ELECTRICITY COMPANY OF GHANA LTD.

2012 Annual Report & Financial Statements

TABLE OF CONTENTS

Vision/Mission and Values Statements	3
Corporate Information	4
Report of the Directors	5
Statement of Directors' Responsibility	6
Company Vital Statistics	7
Profile of Board of Directors	9
Principal Officers	12
Board Chairman's Message	13
Managing Director's Report	15
Report of the Independent Auditors	19
Statement of Comprehensive Income	21
Statement of Financial Position	22
Statement of Changes in Equity	23
Statement of Cash Flow	24
Statement of Accounting Policies	25
Notes to the Financial Statements	38

Our Vision
To be among the leading Electricity Distribution Companies in Africa.

Our Mission
To provide quality, reliable and safe electricity services to support the economic growth and development of Ghana.

Our Tagline
ECG: The name behind electricity in Ghana

Corporate Core Values
The Corporate Core Values are crafted in the acronym "POWER"

CORE VALUES	ACRONYM	BEHAVIORAL DESCRIPTORS
PROFESSIONALISM	P	Technical Competence; Discipline; Teamwork; High Operational Standards; Quality Assurance
OPENNESS	O	Communication; Transparency; Integrity; Trustworthiness
WELLBEING	W	Welfare & Safety of Employees, Customers, General Public and Company Property
EXCELLENCE	E	Exceeding Expectations of Internal and External Customers; Demonstrate Ingenuity
RELIABILITY	R	Supply Quality And Availability; Prompt Response to Customers; Commitment to Duty

CORPORATE INFORMATION

Directors:

Mrs. Perpetua Darfoor	Chairperson
Rev. Ing. William Hutton-Mensah (Managing Director)	Member
B arima Kwame Nkyi XII	Member
Mr. Samuel M. Codjoe	Member
Ing. Nana Kwame Duodu	Member
Mr. Alhassan Abdulai	Member
Mr. Bernard Kojo Allotey-Jacobs	Member
Mr. Stephen Sumani Nayina	Member
Hon. Alfred Agbesi (MP)	Member

Secretary: Mr. Lawrence Osei Kuffour

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

Auditors: Egala, Atitso & Associates
Chartered Accountants
14, Abeka Road, Tesano-Accra
P. O. Box AN 16626
Accra-North
E-Mail: enquiry@eaaghana.com

State Enterprises Audit Corporation
4th Floor, Republic House
P. O. Box M198
Accra
E-Mail:seacauditgh@yahoo.com

Bankers

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

Foreign: Ghana International Bank
Plc London

REPORT OF THE DIRECTORS

The directors have the pleasure in presenting the financial statements of the Company for the year ended 31st December, 2012 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 loss of GH¢108.785 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 5.

(e) **Auditors**

In accordance with Section 134 (5) of the Companies Act 1963 (Act 179) Messrs Egala, Atitso and Associates and State Enterprises Audit Corporation continue in office as joint Auditors of the Company.

BY ORDER OF THE BOARD

....
CHAIRPERSON

Date 21st November, 2013

....
MANAGING DIRECTOR

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

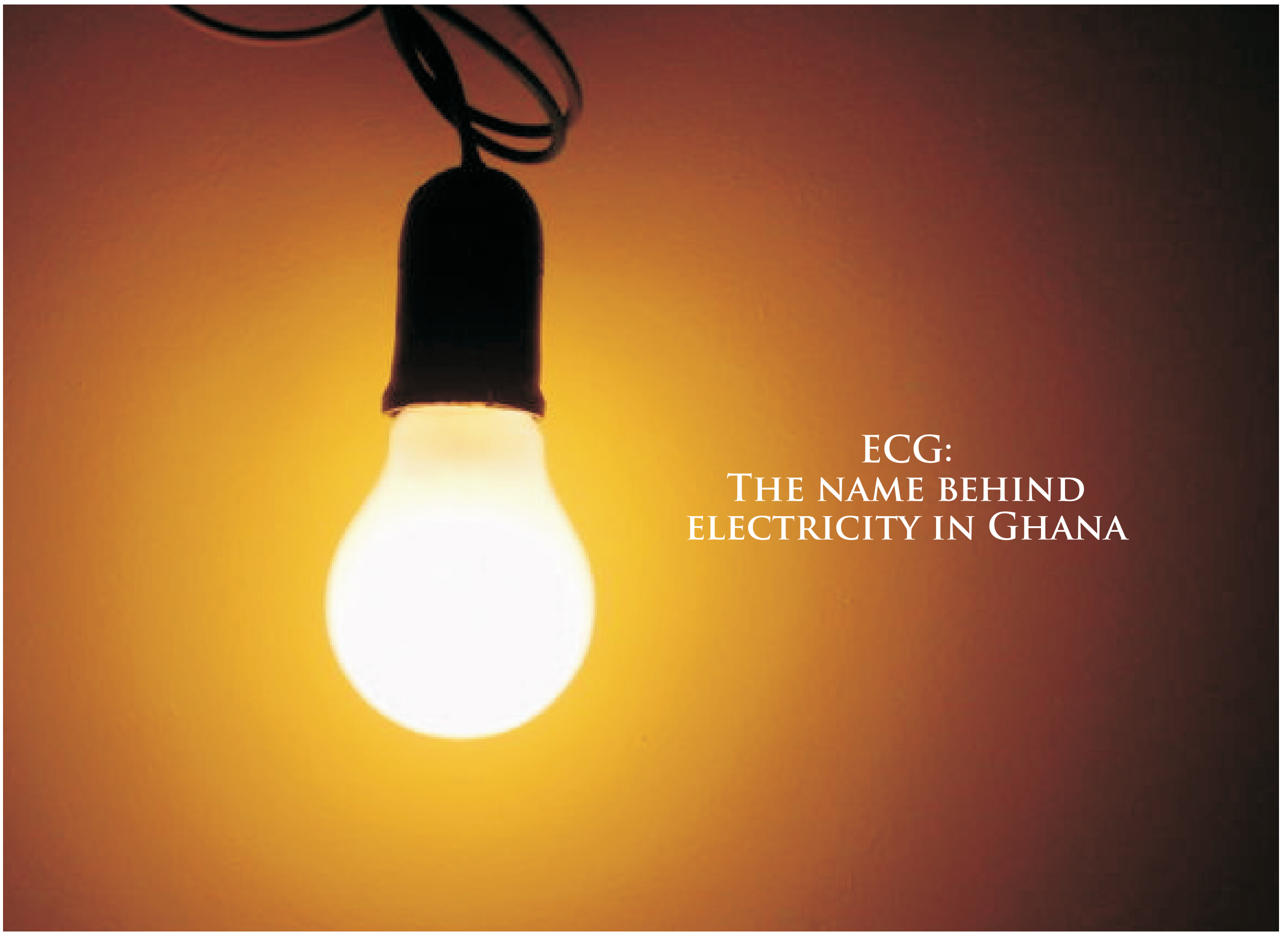
(a) Select suitable Accounting Policies and apply them consistently;

(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 Reporting Standards. They are responsible for taking such steps as are reasonably open to it to safeguard the assets of the company, and to prevent and detect fraud and other irregularities.

The above statement should be read in conjunction with the statement of respective responsibilities of Directors in the Independent Auditors' Report.



