



**ANNUAL
REPORT
2017**



CORPORATE CONTACT DETAILS

P.O. BOX CS 7979, Tema, Ghana
Tel: (+233) (0) 30-331 8700 / 331 8790
Fax: +233(0) 30 267 6180 / 030 331 8724
Email: gridco@gridcogh.com
Web: www.gridcogh.com
Head Office: Off Tema - Aflao Road, Tema.
Digital Address: GK-0208 -2247

AREA OFFICES

1. AKOSOMBO & TAFO SUB-AREAS

P.O. Box 77
Akosombo
akosomboarea@gridcogh.com
Area Manager: (+233) (0)34-3020456

2. TEMA & ACCRA AREAS

P.O. Box CS 8289
Tema
voltaarea@gridcogh.com
Area Manager: (+233) (0)30-3318717

3. TAKORADI AREA

P.O. Box EF 226
Efia, Takoradi
takoradiarea@gridcogh.com
Area Manager: (+233) (0)31-20-21901
Admin Office: (+233) (0) 31-2292201

4. PRESTEA AREA

P.O. Box 50
Prestea
presteaarea@gridcogh.com
Admin Office: 0208130123
Area Manager: 0503950839

5. KUMASI AREA

P.O. Box KS 587
Kumasi
kumasiarea@gridcogh.com
Admin Office: (+233) (0)30318700 / (0)30 760215
Control room: (+233) 246 408885

6. TECHIMAN AREA

P.O. Box 369
Techiman
techimanarea@gridcogh.com
Control room: (+233) (0)35 209 1352

7. TAMALE & BOLGATANGA AREAS

P.O. Box TM 1266
Tamale
tamalearea@gridcogh.com
Area Manager: (+233) (0)37-20-24432

CONTENTS

| | |
|-----------------------------------|-------|
| Corporate information | 4 |
| Report of the Directors | 28-29 |
| Independent auditor's report | 30-33 |
| Financial statements | |
| Income statement | 34 |
| Statement of comprehensive income | 35 |
| Statement of financial position | 36-37 |
| Statement of changes in equity | 38 |
| Statement of cash flows | 39 |
| Notes | 40-64 |

NOTICE AND AGENDA OF THE 9TH ANNUAL GENERAL MEETING OF THE GHANA GRID COMPANY LIMITED

NOTICE IS HEREBY GIVEN that the 9th Annual General Meeting of Ghana Grid Company Limited (GRIDCo) will be held at Holiday Inn, Accra, on the 8th day of November, 2018 at 10.00a.m. to transact the following business:

1. To receive and consider the Financial Statements for the year ended December 31, 2017, together with the Reports of the Directors and Auditors thereon;
2. To authorize Directors to appoint auditors to audit the 2018 Financial Statements and to fix the remuneration of Auditors.

DATED THIS 4TH DAY OF OCTOBER, 2018.

BY ORDER OF THE BOARD



*MONICA N. A. SENANU (MRS.)
BOARD SECRETARY*

NOTE

A Member of the Company entitled to attend and vote may appoint a proxy to attend and vote on behalf of the Member. A proxy need not be a Member of the Company.

A form of proxy is provided at the end of this Annual Report. For a form of proxy to be valid for the purpose of the meeting, it must be completed and deposited at the Registered Office of the Company, Off Tema-Aflao Highway (N1), P. O. Box CS 7979, Tema, not less than 48 hours before the appointed time of the meeting.

CORPORATE INFORMATION

Directors

30 August-December, 2017

| | |
|---|-----------|
| Ambassador Kabral Blay-Amihere | Chairman |
| Mr. Jonathan Amoako-Baah | Member/CE |
| Nana Kofi Nti | Member |
| Madam Dzifa Amegashie | Member |
| Mr. Frederick Fredua Antoh | Member |
| Hon. Naana Eyiah | Member |
| Air Vice Marshal Issifu Sakib Kadri (Rtd) | Member |
| Dr. Nicholas Kwabena Smart-Yeboah | Member |
| Mr. Kenneth Kwamina Thompson | Member |

Period to 7 January,2017

| | |
|---------------------------|-----------|
| Alhaji Huudu Yahaya | Chairman |
| Ing.William Amuna | Member/CE |
| Dr. Patrick Buah | Member |
| Mr. Adam Mukaila | Member |
| Mr. Anthony El Adas | Member |
| Mr. Jonathan Tackie Komme | Member |
| Mr. Kwabla Dogbe Senanu | Member |
| Mr. Mark Ofori Amanfo | Member |

