Ltd	107,605,900	0.8346	0.5357	0.30	32,163,404
5	Tema Steel Company	30,046,231	0.8346	0.5357	0.30	8,980,818
6	West African Forgings Ltd.	14,688,952	0.7952	0.5357	0.26	3,811,783
7	Star Steel Company Ltd	-	0.8346	0.5357	0.30	-
	TOTAL	365,467,799				106,026,886

Forex losses, idle capacity charge and revenue shortfall of steel companies are the main causes why ECG is recording huge losses.

For example in 2020 financial year, the total of forex losses, idle capacity and revenue shortfall amounted to GHC2,548.163million

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

33 Business performance risk

The main business performance risk identified is high unaccounted for power purchases, dubbed systems losses. The source of the systems losses is technical and commercial and between them, each contributes about 50% of the total losses. Technical loss is power lost through transmission and distribution due to over-aged and obsolete equipment whilst commercial loss is primarily through power theft, faulty meters and unmetered premises.

Measures being carried out to reduce the systems losses include metering of all substations to accurately determine the percentage losses between technical and commercial losses. Thereafter interventions will be intensified in areas identified with high losses. Again, Regional Boundary Metering (including all installations at critical nodes), replacement of faulty and overaged meters with Smart prepayment meters, effective mapping of customer points to improve meter reading, and reduce estimated bills to customers.

System losses currently recorded are as follows:

	2020 GWhs	2019 GWhs
Power purchased	11,998.22	11,538.67
Power sold	<u>8,854.69</u>	<u>8,688.62</u>
System losses	<u>3,134.53</u>	<u>2,850.05</u>
System losses %	<u>26.2</u>	<u>24.7</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

34 Financial instruments and financial risks

Overview of Financial Risk Management

The company is exposed to the following main risks from its use of financial instruments:

- Credit risk.
- Liquidity risk.
- Market risk,

Policies to protect the company from the stated risks and others are regularly reviewed, revised and approved by the Board as appropriate. Corporate treasury is responsible for the day-to-day treasury activities of the company through Director of Finance to Managing Director.

Through the Managing Director, the Board of Directors has delegated the broader responsibility of managing the company's risks in a manner consistent with risk tolerances and business strategies.

The Corporate Audit Directorate reports to Board sub-committee on Finance on assurance in relation to the effectiveness of internal control and risk management from: summary information in relation to management of identified risks; detailed review of the effectiveness of management of selected key risks; results of management's self assessment process over internal control.

34(a) Credit risk

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

- **Trade receivables**

The company's exposure to credit risk is influenced mainly by the characteristic of each category of customer classification. The credit risk relating to customers is managed through the ongoing monitoring of debtors' days and collection policy based on the credit worthiness, size and duration of debt. Debt collection policy comprises a combination of internal debt follow up and the use of debt collection agencies.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

- **Allowance for impairment**

The company establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for homogeneous assets in respect of losses that have been incurred but have not yet been identified. The collective loss allowance is determined based on historical data of payment for similar financial assets.

- **Exposure to credit risks**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Description	2020 GHSm	2019 GHSm
Trade & other receivables	9,501	5,399
Cash & cash equivalents	275	372
Total	9,776	5,771

Impairment losses

The aging of trade receivables at the reporting date was:

Description	2020			2019		
	Gross amount receivable	Impair- ment	Net amount receivable	Gross amount receivable	Impair- ment	Net amount receivable
	GHSm	GHSm	GHSm	GHSm	GHSm	GHSm
Not past due	2 395.28	-	308.64	463.46	-	463.46
Past due <30 days	504.44	10.09	494.35	48.29	0.97	47.33
Past due 30-120 days	196.77	9.83	186.74	206.58	10.33	196.25
Past due >120 days	595.88	59.59	536.26	180.07	18.01	162.06
Past due by more than one year	1,313.32	197.00	1,116.32	194.75	29.21	165.54
Total	5,005.49	276.51	4,728.99	1,093.14	58.51	1,034.63

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

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

Impairment	2020 GHSm	2019 GHSm
Balance at 1 st January	58.51	96.00
Impairment (loss)/gain recognized	217.99	(37.49)
Balance at 31st December	276.50	58.51

34(b) Liquidity risk

Liquidity risk is the risk that the company either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due or can access them only at excessive cost. The company's approach to managing liquidity is to ensure that it will maintain adequate liquidity to meet its liabilities when due.