CORPORATE VITAL STATISTICS

		UNITS	2009	2010	2011	2012
PERFORMANCE INDICATOR				ACTUAL		
CORPORATE STATISTICS	Energy Purchases	GWh	6,052.2	6,771.29	7,259	7,943.73
	Energy Sales	GWh	4,481.5	4,972.36	5,285	6,079
	Sales Revenue (with levies)	GH¢m	661.0	1,006.36	1,273.00	1,459.01
	Sales Revenue (without levies)	GH¢m	616.1	974.59	1,174.00	1,349.63
	Average End-User Tariff	GH¢/kWh	0.14	0.1960	0.23	0.22
	Distribution Service Charge	GH¢/kWh	0.06	0.0976	0.09	0.0976
	System Losses	%	26.0	24.36	25.01	23.47
	Staff Strength	No.	5,390	5,493	5,799	6,070
	No. of Customers	No.	1,963,958	2,120,564	2,336,286	2,579,582
	Revenue Collection	GH¢m	668.7	897.77	1,252	1,304.71
FINANCIAL STATISTICS	Operating Profit / (Loss)	GH¢m	32.1	38.57	(40.61)	(94.51)
	Net loss Before Tax	GH¢m	(20.7)	1.149	(23.59)	(108.79)
	Rate of Return on Average Net Fixed Assets	%	(0.99)	0.05	(0.88)	(2.76)
	Administrative Cost	GH¢m	39.8	38.8	118	171.60
	Staff Cost	GH¢m	64.2	77.1	140	165.62
OTHER INDICATORS	Labour Productivity	GWh/Staff	0.83	0.91	0.91	1.0
	Admin. Cost/ Billing	%	6.01	3.85	9.27	11.21
	Staff Cost / Billing	%	10.90	7.7	12	12
	Energy Demand Growth	%	3.84	11.9	7.2	9.4
	Revenue Collection as Ratio of Sales	%	101.2	89.2	98.35	89.42

OPERATIONAL INDICATORS	Peak Demand	MW	1,036.0	1,115.6	1,156.0	1,258.20
	Average Outage Duration (Rural Communities)	Hrs/Customer Year	78.19	104.1	185	229.30
	Average Outage Duration (Urban Communities)	Hrs/Customer Year	51.22	65.60	67.9	211.03
	Average Outage Duration (Metropolitan Areas)	Hrs/Customer Year	-	-	29	275.92
	Average No. Of Outages (Rural Communities)	Hrs/Customer Year	1353	266.0	282	267.57
	Average No. Of Outages (Urban Communities)	Hrs/Customer Year	1,125	282.0	293	256.38
	Average No. Of Outages (Metro)	Hrs/Customer Year	-	-	-	332.22
NETWORK STATISTICS	No. Of Bulk Supply Points	No.	26	26	26	26
	No. Of 33/11kV Primary Substations	No.	87	98	108	108
	No. Secondary Substations	No.	8,378.00	8,787.00	9,550.00	12,305.00
	33kV Overhead Lines	km	12,033.70	12,783.70	13,461.30	16,779.26
	33kV Underground Cables	km	293.06	1,393.06	1,462.80	1,820.37
	Total	km	12,326.8	14,176.8	14,924.1	18,599.63
	11kV Overhead Lines	km	14,166.89	14,441.51	14,946.20	17,518.38
	11kV Underground Cables	km	1,075.33	1,079.87	1,084.40	1,221.02
	Total	km	15,242.22	15,521.38	16,030.60	18,739.40
	LV Overhead Line	km	1,450,973.70	1,453,282.64	1,469,312.35	1,725,974.08
	LV Underground Lines	km	5,016.74	5,072.63	5,092.92	5,092.92
	Total	km	1,455,990.44	1,458,355.27	1,474,405.27	1,731,067.00

PROFILE OF BOARD OF DIRECTORS

MRS PERPETUA DARFOOR
BOARD CHAIRPERSON

Mrs. Perpetua Darfoor, seasoned chartered accountant, was admitted as a Fellow of the Association of Chartered and Certified Accountants (FCCA) in 1980. Mrs. Darfoor has extensive management experience and was the Acting Commercial Manager and Chief Internal Auditor at the Ghana Breweries Limited (formerly ABC Brewery). She was the General Manager (Finance) at the Tema Food Complex Corporation. She is currently a Consultant at Av. & Co. a firm of Chartered Accountants. She serves on the Boards of Asempa Publishers, Ghana Film Company and the Ghana Revenue Authority.

REV. ING. WILLIAM HUTTON-MENSAH
MANAGING DIRECTOR

Rev. Ing. William Hutton-Mensah was appointed Managing Director in August 2012 after acting in that position from February the same year. Rev. Ing. Hutton-Mensah is a trained Electrical Engineer with a Bachelor of Science Degree from the Kwame Nkrumah University of Science and Technology. He also holds Executive Master in Business Administration Degree from the Ghana Institute of Public Administration (GIMPA). He has over twenty-five (25) years service in ECG, having served as Regional Director in, Accra-East, Ashanti and Volta Regions. He was Director of Network Projects before his appointment as Managing Director.

BARIMA KWAME NKYI XII
(MEMBER)

Barima Kwame Nkyi XII is the Omahene of the Assin Apimanim Traditional Area. Known in private life as Mr. Paul Baah Andam, Barima was a Chief Collector of Taxes at the Internal Revenue Service.

Barima has contributed extensively to the implementation of the National Festival of Arts & Cultural (NAFAC) and Panafest activities. He pioneered the Slave Route Project at Assin Manso.

He was the President of the Central Regional House of Chiefs for two terms from 1989 to 1995 (returned unopposed in both terms) . He was a member of the Consultative Assembly that drafted the 1992 Constitution of the Republic of Ghana.

PROFILE OF BOARD OF DIRECTORS

MR. SAMUEL CODJOE
(BOARD MEMBER)

Mr. Samuel Codjoe has been a Member of the Board of Directors of Electricity Company of Ghana since 2009. He is a barrister-at-law and a partner of Law Trust Company, a law firm in Accra. Mr. Codjoe has been in private legal practice for over twenty years and his areas of specialty include constitutional law, corporate law and telecommunications and commercial law. Mr. Codjoe is the Chairman of the Board Strategic Planning, Legal & Establishment Committee.

ING. NANA KWAME DUODU
(MEMBER)

Ing. Nana Kwame Duodu is an electrical engineer, a Fellow and former Vice President of the Ghana Institution of Engineers. Nana Duodu started his career with Beam/Burroughs, a division of UAC Ghana and has had various management and technical training both within and outside the country. He formed his own company which dealt in office and communication equipment. He is currently the CEO of Greenfields Investments Limited, a company which deals in ICT consultancy and real estate development.

MR ABDULAI ALHASSAN
(MEMBER)

Mr. Abdulai Alhassan is a Chartered Accountant and currently works with the Ghana Civil Aviation Authority as the Director, Internal Audit. He has worked with the International Commercial Bank and rose to the position of Deputy General Manager (Finance and Administration). Mr. Alhassan has over the years been a part-time lecturer at the Institute of Chartered Accountants, National Banking College and the Ghana School of Law. He is also a Board member of the International Commercial Bank.

PROFILE OF BOARD OF DIRECTORS

MR. BERNARD ALLOTEY-JACOBS
(MEMBER)

Mr. Allotey-Jacobs is the Chief Executive of Jol Company Limited, a construction firm. He is a communicator and a lobbyist. Until 2010, he was the propaganda Secretary in charge of the Central Region for the ruling National Democratic Congress.

MR. STEPHEN SUMANI NAYINA
(MEMBER)

Mr. Nayina is an Educationist, Economist, Historian, and Social Psychologist. He was Northern Regional Minister from 2009 to 2010. He was a member of the Consultative Assembly that drafted the 1992 Constitution of the Republic of Ghana. Mr.Nayina has a wide working experience at the Ghana National Commission on Children and he is an Advocate for the Protection and Promotion of the Rights and Responsibilities of Children and Consumers.