Secretary

Mrs. Monica N. A. Senanu

Registered office

Ghana Grid Company Limited
Off the Tema Aflao Road
Near Tema Steel Works
P.O. Box CS 7979
Tema

Auditor

PricewaterhouseCoopers
Chartered Accountants
No. 12 Airport City Una Home 3rd Floor
PMB CT 42
Cantonments, Accra

Bankers

GCB Bank Limited
Ecobank Ghana Limited
Universal Merchant Bank
Ghana International Bank
Societe Generale Ghana Limited
CAL Bank Limited
Barclays Bank Plc
National Investment Bank Limited
Stanbic Bank Ghana Limited
Zenith Bank (Ghana) Limited
Standard Chartered Bank (Ghana) Limited
Rand Merchant Bank
Bank of Africa
Agricultural Development Bank



CORE VALUES - (RISE & Care)

RESPONSIVENESS

We attend to internal and external customer needs with focus, speed and skill and effectively engage our stakeholders.

INTEGRITY

We adhere to moral and ethical principles, as well as non-discrimination and transparency in our service delivery.

SAFETY

We are committed to the highest safety standards and environmental practices.

EXCELLENCE

We strive to be outstanding in everything we do. We consistently create better ways of doing our work.

CARING

We are committed to act with compassion in all situations, to listen with respect; to employees, customers and stakeholders and to value their differences.

GRIDCo AT A GLANCE

GRIDCo was established in 2006 to develop and promote competition in Ghana's Wholesale Power Market, by providing non-discriminatory and open access to the transmission grid for all participants in the power market. These participants include wholesale suppliers of power and bulk consumers. GRIDCo's role is aimed at enhancing efficiency in power delivery.

GRIDCo's bulk customers include electricity distribution companies including Electricity Company of Ghana (ECG) and Northern Electricity Company of Ghana (NEDCo), mining and textiles companies.

The Company owns and operates over 5,334.7 km of high voltage transmission lines across the country, which is mainly operated at 161 kV. The other transmission voltages are 69 kV, 225 kV and 330 kV. These lines carry power from various generating stations to sixty (60) substations owned by GRIDCo. (as at 31st December, 2017). At these substations the power is stepped down to lower voltages mainly, 11kV and 34.5kV to facilitate the transmission to distribution companies and bulk customers.

Assets

GRIDCo's assets include:

1. Substations and related equipment;
2. Transmission towers and lines;
3. System Communication equipment;
4. Lands, office and residential buildings and miscellaneous assets.

Departments

To ensure that corporate goals and objectives are accomplished in a cost effective and an environmentally-sustainable manner, the following twelve (12) departments have been mandated to execute GRIDCo's functions:

1. Corporate Planning
2. Engineering Planning & Design
3. Engineering Projects

4. Finance
5. GRIDTel
6. Human Resources & Services
7. Internal Audit
8. Legal Services and Board Secretariat
9. Northern Network Services
10. Southern Network Services
11. System Operations
12. Technical Services