The following are contractual maturities of financial liabilities:

December 2020

Non-derivative financial liability	2020 GHSm	2019 GHSm
Trade and other payables	15,099	11,787
Current portion of long-term borrowing	913	552
Balance at 31st December	16,012	12,339

December 2019

Non-derivative financial liability	2019 GHSm	2018 GHSm
Trade and other payables	11,787	7,820
Current portion of long-term borrowing	552	408
Balance at 31st December	12,339	8,228

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

34(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the company's income or the value of its holdings of financial instruments. The objective of the market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

- **Currency risk**

The company's exposure to foreign currency risk was as follows based on notional amounts.

2020

Description	USD'M	GBP'M	EUR'M	XDR'M	JPY'M	SEK'M
Cash & cash equivalents	30.21	0.06	0.22			
Trade Receivables	1.20				-	
Long term borrowings	(172.33)		(5.76)	130.71	-	(0.96)
Other trade creditors	(209.56)	(9.40)	(10.35)	-	-	-
Gross exposure	(350.49)	(9.34)	(15.09)	(130.71)		(0.96)

2019

Description	USD'M	GBP'M	EUR'M	XDR'M	JPY'M	SEK'M
Cash & cash equivalents	4.18	0.04	0.23	0	0	0
Trade Receivables	4.89	0	0	0	0	0
Long term borrowings	(171.23)	0	(5.76)	(126.63)	0	(.96)
Other trade creditors	(787.95)	(71.8)	(40.69)	0	0	0
Gross exposure	(950.11)	(71.8)	(46.22)	(126.63)	0	(0.96)

ELECTRICITY COMPANY OF GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

The following significant exchange rates applied during the year:

Currency	Average rate		Reporting rate	
	2020	2019	2020	2019
USD 1	5.61	5.22	5.76	5.54
GBP 1	6.90	6.66	7.88	7.32
EUR 1	6.76	5.83	7.07	6.21
XDR 1	7.77	7.35	8.49	7.90
JPY 1	0.05	0.05	0.06	0.05
SEK 1	0.64	0.57	0.71	0.59

- **Sensitivity analysis on currency risk**

The following table shows the effect of strengthening or weakening of GHS against all other currencies on the company's income statement. This sensitivity analysis indicates the potential impact on the income statement based upon the foreign currency exposures recorded at 31st December (see "currency risk above"). It does not however represent actual or future gains or losses. The sensitivity analysis is based on the percentage difference between the highest daily exchange rate and the average exchange rate per currency recorded in the respective financial year.

A strengthening/ weakening of GHS, by the rates shown in the table, against the following currencies at 31st December have increased/decreased equity and income statement by the amounts shown below.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020 (Continued)

This analysis assumes that all other variables, in particular interest rates, remain constant.

31-Dec	2020			2019		
In GHS	% Change	Income statement impact: strengthening	Income statement impact: weakening	% change	Income statement impact: strengthening	Income statement impact: weakening
		GHS'm	GHS'm		GHS'm	GHS'm
USD	2.60	9.11	(9.11)	5.71	54.25	(54.25)
GBP	12.44	1.16	(1.16)	8.95	6.43	(6.43)
EUR	4.38	0.66	(0.66)	6.07	2.81	(2.81)
XDR	8.48	11.08	(11.08)	6.91	8.75	(8.75)
JPY	16.67			5.69	-	-
SEK	9.86	0.09	(0.09)	4.80	0.05	(0.05)

Chairperson.....

Name.....

Date.....

Managing Director.....

Name.....

Date.....