HON. ALFRED AGBESI
(MEMBER)

Mr. Alfred Agbesi is currently into his second term as a Member of Parliament for Ashaiman Constituency in the Greater Accra Region. He is a lawyer and Managing Partner of Mawusi Chambers in Ashaiman. Mr. Agbesi is currently a Member of the ECOWAS Parliament and had been a Member of the Board of Tema Oil Refinery.

PRINCIPAL OFFICERS OF THE COMPANY

Rev. Ing. William Hutton-Mensah
(Managing Director)

Mr.Lawreance Osei-Kuffour
(Director, Human Resources/ Board Secretariat)

Mr. Robert Dwamena
(Director, Procurement)

Mr. J.P.K Krause
(Director, Finance)

Ing. Tetteh Ankamah Okyne
(Director, Operations)

Ing. Julius K. Kpekpena
(Director, Engineering)

Mr. Jake Kofi Ansre
(Director, Legal Services)

Mr. Ronald K. Boadi
(Director, I.C.T.)

Alhaji Daudi Jangu
(Director, Materials & Transport)

Mr. Daniel K. Mensah
(Director, Audit)

Dr. Nicholas Smart-Yeboah
(Director, Customer Services)

Mr. Alfred Sefa-Darkwa
(Director, Premises & Estates)

Ing. Samuel Boakye-Appiah
(Director, Network Projects)

BOARD CHAIRPERSON'S MESSAGE

The opportunity to share ECG's annual performance with the company's shareholder; the Government of Ghana, various stakeholders and our valued customers is an honourable one. Year 2012 commenced with a reconstituted Board in place. Business environment was normal until the damage to the West Africa Gas pipeline which caused generation shortfall. This unfortunate incident resulted in prolonged load shedding which negatively affected the operational and financial performance of the company.

Further to the restructuring of the company which had been on-going since the previous year, the Board took a decision to put in place the necessary structures for the newly created directorates to become fully operational. Therefore, roles and work processes were redefined to accommodate the four new directorates namely; Information and Communications Technology, Premises and Estates, Network Projects, and Procurements. This arrangement introduced a new level of competence in the internal processes of the company which resulted in a stronger capacity to execute the corporate mandate of providing quality, reliable and safe electricity services to support the economic growth and development of Ghana.

The restructuring exercise was aimed at improving the company's capacity to effectively and efficiently execute its strategies. The strategic direction for 2012 focused on the following areas of operation:

- Systems Losses reduction
- Electricity supply reliability
- Revenue Collection and Debt Management
- Customer Service Delivery
- Employee attitudes and corporate culture

The Board was of the conviction that resolving these strategic issues would generate financial, social and economic benefits for the company, its valued customers and all stakeholders. By the end of the year, systems loss was reduced significantly. Electricity supply availability and reliability improved noticeably before the load shedding exercise began. Adoption and operation of the call center had a positive impact on ECG's customer service. However, the company's inability to follow load shedding schedules for technical reasons and other related issues did not promote ECG's public image. While the company grappled with its sunken image, unsatisfactory employee attitude also added to its challenges.

Given the challenges confronting the energy sector in general, but specifically for ECG, it became obvious that a completely new direction was the way to go. The Board therefore decided to embark on a total review of the business. The outcome of that exercise was a set of new strategy elements for the company made up of a vision, core values and tagline.

In crafting these new strategy elements, the Board took cognizance of ECG's leadership of the West African electricity distribution sector as determined by the West African Power Pool (WAPP). ECG's relatively impressive performance in the West Africa sub region notwithstanding, a number of key performance indicators (KPIs) elsewhere on the African continent were much better. The new corporate vision was inspired by the need for ECG to benchmark with the best electric utility companies in the whole of Africa.

In order to achieve this vision, the Board directed Management to adopt strategies and business practices to improve both corporate and employee performance. Consequently, Management commissioned the necessary studies to develop a new and robust strategic planning and performance management system. A recommendation was made for adoption of the Balanced Scorecard methodology in the ensuing year.

In 2013, the Board would tackle regulatory and capital investment issues. The Public Utilities and Regulatory Commission (PURC) would be impressed upon to address structural challenges in the electricity tariff design. The sector Ministry, PURC and other stakeholders would be regularly engaged to ensure adjustment of electricity tariffs to reflect the cost of distribution. Along similar lines, the Board would play its role to enable ECG to secure the necessary funding to finance very crucial capital investment projects to improve and expand both the sub-transmission and distribution networks.

The Board aims, in the medium to long term, to lead ECG into profitability so that it would be in the position to pay dividends to its shareholder in a sustained way.

I am grateful to the Government of Ghana, my fellow Board Members, Management and Staff of ECG and all our stakeholders for your various contributions that has brought the company this far.

Mrs. Perpetua Dartoor
(Board Chairperson)

MANAGING DIRECTOR'S REPORT

1.0 Introduction

In the year 2012, the energy sector experienced a setback as a result of generation shortfall which arose because of the damage caused to the West Africa Gas pipeline. Challenges experienced in the electricity sector, coupled with the difficult macro economy environment, compelled the company to make very crucial decisions to ensure availability of quality, reliable and safe electricity supply to support the economic growth and development of Ghana.

The company was faced with high systems losses and revenue leakages; eroded distribution services charge (DSC); inadequate revenue mobilization arising from unpaid MDA debts; low public image, and network overloads resulting from lack of redundancies. To effectively address these challenges, ECG had to adopt and implement various strategies which included the following:

- Energy audit (including streetlight consumption);
- Secondary substation and boundary metering;
- High voltage distribution system;
- Prepayment metering;
- Injection of primary and secondary substations;
- Interconnection of circuits;
- Construction of modern Customer Service Centres and District offices.

The company intensified implementation of key capital investment projects. The Distribution System Loss Reduction project which was initially implemented in the Teshie District was expanded to the Bortianor District in the Accra West region. Under this project, the contractor is improving the distribution network by upgrading the lines and injecting a number of transformers. They are also replacing the existing meters with smart prepayment meters which are installed at positions where the service tails are made visible hence eliminating energy theft or making it more difficult.

The combined effect of these interventions led to significant reduction in systems losses from 25.01% in the previous year to 23.47% in 2012. Technical and commercial interventions that led to this achievement also had positive ripple effects on other aspects of the company's operations. Gains made so far in systems loss reduction and other vital areas of operations will be consolidated and further improved in the ensuing year. In this regard, the four additional directorates further strengthen the company's internal processes to ensure that ECG is viable and profitable.

2.0 Macroeconomic Environment

The year was characterized by a challenging macroeconomic environment with most of the indicators falling outside the projected limits. Exchange value of the Ghana Cedi against the major foreign currencies depreciated. Inflation rate increased above the projected target. Generally, these indicators had a negative impact of the company's business especially because it resulted in cost overruns on major capital investment projects. Against the background of PURC keeping electricity tariffs the same, the company's finances were in dire straits for the year, recording a net loss before tax of GH¢ 108.79.

3.0 Operational Performance

During the year, a number of network upgrade projects were carried out to ensure improved electricity distribution services to all classes of customers. Among the major projects which ECG continued implementing were those financed under the Ghana Energy Development and Access Projects (GEDAP); the French Export Credit; Norwegian Credit and the company's own financed capital investment projects.
The projects resulted in supply reliability, operating flexibility, reduction in systems losses, improved quality of supply and increased capacity to meet new energy demand.

3.1 Effects of Power Generation on Electricity Distribution in Ghana

The need to expand Ghana's power generation capacity and provide for adequate reserve margins became a crucial issue in the year. Although the negative effect of the load shedding programme arising from generation shortfall was felt beyond ECG, the incidence of this crisis weighed heavily on ECG. The company's energy demand could not be met by the existing generators. It became necessary for ECG to take a serious look at the supply side of its business. In order to forestall occurrence of this challenge in future, ECG initiated moves to contract Independent Power Producers (IPPs) to generate power for direct supply within the distribution grid.