Operational Areas

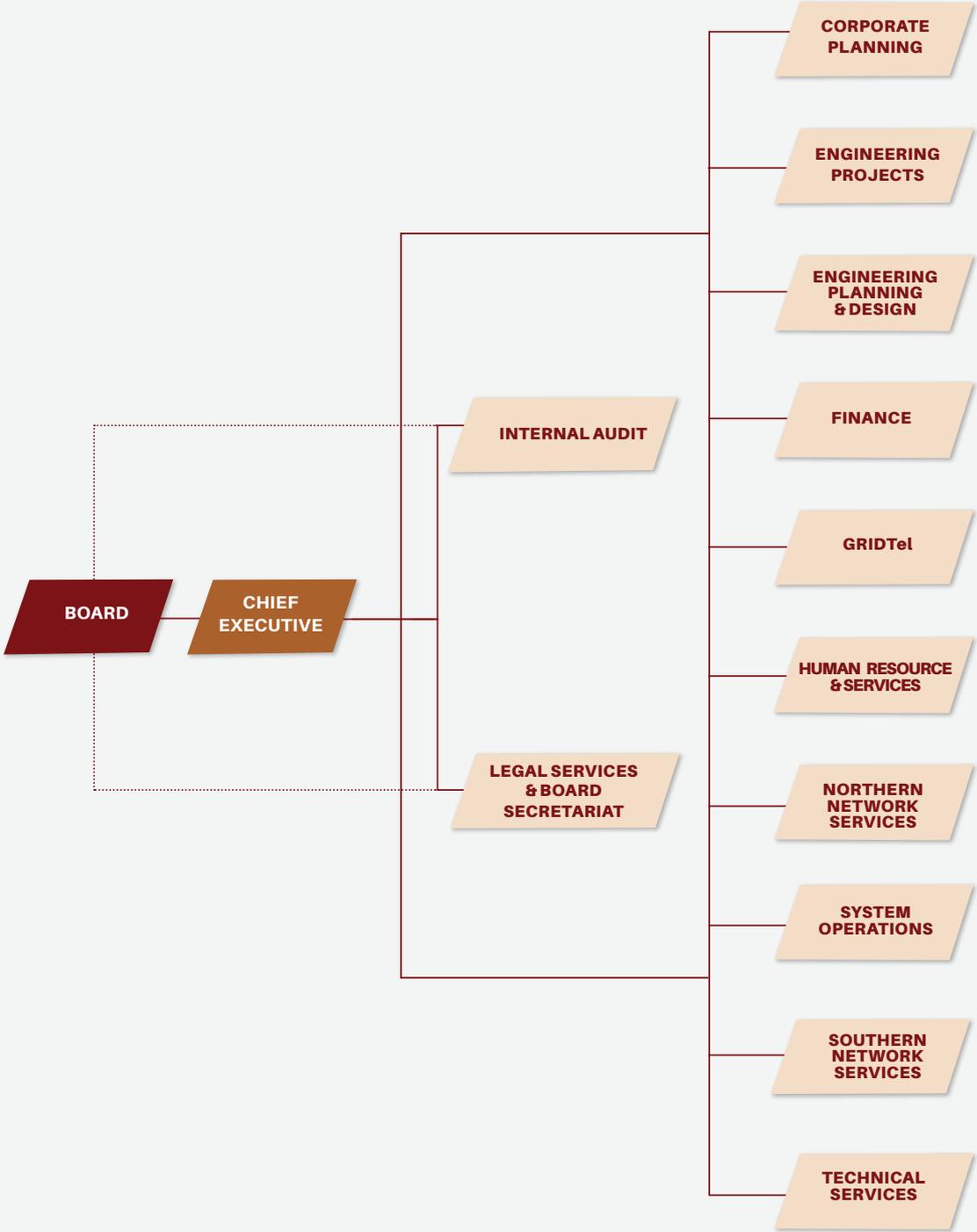
The company maintains and operates the National Interconnected Transmission System (NITS) through the Southern Network Services and the Northern Network Services Departments, which are further divided into the following nine (9) Operational Areas. The Southern Network Services Department Areas are Akosombo, Tema, Accra, Takoradi and Prestea Areas and the Northern Network Services Department Areas are Kumasi, Techiman, Tamale and Bolgatanga Areas.

Regulators

GRIDCo's Regulators include:

- Public Utilities Regulatory Commission (PURC)
- Energy Commission (EC)
- State Enterprises Commission (SEC)
- Environmental Protection Agency (EPA)
- Ghana Revenue Agency (GRA)

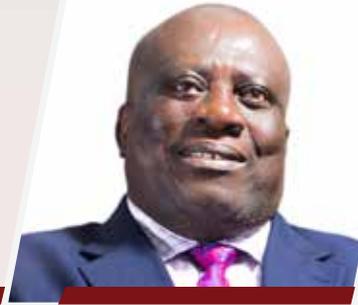
ORGANISATIONAL STRUCTURE



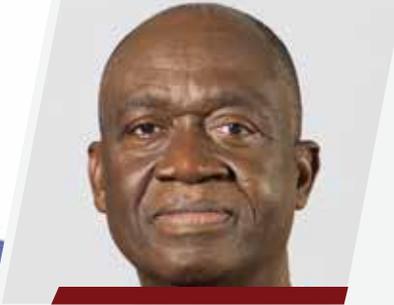
BOARD OF DIRECTORS



➤ **Amb. Kabral Blay-Amihere**
Chairman



➤ **Mr. Jonathan Amoako-Baah**
Chief Executive



➤ **Nana Akyereako Adjabinti I
(Nana Kofi Nti)** - Member



➤ **Ms. Dzifa Amegashie**
Member



➤ **Mr. Frederick Fredua Antoh**
Member



➤ **Hon. Naana Eyiah**
Member



➤ **Air Vice Marshal Issifu
Sakib Kadri (Rtd)** - Member



➤ **Dr. Nicholas Smart-Yeboah**
Member



➤ **Mr. Kenneth Kwamina
Thompson** - Member

The background of the cover is a photograph of a sunset or sunrise over a landscape. The sky is a gradient of orange and red, transitioning into a deep blue at the top. Several high-voltage power lines stretch across the frame, supported by metal pylons. The pylons are silhouetted against the bright sky. In the foreground, there is a dark, flat landscape, possibly a field or plain, with a few small trees or bushes visible on the left side. The overall mood is industrial and serene.