Adoption of the embedded generation strategy will enable ECG to provide adequate and reliable electricity supply to serve the needs of our valued customers and also ensure that the company continues to execute its mandate to the good people of Ghana.

The nation-wide load shedding exercise had serious consequences on the frequency and duration of outages per customer per year. Both indicators increased by about 48.9% and 154% respectively. This situation was expected to improve after the load shedding exercise. Meanwhile ECG continued to invest in modern technologies such as the Supervisory Control and Data Acquisition (SCADA) and Network Automation systems which are designed to help improve response time to rectify faults in the network. Another intervention which was expected to improve both duration and frequency of power outages throughout ECG's operational area was the live-line works. Training of technicians in the use of this technology is currently on-going.

4.0 Commercial Operations

In spite of the load shedding exercise which lasted from August until the end of the year, both energy purchases and sales grew by 9.44% and 16.09% respectively. This growth rate was a clear testimony of the high energy demand situation and the need to increase generation capacity for ECG to be able to serve its customers satisfactorily. Customer population grew by 10.42% from 2,336,286 the previous year to 2,579,582 at the end of 2012. Revenue collection, measured as a percentage of total sales was about 89.42%. However, as a percentage of private sales, revenue collection was 98.29%. Revenue collection strategy will be refocused in the coming years to isolate the debt component and deal with it separately and vigorously.

The Automatic Tariff Adjustment Mechanism had not sufficiently compensated ECG for losses I incurred as a result of the macroeconomic situation. Structural and policy issues regarding the existing tariff regime remained unresolved. These issues had a huge impact on the company's cash flow and therefore, affected its financial results for the year.

5.0 Finance

The company made a loss before tax of GH¢ 108.79 million and also registered a negative return on average net fixed assets for the year ended December, 2012. The loss was mainly due to increase in expenditure resulting from the depreciation of the Ghana Cedi and higher than expected domestic inflation rate.
ECG's operational cost had been increasing over the years. Trend analysis of this situation pointed to the rapid expansion of network assets in the rural areas. Revenue generated from operations in the rural communities was not commensurate to the cost incurred in carrying out operations and maintenance of the distribution network assets in those areas.

6.0 Capital Investment Projects

In 2012, ongoing projects brought forward from previous years which were due for completion within the year were accordingly commissioned. These included construction of customer service centres, district offices, staff accommodation, fencing and rehabilitation of substations. Others were Sub-transmission and distribution works such as construction of substations, overhead lines and low voltage network expansion. These projects, and a number of new ones, came in different investment packages which included the Ghana Energy and Development Access Projects (GEDAP), ECG's Network Expansion Project Phase II (Jacobsen Project), French Export Credit, and the Luton Projects.

7.0 Human Resources

At the end of the year, total number of employees stood at 6,070 registering a net increase of 271 over last year's total of 5,799. Strategies have been put in place to develop employees through specialized training to increase employee performance. Further to this, arrangement had been made to introduce an integrated strategic planning and performance management system, based on the Balanced Scorecard methodology, to enhance employee productivity to achieve corporate objectives.

8.0 Outlook for 2013

In 2013, the following key priority issues will guide the development of strategic themes for corporate operations:

- Reduction in Systems Losses
- Reduction in Electricity supply Outages
- Improvement in Revenue Collection and Debt Management
- Improvement in Customer Service Delivery
- Improvement in employee attitudes

The Company will continue to work hard to reduce systems losses, enhance revenue collection, deliver satisfactory customer services, create positive employee attitudes and, improve the sub-transmission and distribution networks through capital investments. These strategic interventions require financial support from the donor community, financiers and the Government of Ghana (GoG).

9.0 Conclusion

Structures necessary for improvement in the company's business operations had been established. ECG is thus on the right path to attaining sustained profitability and therefore, welcomes continued assistance from all internal and external stakeholders.

We are very grateful to the Board, Employees, Customers, Regulators and all Stakeholders for supporting the company to fulfill its mission: to provide quality, reliable and safe electricity distribution services to support the economic growth and development of Ghana.

The attached report contains the details of ECG's audited accounts and financial statements for the year ended 31st December, 2012.

Rev. Ing. William Hutton-Mensah
(Managing Director)

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ELECTRICITY COMPANY OF GHANA LIMITED FOR THE YEAR ENDED 31ST DECEMBER, 2012

We have audited the accompanying financial statements of Electricity Company of Ghana Limited which comprise the statement of financial position as at 31st December 2012, 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 25 to 58.

Directors' Responsibility for the Financial Statements

As stated on page 7 the Directors are responsible for the preparation and fair presentation of these financial statements in accordance with Internatiional Financial Reporting Standards and in the manner required by the Companies Act 1963 (Act 179).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 financail statements.

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

Opinion

In our opinion the financial statements give a true and fair view of the financial position of Electricity Company of Ghana Limited as at December 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act 1963 (Act 179).

REPORT OF THE INDEPENDENT AUDITORS (Continued)

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 133 of the Companies Act 1963 (Act 179) of Ghana.

We confirm that:

1. 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;

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

3. The company's statement of financial performance and statement of financial position are in agreement with the books of account.

....

STATE ENTERPRISES AUDIT CORPORATION
4TH FLOOR REPUBLIC HOUSE
ACCRA

Date: 21st November 2013

....

EGALA, ATITSO & ASSOCIATES
CHARTERED ACCOUNTANTS
ACCRA

Date: November 21, 2013

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2012

	Notes	2012 GH¢'000	2011 GH¢'000
Revenue	4	**1,435,358**	1,216,524
Direct costs	5	**(1,287,926)**	(1,068,407)
Gross margin		**147,432**	148,117
Distribution expenses	6	**(77,499)**	(57,948)
Administrative expenses	7	**(171,598)**	(132,481)
Other income	8	**6,907**	1,703
Operating loss		**(94,758)**	(40,609)
Finance income	9	**1,911**	3,028
Finance costs	10	**(16,185)**	(19,938)
Net finance costs		**(14,274)**	(16,910)
Share of profit of associate	11	**247**	143
Loss before tax expens		**(108,785)**	(57,376)
Tax (expense)/credit	12	**(27,527)**	33,783
Loss after tax		**(136,312)**	(23,593)
OTHER COMPREHENSIVE INCOME			
Surplus on revaluation	14	**580,126**	1,503,471
Deferred tax on revaluation surplus	27(b)	**(145,032)**	(375,868)
		435,095	1,127,603
Share of other comprehensive profit (loss) - associate co.	16	**450**	(144)
		435,545	1,127,459
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**299,233**	1,103,866
Earning per share (EPS) in GHPs		**(272.62)**	(47.19)

The notes on pages 38 to 58 form an integral part of these financial statements and should therefore be read in conjunction therewith.

STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2012

	Notes	2012 GH¢'000	2011 GH¢'000
ASSETS			
Non-current assets			
Property,plant & equipment	14	**4,292,354**	3,589,431
Investment in associate company	16	**2,054**	1,384
		4,294,408	3,590,815
Current assets			
Inventories	17	**28,099**	25,059
Trade and other receivables	18	**586,270**	511,836
Prepayments	19	**58,608**	49,748
Cash and cash equivalents	20	**78,800**	102,337
		751,778	688,980
Total Assets		**5,046,185**	4,279,795
Equity attributable to the owners of the company			
Stated capital	21	**5**	5
Government equity	22	**8,064**	8,064
Other components of equity	23	**233,523**	222,758
Capital surplus	24	**2,305,883**	1,966,867
Retained earnings	25	**343,377**	287,881
Total equity		**2,890,852**	2,485,575
Liabilities			
Non-current liabilities			
Deferred credit	26	**337,287**	323,846
Deferred tax liabilities	27	**653,824**	576,996
Borrowings - due after one year	29(a)	**217,895**	141,195
		1,209,007	1,042,037
Current liabilities			
Provision for company tax	27(c)	**18,497**	18,497
Trade and other payables	28	**859,564**	687,497
Borrowings - due within one year	29(b)	**68,265**	46,189
		946,326	752,183
Total liabilities		**2,155,333**	1,794,220
Total equity and liabilities		**5,046,185**	4,279,795

The financial statements and accompanying notes on pages 25 to 58 were approved by the Board of Directors on 21st November, 2013 and signed on its behalf by:

DIRECTOR

DIRECTOR

The notes on pages 42 to 62 form an integral part of these financial statements and should therefore be read in conjunction therewith.