BOARD CHAIRMAN'S REPORT



 Amb. Kabral Blay-Amihere
BOARD CHAIRMAN

Dear Shareholder, Ladies and Gentlemen, On behalf of the Board, I welcome you to GRIDCo's 9th Annual General Meeting and present to you an overview of GRIDCo's strategies implemented in the 2017 financial year.

FINANCIAL OPERATIONS

GRIDCo's finances are dependent principally on revenue generated through the transmission of electricity from wholesale suppliers of electricity to bulk customers. In 2017, the total revenue recorded was GHS715.200 Million and Net loss incurred was GHS31.100 Million. The Company's cash flow continues to be constrained as a result of the heavy indebtedness of our major customers, particularly Electricity Company of Ghana (ECG) and the Volta Aluminium Company (VALCO), which together amounted to GHS862.034 Million. This situation severely limited our maintenance and development efforts.

ENTERPRISE RISK MANAGEMENT

In 2017, the company continued to implement its Enterprise Risk Management (ERM) activities in compliance with the requirements of the Public Financial Management Act, 2016 (Act 921) (PFMA). The company continuously sensitised staff on Enterprise Risk Management principles and continued to create awareness among staff on the PFMA's requirement for ERM. Given continuous changes in the company's operational environment, some risks were reclassified. The Risk Management Committee reviewed the company's risk registers and reports within the year.

GRIDTel

GRIDTel, GRIDCo's telecommunication unit, was formally operationalised as a Business Unit in 2017. It is currently in the second phase of a two-staged approach to commercialize GRIDCo's telecom operations. GRIDCo has obtained a licence from the National Communication Authority (NCA) to build and operate a National Terrestrial Fibre Network.

With over 3000km of Optical Groundwire (OPGW) and

over 60 substations as Points of Presence (PoPs), GRIDTel is well positioned to pursue its business model of a "carrier of carriers" using the open access approach. The main products are Dark Fibre leases, co-location and lease of tower spaces. To propel this model, the Business Unit has carefully nurtured some key competences that will aid its market development drive, including tailoring products to suit unique requirements of current and prospective players in the Telecommunications Sector.

The industry regulator, National Communications Authority has promoted an asset sharing scheme to optimise the national telecommunication resources. GRIDTel is well positioned to collaborate with all stakeholders in the industry to bridge the digital divide in Ghana.

COMPUTERIZED MAINTENANCE MANAGEMENT SYSTEM (CMMS)

Asset maintenance and management is a major aspect of GRIDCo's operations. In 2017, Management, under the guidance of the Board, entered into an agreement for the procurement of a Computerized Maintenance Management System (CMMS) which would give comprehensive support to asset maintenance and spare parts management. The computerized system will aid GRIDCo to maintain an inventory of all transmission assets. It is expected that the system would be implemented end of year, 2018 after all power system equipment data, maintenance procedures and schedules have been captured, all relevant trainings have been conducted, and performance and acceptance testing have been carried out.

HUMAN RESOURCE DEVELOPMENT (HRD) INFRASTRUCTURE

In 2017, Phase One of the Human Resource Development (HRD) Infrastructure Plan which started in 2015 was completed. The objectives for the project include the strengthening of capacity of Ghanaian Engineers and



Technicians and also contribution to technical training in the country. The Phase one constituted feasibility study for the HRD Centre of Excellence (GRIDCo Training Academy).

The deliverables of the HRD Infrastructure project included the issuance of a Transmission HRD Master Plan and training of trainers. Partners of the Project were Korean International Cooperation Agency (KOICA) and Korea Electric Power Corporation (KEPCO). The project was funded by KOICA at a cost of USD2.6M.

OUTLOOK

Looking forward into 2018 and beyond, the Board will continue to provide guidance for a consistent investment into the NITS, which will ensure a robust and reliable grid. As the System Operator, the Company will promote integration of power plants on the grid. As part of this goal, grid connection processes for different types of generators will be enhanced. The Company will work with relevant agencies to identify renewable energy sources and further facilitate their integration onto the national grid.

It is the Board's expectation that in the current financial year, our shareholder will support the company to enable us pursue and implement the necessary strategies and mitigate the risks which will ensure that GRIDCo remains a going concern and also propel GRIDCo to be more relevant in the electricity supply chain.

The need for support is premised on the high receivables from our major customers, and the current downward review in the transmission service charge by the Public Utilities Regulatory Commission.

We will work at developing a clear global agenda for the Company. This will cover the areas of exploring business opportunities in the sub-region, reinforcing our position in the West African Power Pool (WAPP), providing grid consulting services to utilities in the sub-region.

CONCLUSION

On behalf of the Board, I express our profound appreciation to all who have supported GRIDCo's work. We thank the Government of Ghana, our regulators, wholesale suppliers, bulk customers, financiers, and partners for your support that manifested in diverse ways. We look forward to mutually beneficial working relationships in the coming year.

The Board also congratulates Management and Staff of GRIDCo. We urge you to keep up the good work and continue to put up your best for the success of GRIDCo.

.....
Amb. Kabral Blay-Amihere
BOARD CHAIRMAN

MANAGEMENT STAFF AS AT AUGUST, 2018



➤ **Mr. Jonathan Amoako-Baah**
Chief Executive



➤ **Mr. Daniel Amartey**
Director, Southern Network Services



➤ **Mr. Vincent Boachie**
Director, Northern Network Services



➤ **Mr. Mark A. Baah**
Director, System Operations



➤ **Mr. Benjamin Ntsin**
Director, Engineering, Planning and Design



➤ **Mr. Ebenezer Essienyi**
Director, Technical Services



➤ **Mr. John Owusu - Afriyie**
Director, Engineering Projects



➤ **Wg. Cdr. (Rtd.) Samuel Allotey**
Director, Human Resource and Services



➤ **Mr. Isaac K. Akesseh**
Director, Finance



➤ **Mr. Kofi Okofo Dartey**
Director, Corporate Planning



➤ **Mrs. Monica N. A. Senanu**
Company Solicitor / Board Secretary



➤ **Mr. Richard Ntim**
Chief Internal Auditor



➤ **Mr. George Nipah**
General Manager, GRIDTel



CHIEF EXECUTIVE'S REPORT



Jonathan Amoako-Baah
CHIEF EXECUTIVE

CHIEF EXECUTIVE'S REPORT

Dear Shareholder, Chairman and members of the GRIDCo Board, distinguished ladies and gentlemen. Welcome to GRIDCo's Ninth (9th) Annual General Meeting.

In 2017 with the support of the Board, Management and staff of GRIDCo, a number of key activities and projects were undertaken by the Company. A report on the Company's performance, as at December 31, 2017, will be outlined and these include various strategies adopted by the departments during 2017 and status of ongoing transmission projects.

We are glad to inform you that in 2017, GRIDCo was adjudged the AGI Energy Company of the year. This award is an indication of GRIDCo's adherence to best practices in our operations and a recognition of GRIDCo's effort at being a model electricity transmission company. We are however not complacent. We will continue to find innovative ways of carrying out our duties and doing our best to continuously strive for excellence.

FINANCIAL PERFORMANCE

The Company's financial situation in 2017, presented various limitations to the level of performance required for the maximum realisation of GRIDCo's objects. The total revenue recorded in 2017 was GHS715.200M. This represented a 6.14% percentage increase from revenue obtained in 2016. In 2016, GRIDCo's total revenue was GHS673.835M. We recorded a Net Loss of GHS31.100M in 2017.

The Net loss is attributed to a penalty imposed by the Ghana Revenue Authority for delayed payment of corporate taxes and the inclusion of interest cost of loans contracted for the West Africa Power Pool (WAPP) assets previously in the books of the Volta River Authority (VRA). GRIDCo's finances are adversely impacted by the high receivables mainly from the Electricity Company of Ghana (ECG) and the Volta Aluminum Company (VALCO). This has

affected the company's obligations to its stakeholders resulting in mounting payables. Also, due to GRIDCo's financial situation, its ability to pay land compensations for ongoing capital projects have been greatly hindered.

PERFORMANCE MANAGEMENT SYSTEM (THE GRIDCo WAY)

Management oversaw the development of the new Performance Management System which was at the third and final tier.