STATEMENT OF CHANGES IN OWNERS EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2012

	Stated Capital	Gov't Equity	Other Componets of Equity	Capital Surplus	Retained Earnings	Total
	GH¢'000	GH¢'000		GH¢'000	GH¢'000	GH¢'000
GH¢'000						
Balance at 1st January 2012	5	8,064	222,758	1,966,867	287,881	2,485,575
Loss for the year					(136,312)	(136,312)
Recognized defrd. tax assets for yrs. up to 2011				103,416		103,416
Development finance			10,315			10,315
Other comprehensive income						
Net revaluation surplus after tax				435,095		435,095
Transfer of depreciation charge on ppe out of revaluation surplus net of tax				(88,392)	88,392	
Transfer to deferred tax				(7,686)		(7,686)
Share of other comprehensive profit from associate company			450			450
Balance at 31st December 2012	5	8,064	233,523	2,305,883	343,377	2,890,853
Balance at 1st January 2011	5	8,064	181,331	921,217	236,077	1,346,694
Loss for the year					(23,593)	(23,593)
Development finance			41,571			41,571
Other comprehensive income						
Net revaluation surplus after tax				1,127,603		1,127,603
Transfer of depreciation charge on ppe out of revaluation surplus net of tax				(75,397)	75,397	-
Transfer to deferred tax				(6,556)		(6,556)
Share of other comprehensive Loss from associate company			(144)			(144)
Balance at 31st December 2011	5	8,064	222,758	1,966,867	287,881	2,485,575

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2012

	Notes	2012 GH¢'000	2011 GH¢'000
Operating activities			
Net cash inflow from operating activities	30(a)	**217,473**	261,414
Investing activities			
Interest paid		**(34)**	(32)
Interest received		**1,911**	3,028
Dividend received		**25**	106
Payments to acquire property, plant & equipment and towards capital work in progress		**(342,652)**	(437,785)
Proceeds from sale of property, plant & equipment		**66**	948
Government/Customer contribution to property, plant & equipment		**26,429**	91,539
Net cash outflow towards investing activities		**(314,254)**	(342,196)
Financing activities			
Long term loan drawdowns		**63,056**	46,324
Long term loan repayments		**(127)**	(107)
Development finance drawdown		**10,315**	41,427
Net financing activities		**73,244**	87,644
(Decrease) /Increase in cash and cash equivalents in the year		**(23,537)**	6,862
Cash and cash equivalents at 1st January		**102,337**	95,475
Cash and cash equivalents at 31st December		**78,800**	102,337

The notes on pages 38 to 58 form an integral part of these financial statements and should therefore be read in conjunction therewith.

STATEMENT OF ACCOUNTING POLICIES
For The Year Ended 31st December, 2012

1.0 REPORTING ENTITY
Electricity Company of Ghana Limited is a wholly state owned public 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 31 December 2012 were authorized for issue in accordance with a resolution of the Board of Directors on November 1, 2013.

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 Standard 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 judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas of assumptions and estimates which are significant to the financial statements are disclosed in Note 33.

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 2011. Their application will however not have significant impacts on the Company's financial statements.

STATEMENT OF ACCOUNTING POLICIES
For The Year Ended 31st December, 2012 (Continued)

Standard/ Financial/ Interpretation On/After	Content	Applicable for Years Beginning
IAS 1 (Amended)	Presentation of Financial Statements: Presentation of Other Comprehensive Income	1 July 2013
IFRS 7 (Amended)	Offsetting Financial Assets and Liabilities	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 19 (Amended)	Employee Benefits: Defined benefit plans	1 January 2013
IAS 27 (Revised)	Separate Financial Statements (2011)	1 January 2013
IAS 28 (Revised)	Investments in Associates and Joint Ventures (2011)	1 January 2013
IFRS 10, 12 and IAS 27	Amendments to Joint Arrangements, Disclosure of Interest in Other Entities and Separate Financial Statements (2011)	1 January 2014
IAS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 9 (2009)	Financial Instruments: Classification and Measurement	1 January 2015
IFRS 10 (2010)	Financial Statements	1 July 2015

Amendment to IAS 1 Presentation of Financial Statements

The Amendment to IAS 1 will be adopted for the first time for the financial year ending 31 December 2013.

The Company will present those items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. The related tax effects for the two sub-categories will be shown separately.

This is a change in presentation and will have no impact on the recognition or measurement of items in the financial statements.

This amendment will be applied retrospectively and comparative information restated.

Amendment to IFRS 7 Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities.
The Amendment to IAS 1 will be adopted for the first time for the financial year ending 31 December 2013.

The amendments contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position, or are subject to enforceable master netting arrangements.

According to the new disclosure requirements the Company is enjoined to provide information about the amounts that have been offset in the statement of financial position and the character and level of rights of set-off under master netting arrangements or similar agreements.

The IAS 27 (2011) will be adopted for the first time for the financial reporting year ending 31 December 2013
The amendment will not have any significant impact on the Company's financial statements.

IFRS 12 Disclosure of Interest in Other Entities

IFRS 12 in a single standard combines the disclosure requirements for subsidiaries, associates, joint arrangements and unconsolidated structured entities.

This is aimed to prove information to enable users evaluate (a) the nature of risks associated with an entity's interest in other entities, (b) the effects of those interests on the entity's financial position, financial performance and cash flows.

The amendment will not have any significant impact on the Company's financial statements

IFRS 13 Fair Value Measurement

The standard will be adopted for the first time for the financial year ending 31 December 2013.

IFRS 13 introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosure requirements for fair value measurements. The key principles are as follows:

- Fair value is an exit price
- Measurement considers characteristics of the asset or liability and not entity-specific characteristics
- Measurement assumes a transaction in the entity's principal (or most advantageous) market between market participants
- Price is not adjusted for transaction costs
- Measurement maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs
- The three-level fair value hierarchy is extended to all fair value

The standard will not have any significant impact on the Company's financial statements.

Amendment to IAS 19 Employee Benefits: Defined benefit plans

The Amendment to IAS 1 will be adopted for the first time for the financial year ending 31 December 2013.

Significant changes introduced by the amendment are stated as follows:

- Actuarial gains and losses are recognized immediately in other comprehensive income. The corridor method and the recognition of actuarial gains and losses in profit or loss is no longer permitted
- Post service costs as well as gains and losses on curtailments settlements are recognized in profit or loss
- Past service costs as well as gains and losses on curtailments settlements are recognized in profit or loss
- Expected returns on plan assets are calculated based on rates used to discount the defined benefit obligation

STATEMENT OF ACCOUNTING POLICIES
For The Year Ended 31st December, 2012 (Continued)

- The definitions of short-term and other long-term employee benefits have been amended and the distinction between the two depends on when the entity expects the benefit to be settled.

The additional amendments are of a presentation nature and will not have a significant effect on the Company's financial statements.