In the year under review, Corporate Results, Measures and Targets were aligned to Departmental Results, Measures, Targets and Initiatives. The Corporate and Developmental performance continued to be monitored through monthly performance review meetings.

The development of employee performance plans and targets aimed at cascading Departmental Results to the employee level is currently underway to ensure employees are accountable for their own performance.

The completion and implementation of the new system would create a high performance culture and improve the company's performance, improve service delivery, ensure that all employees know and understand what is expected of them and evaluate employee performance fairly and objectively. This process is expected to be concluded by end of year 2018.

POWER TRANSMISSION SYSTEM

Power Transmission

In 2017, a total of 14.31 TWh of energy was transmitted on our network. Out of this, the net energy consumed locally was 13.71TWh. GRIDCo imported 0.32 TWh from La Cote D'Ivoire and exported 0.13 TWh to SONABEL, Youga Mines, Burkina Faso and CIE. 13.99 TWh was recorded as the net total energy generated in Ghana. Transmission losses recorded in 2017 was 0.59 TWh. This was 4.10% of the total energy transmitted, compared with the 2016 figure of 4.43% (0.61 TWh).

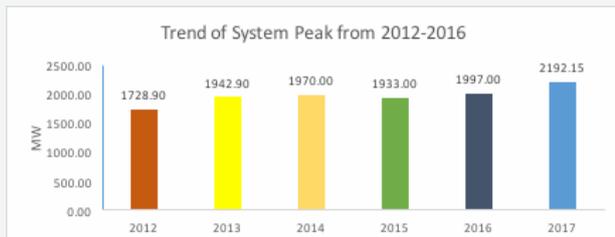


Graph 1, highlights transmission losses from 2012 - 2017



The NITS recorded a peak demand of 2192.15 MW on November 13, 2017. This represented a 9.77% increment compared to the 1997MW recorded on November 29, 2016.

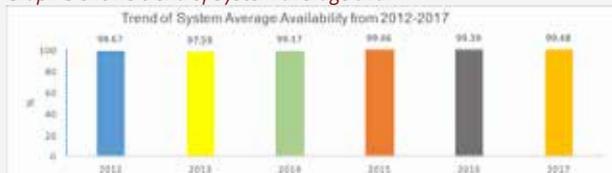
Graph 2, presents the trend of system peak demand (MW) from 2012 – 2017



SYSTEM MAINTENANCE

In 2017, a System Average Availability of 99.48% was attained by GRIDCo. The target for System Average Availability set by Public Utilities Regulatory Commission (PURC) was 98.5%. The system availability recorded for the year in review was 0.09% higher than that for 2016, which was 99.39%. Various system upgrade works contributed to the improved system availability.

Graph 3 shows trend of system average availability



We are glad to inform you that in 2017, GRIDCo was adjudged the AGI Energy Company of the year. This award is an indication of GRIDCo's adherence to best practices in our operations and a recognition of GRIDCo's effort at being a model electricity transmission company.

PROJECTS

GRIDCo, has since its operationalization in August, 2008 been involved in the reinforcement and modernization of the transmission system to ensure reliable evacuation of power to meet an ever-growing demand for electricity from customers.

In 2017, the Company continued to execute critical projects to ensure a reliable and stable grid. These projects included the West African Power Pool (WAPP) Projects such as the 225 kV Bolgatanga-Ouagadougou Interconnection Project which forms part of the WAPP Inter-Zonal Transmission Hub Project. This Interconnection is an AFD funded Project between Ghana and Burkina Faso, being implemented to facilitate the export of power. The project which commenced in November, 2015, is expected to be completed by third quarter of 2018. Outstanding substation works include termination of communication equipment and installation of reactor and control panel works. Compensation payments to Project Affected Persons are yet to be completely settled.

HUMAN RESOURCE, INDUSTRIAL RELATIONS, TRAINING & DEVELOPMENT

Management continues to promote harmonious employee relations as well as employee engagement. In 2017, the Human Resource and Services Department carried out an Employee Engagement Survey which revealed the need for a higher level of staff engagement, training and development.

As part of GRIDCo's capacity-building efforts, three hundred and sixteen (316) staff participated in various training programmes locally and overseas. Managers participated in the first of a three (3) - Module Leadership Development Programme and twenty-five (25) middle level staff benefitted from an in-house Supervisory Management Skills Development programme. A third batch of twenty-one (21) employees commenced a Master's in Public Administration (MPA) Programme at the Ghana Institute of Management and Public Administration (GIMPA).