IAS 27 (2011) Separate Financial Statements

The IAS 27 (2011) will be adopted for the first time for the financial reporting year ending 31 December 2013

IAS 27 (2011) supersedes IAS 27 (2008). It carries forward the existing accounting and disclosure requirements for separate financial statements with minor clarifications.

IAS 32 Amendments Offsetting Financial Assets and Financial Liabilities

The amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:

- Not contingent on a future event; and
- Enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The Amendment will be adopted for the first time for the financial year ending 31 December 2014.

The amendment will not have any significant impact on the Company's financial statements.

IFRS 9 (2009) Financial Instruments: Classification and Measurement

The IFRS 9 will be adopted for the first time for the financial year ending 31 December 2015.

IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of the classification of financial assets, namely, financial assets measured at amortized cost or at fair value. Financial assets are measured at amortized cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.

The amendment will not have any significant impact on the Company's financial statements.

IFRS 9 (2010) Financial Statements

The IFRS 9 (2010) will be adopted for the first time for the financial reporting period ending 30 June 2016.

IFRS 9 (2010), addresses the measurement and classification of financial liabilities and will replace relevant sections of IAS 39.
Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39, except for the following:

- Fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income. The remaining amount of the fair value change is recognized in profit or loss. However, if this requirement creates or enlarges an accounting mismatch profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.

- Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measure at fair value.

IFRS 9 (2010) incorporates guidance in IAS 39, dealing with fair value measurement and accounting for derivatives embedded in a host contract that is not a financial asset, as well as the requirements of IFRIC 9 Reassessment of Embedded Derivatives.

The standard will not have any significant impact on the Company's financial statements

2.0 SIGNIFICANT ACCOUNTING POLICIES

2.1 PROPERTIES, 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.

STATEMENT OF ACCOUNTING POLICIES
For The Year Ended 31st December, 2012 (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:

	%
Subtransmission	2 ½ - 4
Distribution network	2 ½ - 4
Building 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 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-CURENT ASSETS (OR DISPOSAL GROUPS)

Non-current assets (or disposal groups) 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 (GH¢) 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.

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.

STATEMENT OF ACCOUNTING POLICIES
For The Year Ended 31st December, 2012 (Continued)

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 LIBILITIES 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.

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 anticipated short term less provision for impairments.

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.

STATEMENT OF ACCOUNTING POLICIES
For The Year Ended 31st December, 2012 (Continued)

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% is paid to Bank of Ghana through SSNIT, whilst the third tier of 15% is paid directly to the former. Fund managers, trustees and custodians are yet to be licensed by the National Pensions Authority out of whom appointment will be made by the Company to manage its staff second and third tier pension schemes. The obligation under these plans are limited to the relevant contribution and these are settled on due dates to the institutions identified.

2.14 ASSOCIATE ENTITY
Associate is an entity over which the Company has significant influence but not control, accompanying a shareholding of 20% of shares. Investment in the associate entity is accounted for using the equity method of accounting and is initially recognized at cost. The Company's share of associate's post-acquisition profits and losses is recognized in the income statement, and its share of post-acquisition movements is adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

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 actual power used by each customer for a particular period is determined and the applicable tariff applied.

STATEMENT OF ACCOUNTING POLICIES
For The Year Ended 31st December, 2012 (Continued)

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 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 Income Statement, 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. The income tax expense in the Income Statement does not include taxation on the Company's share of profit of associate, as this is depicted on a separate line on the face of the Income Statement as profit from associates net of tax.

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 are options, which could potentially dilute its EPS and therefore the Company's Basic and diluted EPS 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.

STATEMENT OF ACCOUNTING POLICIES
For The Year Ended 31st December, 2012 (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. ECG rigorously enforces its safety polices and standards to

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.

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. As part of staff performance improvement exercise, a concept called Partners for High Performance (PFHP) has been initiated at management level, and is expected to cascade down within two to three years.

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 Note 37 (pages 35-40).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012

		2012	2011
	REVENUE AND COST STRUCTURE	GH¢'000	GH¢'000
4	**Revenue**		
	Sale of electricity	1,349,653	1,145,476
	Public lighting levy	424	375
	Govt. and cust. contribution amortisation	12,954	9,679
	Street lighting shortfall recovery	61,580	51,526
	Reconnection and meter maintenance Fee	10,748	9,468
		1,435,358	**1,216,524**
5	**Direct costs**		
	Power purchases	816,563	693,234
	Transmission cost	197,614	170,889
	Operations	23,737	19,415
	Maintenance	49,607	41,614
	Transport	10,427	8,074
	Depreciation	189,977	135,181
		1,287,926	**1,068,407**
6	**Distribution costs:**		
	Direct distribution costs	52,716	38,972
	Transport	3,517	2,679
	Depreciation	21,266	16,297
		77,499	**57,948**
7	**Administrative expenses**		
	Overhead expenses	153,934	117,680
	Sale of damaged and obsolete stock	1,942	-
	Loss on disposal of fixed assets	366	-
	Transport	7,174	4,931
	Depreciation	8,181	9,870
		171,598	**132,481**
8	**Other Income**		
	Hiring / charging of company transport	12	10
	Sale of damaged and obsolete stock	-	177
	Profit on disposal of fixed assets	-	215
	Rent Income	26	31
	Other non-operating income	6,869	1,270
		6,907	**1,703**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012 (continued)

		Note	2012	2011
			GH¢'000	GH¢'000
9	**Finance income**			
	Interest on short term investment		1,911	3,028
10	**Finance costs**			
	Interest on long-term borrowings	29(c)	6,022	5,123
	Foreign exchange loss:			
	Long-term loans		35,848	2,081
	Exchange loss capitalized		(18,934)	(4,878)
			16,914	7,203
	Long-term interest creditors		3,892	1,258
	Others		(10,642)	6,354
			10,164	14,815
			16,185	19,938
11	Share of profit of associate company:			
	24% Share of profit of Nexans Kabelmetal Gh. Ltd.		579	51
	Share of company tax		(332)	92
			247	143
12	**Tax on profit on ordinary activities:**			
	Deferred tax expense			
	Reduction in tax assets in the year	27(a)iii	14,397	-
	Origination of temporary differences	27(b)	13,130	(33,783)
			27,527	(33,783)
13	**Loss for the financial year**			
	The loss for the financial year is stated after charging:			
	Depreciation of fixed assets in service		219,424	161,348
	Salaries and wages		165,622	139,918
	Auditors remuneration		126	118
	Board remuneration		376	422

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012 (continued)

14: Property, Plant and Equipment Valuation

	Balance at 1/1/2012	Revaluation uplift	Additions during the year	Deletions/ Transfers during the year	Balance at 31/12/2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Subtransmission	907,046	191,807	1,736	-	1,100,589
Distribution	3,055,907	660,095	72,890	(555)	3,788,337
Land and building	159,482	26,335	4,227	-	190,044
General tools	9,088	1,937	74	-	11,099
Fixtures and fittings	30,178	6,703	1,589	-	38,470
Meters	283,870	64,950	24,649	198)	373,271
Comp. equipt/software	19,691	4,155	-	-	23,846
Transport	86,637	20,107	8,657	-	115,401
	4,551,899	976,089	113,822	(753)	5,641,057

Depreciation

	Balance at 1/1/2012	Revaluation backlog	Depreciation for the year	Deletions/ Transfers during the year	Balance at 31/12/2012
Subtransmission	307,910	64,969	35,559	-	408,438
Distribution	1,328,598	280,294	144,326	(191)	1,753,027
Land and building	48,836	7,862	3,579	-	60,277
General tools	7,528	1,588	447	-	9,562
Fixtures and fittings	20,149	4,251	3,782	-	28,182
Meters	99,445	20,887	14,294	(130)	134,496
Comp. equipt/software	16,453	3,472	2,491	-	22,416
Transport	59,904	12,640	14,946	0	87,490
	1,888,823	395,963	219,424	(321)	2,503,888
NET BOOK VALUE	2,663,076	580,126			3,137,169
Capital works in progress(Note 15)	926,355				1,155,185
	3,589,431				4,292,354