Ninety-one (91) employees who had served the company for various years between ten (10) and thirty-five (35) were honoured at the 2017 Long Service Award Ceremony.

At the end of the year, a total of twenty-four (24) staff retired. Unfortunately, four (4) actively serving employees died in 2017. We express our deepest condolences to their families and work colleagues.

The staff strength at the end of December 31, 2017 was 947.

OUTLOOK FOR 2018

In 2018, our aim is to focus on the promotion of efficiency in the Company's operations, to ensure sustainability. To achieve this, the company will continue to employ new technologies to enhance operations.

Another important agenda GRIDCo will pursue will be the operationalization of the Wholesale Electricity Market (WEM). In 2017, GRIDCo reviewed a draft Market Design developed together with our telecommunication consultant, AF Mercados. The draft Market Design has been forwarded to the Electricity Market Oversight Panel, set up under the Electricity Regulations, 2008, L.I.1937. L.I.1937 provides for the implementation of a Wholesale Electricity Market to facilitate wholesale electricity trading and allow for private sector investment and competition in the procurement of electricity in Ghana.

Management recognises the challenges presented by the Company's current financial situation, which include an increase in the Company's payables and delayed transmission projects, arising from non-payment of compensation, in some cases. Measures are being put in place to identify and implement cost efficient processes which include the institution of project evaluation techniques and the monitoring of strict adherence to budgetary provisions.

CONCLUSION

I wish to extend my sincere gratitude to all who contributed to GRIDCo's achievements in 2017, particularly our Board, colleague Management Staff, staff, financiers and customers. I am confident that GRIDCo will benefit from your continued support.

Thank you.



Jonathan Amoako-Baah
CHIEF EXECUTIVE

CORPORATE GOVERNANCE

GRIDCo is a company established under the Companies Act, 1963 (Act 179). The Act requires the appointment of Directors to guide the affairs of the Company. The Board of Directors forms an important part of the governance structure of GRIDCo as the Board ensures that effective corporate strategies are set and implemented in the Company. In the process, our Board aligns all competing corporate interests and minimises associated risks. As the risks associated with the corporate goals and interests are being managed, a good performance of the Company is guaranteed.

Presently, the Government of Ghana is the only shareholder of GRIDCo. The Government is represented by the Ministry of Finance and the Ministry of Energy in its dealings with GRIDCo. In September, 2017, as part of efforts to protect its investment in the National Interconnected Transmission System (NITS), the current Government appointed a nine (9) - member Board to direct the affairs of GRIDCo.

The Board, which is made of various astute professionals, is divided into five (5) committees, namely, the Engineering and Operations, Finance, Industrial Relations and Compensation, Market Operations and GRIDTel Committees.

These Committees deliberate on the technical and operational, finance, human resources, audit, Wholesale Electricity Market and the telecommunication aspects of the Company. In accordance with the Public Financial Management Act, 2017 (Act 921), GRIDCo has an Audit Committee. The structure

and mode of running GRIDCo's Board enhances the achievement of the Company's strategic objectives through a participatory, consensus-oriented, accountable, transparent and legal process.

The chairpersons of the various Committees are required to guide members to be responsive to the present and future needs of the organization, whilst taking into account the interests of all stakeholders of the Company. These stakeholders include our Regulators and other Statutory Bodies, including the Public Utilities Regulatory Commission (PURC), Energy Commission (EC), State Enterprises Commission (SEC), Environmental Protection Agency (EPA), Ghana Revenue Authority (GRA) and the Registrar General's Department.

Other parties who play a great role in the fulfilment of our mandate are Wholesale Suppliers, Bulk Customers and Funding Agencies. Recommendations of the various Committees, are communicated to

the Board at its quarterly Ordinary Meetings and these form the basis of Board deliberations and decisions.

External Auditors in GRIDCo are critical to its corporate governance effectiveness. An independent external audit of GRIDCo's financial statement is part of the overall corporate governance structure. An external audit of the financial statements by our current auditors, PwC, serves internal and external stakeholders at the same time. The Auditor's report helps our Shareholder, investors, regulators and employees to have a broad view of the organization's internal working mechanisms and future outlook. GRIDCo's Internal Audit Department also assists the Board directly in the management of risk and in the control and governance process. The activity of this Department ensures a systematic and independent approach to the evaluation and improvement of GRIDCo's activities.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Our Company is committed to providing a reliable transmission grid and we are also focused on 'lighting' up the lives of people across the country. We achieve this through the implementation of corporate social responsibility (CSR) programmes. In 2017, our programmes covered the following areas:

Health

GRIDCo donated Thirty-Six Thousand Four Hundred and Twenty United States Dollars (USD36,420.00) to the National Reconstructive Surgery and Burns Centre, Korle-Bu Teaching Hospital, for the purchase of an anaesthesia machine.