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012 (continued)

		2012 GH¢'000	2011 GH¢'000
15	**Capital work in progress**		
	Balance at 1st January	926,355	629,752
	Additions during the year	342,652	437,785
	Transfers to PPE in service during the year	(113,822)	(141,182)
	Balance at 31st December	1,155,185	926,355
16	**Investment in associate company**		
	Associate company equity investment		
	Balance at 1st January	1,384	1,491
	Dividend received	(27)	(106)
	Share of profit less company tax	247	143
	Share of other comprehensive income-associate co.	450	(144)
	Balance at 31st December	2,054	1,384
	This represents 24% equity interest in Nexans Kabelmetal Ghana Limited		
17	**Inventories**		
	Electrical materials	12,561	9,108
	Mechanical materials	-	579
	Materials-in-transit and others	16,355	15,770
		28,916	25,457
	Less: provision for damaged, slow moving and obsolete stocks	(817)	(398)
		28,099	25,059
18	**Trade and other receivables**		
	Customer balances - Private	294,776	268,680
	- MDA's & GWCL	76,653	118,154
		371,429	386,834
	Street lighting shortfall recovery - GOG	157,223	95,643
	Other trade debtors	41,981	15,172
	Staff advances*	15,636	14,187
		586,270	511,836

*The maximum amount due from the employees of the company during the financial year was GH¢15.64m.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012 (continued)

		2012 GH¢'000	2011 GH¢'000
19	**Prepayments**		
	Advanced mobilization to suppliers/ contractors	58,608	49,748
20	**Cash and cash equivalents**		
	Bank balances	41,733	63,477
	Cash on hand	27	14
	Treasury bills	2,560	2,320
	Fixed deposits	34,480	36,526
		78,800	102,337
21	**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 50,000,000 shares.	5	5
	There is no unpaid liability on any share and there are no shares in treasury		
22	**Government equity**		
	Government equity represents surplus arising from conversion from corporation status to limited liability company status	8,064	8,064
23	**Other components of equity**		
	Balance at 1st January	222,758	181,331
	Additions during the year - development finance	10,315	41,571
	Share of other comprehensive Income	450	(144)
	Balance at 31st December	233,523	222,758

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012 (continued)

		2012 GH¢'000	2011 GH¢'000
24	**Capital surplus**		
	Balance at 1st January	**1,966,867**	**921,217**
	Surplus on revaluation of fixed assets in the year	580,126	1,503,471
	Transfer to deferred tax on recognised surplus in the year	(145,032)	(375,868)
		2,401,962	**2,048,820**
	Transfer to retained earnings account re-depreciation charge	(88,392)	(75,397)
	Transfer to deferred tax re-depreciation charge	(7,686)	(6,556)
	Balance at 31st December	**2,305,883**	**1,966,867**
25	**Retained earnings**		
	Balance at 1st January	287,881	236,077
	Recognized deferred tax assets for years up to 2011	103,416	-
	Deficit for the year after tax	(136,312)	(23,593)
	Direct transfer from capital surplus net of tax	88,392	75,397
	Balance at 31st December	**343,377**	**287,881**
26	**Deferred credit**		
(a)	Government Contributions		
	Balance at 1st January	243,601	173,567
	Additions during the year	14,831	76,977
		258,432	**250,544**
	Less Amount transferred to income statement	(9,912)	(6,943)
	Balance at 31st December	248,520	243,601
(b)	Customer contributions:		
	Balance at 1st January	80,245	68,421
	Additions during the year	11,753	14,560
		91,998	82,981
	Less : Amount transferred to Income Statement	(3,231)	(2,736)
	Balance at 31st December	88,767	80,245
		337,287	323,846

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012 (continued)

		2012 GH¢'000	2011 GH¢'000
27	**Deferred tax liabilities:**		
27(a):	(i) Property, plant and equipment		
	Balance at 1st January	558,246	216,161
	Recognised in income during the year	158,161	342,085
	Balance 31st December	716,407	558,246
	(ii) Direct transfer from capital surplus		
	Balance at 1st January	18,750	12,194
	Transfer during the year	7,686	6,556
	Balance at 31st December	26,436	18,750
		742,843	576,996
	(iii) **Deferred tax assests**		
	Recognised in 2012 for previous years	(103,416)	-
	up to 2011 Reduction in Deferred Tax		
	Assets in the year	14,397	-
		(89,019)	-
		653,824	576,996
27(b)	**Movement related to revaluation, origination and reversal of temporary differences.**		
	Deferred tax liability due to mismatch of bases	716,407	558,246
	Opening deferred tax	(558,246)	(216,161)
	Deferred tax for the year	158,161	342,085
	Deferred tax attributable to revaluation	(145,032)	(375,868)
	Deferred tax expense/income related to the origination/(reversal) of temporary differences.	13,130	(33,783)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012 (continued)

27 (c) Taxation payable

Income tax

		Balance 1/1/2012	Payments during the year	Charged to P & L account	Balance at 31/12/12
		GH¢'000	GH¢'000	GH¢'000	GH¢'000
Up to	2006	-	-	-	-
	2007	-	-	-	-
	2008	-	-	(5,655)	(5,655)
	2009	(5,655)	-	-	(5,655)
	2010	(5,655)	-	(12,842)	(18,497)
	2011	(18,497)	-	-	(18,497)
	2012	(18,497)	-	-	(18,497)

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.

27(d) Reconciliation with effective tax rate

	2012 GH¢'000	2011 GH¢'000
Loss before taxation	(113,757)	(57,376)
Income tax using domestic tax rate (25%)	-	-
Deferred tax	27,527	(33,783)
Current tax charge	27,527	(33,783)
Effective tax rate	(24)	(65)%

28 Trade and other payables

Power purchases	487,946	322,474
Trade Creditors	186,784	174,934
Other creditors	149,257	164,425
Interest creditors	30,191	20,278
Emergency power producers	5,386	5,386
	859,564	687,497

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012 (continued)

29: **BORROWINGS**

29(a): **Due after one year**	**Balance as at 01/01/12**	**Drawdown**	**Repayment**	**Exchange Difference**	**Transfer to Other Components of Equity**	**Balance as at 31/12/12**
	GH¢'000	**GH¢'000**	**GH¢'000**	**GH¢'000**	**GH¢'000**	**GH¢'000**
IDA 2467	36,512			6,888		43,400
IDA 2682 DSUP	25,007			4,718		29,725
IDA43560	87,013	21,951		16,416		125,380
IDA4730		27,972				27,972
NDF 80	9,324			1,760		11,084
SCADA 2ND BULK SUPL.	222		56			278
KFW NO. 9866070GH	8,378			1,497		9,875
CGH1012 01A	3,872			692		4,564
SCADA PROJECT	4,211			1,078		5,289
CHIRANO	1,204		(127)	225		1,302
ADB LOAN	11,641	13,133		2,518		27,292
	187,384	73,371	(127)	35,848	(10,315)	286,160
Less;						
Due within one year	(46,189)					(68,265)
Due after one year	141,195					217,895

29(b): **Due within one yea**

Loan	Balance at 1/1/2012	Balance at 31/12/12
IDA 2467	29,210	43,400
IDA 2682	5,884	8,743
KFW 070	1,586	2,351
NDF 80	7,459	11,084
SIDA LOAN	433	278
GH 101201A	1,510	2,282
CHIRANO LOAN	107	127
	46,189	68,265

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012 (continued)

29 (c): **Interest on long-term borrowings**

		2012 GH¢'000	2011 GH¢'000
(i)	IDA 2467	3,241	2,750
(ii)	IDA 2682	2,337	1,982
(iii)	KFW NO. 9866070GH	288	253
(iv)	CGH 101201A	122	107
(v)	CHIRANO GOLD MINES	34	31
		6,022	5,123

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012 (continued)

Note 29 (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 relent Volta River Authority. ECG's portion of SDR 29,135,000 which has been increased to SDR 29,400,000 is to finance the National Electrification Project. The loan is repayable in equal semi-annual instalments from June 1998 to December2013. Interest is at the rate of 7.6% per annum on the outstanding loan balancepayable 15 June and 15 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**

The IDA 2682-1-GH was granted to the Government of Ghana in 2004 and relent 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 XDR 59,100,000 granted the Government of Ghana.

ECG'S portion of SDR 24,740,000 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 March 1st and September 1st 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 5 July, 1994 and re-lent to ECG on the 25 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.

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

SIDA LOAN

The loan was a facility granted to ECG and VRA in 1997 of which ECG's portion represents SEK 16.5 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) June 30, 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 DM 10 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.

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.

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.

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 relent 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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012 (continued)

30(a) **Reconciliation of net Loss before Tax to net cash inflow/(outflow) form Operating activities**

	2012 GH¢'000	2011 GH¢'000
Net Loss for the year	(102,663)	(57,376)
Depreciation	219,424	161,348
Customer Contribution amortisation	(3,041)	(6,943)
Gov't contributions amortisation	(9,912)	(2,736)
Exchange (gain) / loss on Long-term loans and interest creditors	39,739	13,339
Decrease / (increase) in stocks	(3,040)	(13,324)
(Increase) / Decrease in trade and other debtors	(80,556)	62,257
(Increase) / Decrease in prepayments	(8,860)	8,287
Increase in trade and other payables	162,154	94,824
(Profit) / loss on disposal of assets	366	(215)
Share of associate profit	(247)	(143)
Interest expense	6,022	5,123
Interest income	(1,911)	(3,028)
	217,473	**261,414**
Analysis of changes in cash and cash equivalents during the year		
Balance at 1st January	102,337	95,475
Net cash outflow / (inflow)	(23,537)	6,862
Balance at 31st December	78,800	102,337

30(b) **Analysis of balances of cash and xach equivalents as shown in the statement of financial position**

	Changes during the period Gh¢'000	2012 GH¢'000	2011 GH¢'000
Cash at bank and on hand	**(21,731)**	**41,760**	**63,491**
Short term investments	**(1,806)**	**37,040**	**38,846**
	(23,537)	**78,800**	**102,337**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012 (continued)

31: BUSINESS PERFORMANCE RISK

The main business performance risk identified is high unaccounted for power purchases, dubbed systems losses. The source of the system 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 lost 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. In addition introduction of split meters and installation of meters outside facial boards of premises are being carried out to prevent by-pass of the meters leading to power loss. Unmetered premises are also systematically being eliminated from the system.

System losses currently recorded are as follows:

	2012	2 011
	GWhs	Gwhs
Power purchased	7,943.72	7,258.66
Power sold	6,078.87	5,266.64
System losses	1,864.84	1,992.02
System losses %	23.48	27.44

32: 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012 (continued)

33 (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.

• 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:

Non-derivative financial liability	2011 GH¢m	2010 GH¢m
Trade and other payables	687.47	586.29
Current portion of long-term borrowing	46.19	32.46
Balance at 31ST December	**735.66**	**618.75**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012 (continued)

• Impairment losses.
The aging of trade receivables at the reporting date was:

DESCRIPTION	2011			2012		
	Gross Amount Receivable	Impairment	Net Amount Receivable	Gross Amount Receivable	Impairment	Net Amount Receivable
	Gh¢m	GH¢m	GH¢m	GH¢m	GH¢m	GH¢m
Not past due	143.65	0.00	143.65	76.45	0.00	76.45
Past due <30 days	40.00	0.80	39.20	45.80	0.92	44.88
Past due 30-120 days	58.64	2.93	55.71	79.30	3.97	75.34
Past due >120 days	88.28	8.83	79.45	173.92	17.39	156.53
Past due by more than one year	70.05	16.63	53.42	39.57	5.94	33.63
Total	**400.62**	**29.19**	**371.43**	**415.04**	**28.21**	**386.83**

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

Impairment	2012 GH¢m	2011 GH¢m
Balance at January 1	28.21	26.44
Impairment gain/(loss) recognized	.98	1.77
Balance at 31ST December	**29.19**	**28.21**

33 (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:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012 (continued)

December 2012

Non-derivative financial liability	2012 GH¢m	2011 GH¢m
Trade and other payables	859.56	687.47
Current portion of long-term borrowing	68.27	46.19
Balance at 31ST December	**927.83**	**735.66**

December 2011

Non-derivative financial liability	2011 GH¢m	2010 GH¢m
Trade and other payables	687.47	586.29
Current portion of long-term borrowing	46.19	32.46
Balance at 31ST December	**735.66**	**618.75**

33 (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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012 (continued)

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

2012

DESCRIPTION	USD'M	GBP'M	EUR'M	XDR'M	JPY'M	SEK'M
Cash & Cash Equivalents	14.79	0.18	0.99	-	-	-
Trade Receivables	17.07	-	-	-	-	-
Long term Borrowings	(14.86)	-	(6.43)	(90.99)	-	(19.12)
Other Trade Creditors	(77.88)	(98.53)	(15.72)	-	(203.79)	-
Gross Exposure	(60.88)	(98.35)	(21.16)	(90.99)	(203.79)	(19.12)

2011

DESCRIPTION	USD'M	GBP'M	EUR'M	XDR'M	JPY'M	SEK'M
Cash & Cash Equivalents	27.04	0.03	1.31	-	-	-
Trade Receivables	9.99	-	-	-	-	-
Long term Borrowings	(5.98)	-	(4.44)	(71.97)	-	(19.12)
Other Trade Creditors	(47.50)	(1.11)	(9.37)	-	(190.24)	-
Gross Exposure	(16.80)	(1.08)	(12.50)	(17.97)	(190.24)	(19.12)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012 (continued)

The following significant exchange rates applied during the year

Curreny	Average Rate		Reporting Rate	
YEAR	**2012**	**2011**	**2012**	**2011**
USD 1	1.7518	1.5340	1.9012	1.6024
GBP 1	2.7710	2.3720	3.0679	2.4741
EUR 1	2.3162	2.0412	2.5063	2.1260
XDR 1	2.6922	2.3590	2.9242	2.4601
JPY 1	0.0214	0.1940	0.0221	0.0207
SEK 1	0.2616	0.2250	0.2913	0.2319

- **Sensitivity analysis on currency risk.**

The following table shows the effect of strengthening or weakening of GH¢ 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 December 31, (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 course of the respective financial year.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012 (continued)

31-Dec	2012			2011		
In GH¢	% Change	Income Statement impact: Strengthening	Income Statement impact: Weakening	% Change	Income Statement impact: Strengthening	Income Statement impact: Weakening
		GH¢'m	GH¢'m		GH¢'m	GH¢'m
USD	8.53	5.19	(5.19)	4.46	0.75	(0.75)
GBP	10.71	10.54	(10.54)	4.29	0.05	(0.05)
EUR	8.21	1.74	(1.74)	4.14	0.51	(0.51)
XDR	8.62	7.84	(7.84)	4.3	3.09	(3.09)
JPY	3.27	6.67	(6.67)	6.98	5.97	(5.97)
SEK	11.35	2.17	(2.17)	)3.14	0.60	(0.60)

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: Date 21st November, 2013

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