Another donation of eight thousand US Dollars (USD8,000.00) was made to the National Cardiothoracic Centre for the treatment of Nathaniel Nii Adu Quaye, a patient, who had been suffering from a complex hole-in-heart condition.

Education

GRIDCo donated one hundred thousand Ghana Cedis (GHS100,000.00) for the re-roofing of a laboratory in the College of Engineering, KNUST. GRIDCo made

a donation of GHS5,000.00 to the Electrical and Electronics Students' Association of Kwame Nkrumah University of Science and Technology, which was used to purchase a Public Address System to aid effective communication in the lecture hall.

A total of USD9,000.00 was released to financially support nine (9) students of the University of Ghana Medical School during their travels for compulsory international exchange programmes.

Additionally, GRIDCo supported the 2016/2017 National Service Personnel who served with the Company to donate Eleven Thousand Five Hundred and Six Ghana Cedis (GHS11,506.00) to finance the construction of a three classroom pavilion structure for the Koni D/A Primary School in Sege, Ada West District.

As a yearly practice, GRIDCo, ensured the distribution of the Junior Graphic newspaper to selected schools in its Areas of operation to broaden the mind of the pupils.

Welfare

GRIDCo donated Fifteen Thousand Ghana Cedis (GHS15,000.00) to

the SOS Village, Tamale to support orphaned children. A sponsorship of Ten Thousand Ghana Cedis (GHS10,000.00) was also made to the Natriku Women's Project which is aimed at empowering the women in Natriku (a VRA Resettlement Village) to have sustainable livelihood through farming vegetables all year round.

Sports

GRIDCo was a Corporate Sponsor of the Maiden Edition of the Accra Marathon, organised by the Accra Metropolitan Assembly.

The Company also donated Ten Thousand Ghana Cedis (GHS10,000.00) to the VRA Tennis Club for the organisation of a tennis tournament in memory of Major Maxwell Mahama, who was killed while he was on military duties.





OPERATIONAL REPORT

OPERATIONAL REPORT

ELECTRICITY TRANSMISSION SYSTEM MAINTENANCE

The following key maintenance activities were carried out in 2017:

- Transmission lines at all voltage levels and related hardware were maintained, replaced, and repaired.
- Defective surge and lightning arresters were replaced.
- Disconnect switches were checked and serviced; Appropriate repair works were carried out where necessary..
- Capacitor banks were checked and attended to.
- Transformers were inspected and serviced. Those needing repairs were repaired and those beyond repairs were replaced. Some 33MVA 34.5kV transformers were upgraded with 66MVA transformers.
- Defective battery banks were replaced.
- New station service energy billing meters were installed.
- Old distance protection relays were replaced with modern protection relays.
- Maintenance works on various circuit breakers; air and/or gas leakages were repaired, defective closing/opening coils as well as compressor motors were replaced as necessary.



COMPLETED PROJECT

KPANDO-KADJEBI POWER PROJECT.

Financier: KBC Bank NV, Belgium

Contractor: CG Holdings of Belgium

Project Cost: €13,541,684

Under this project, an 80 kilometre 161kV transmission line was built from Kpando to Kadjebi, a 69/34.5kV substation was also built at Kadjebi and the existing Kpando Substation was expanded. The transmission line is currently being operated at 69kV.

The quality and reliability of power supply to Kadjebi and the surrounding areas will be improved when ECG eventually connect to the Kadjebi substation.



PROJECTS COMMENCED

1. ABOADZE 330kV SUBSTATION EXPANSION PROJECT

Financier: Amandi Energy Solutions/GRIDCo

Contractor: Amandi Energy Solutions Limited

Project Cost: US\$31,965,807

The project commenced in September, 2017 and was expected to be completed in twenty-four (24) months. The project seeks to provide six (6) additional terminal bays at the existing 330kV substation to evacuate proposed power plants within the Aboadze Power Enclave.

Earthworks, Construction of Embankment and drainage progressed to 40% completion and the construction of equipment foundation was also at 25% completion at the end of 2017.



ONGOING PROJECTS

a. 330kV ABOADZE-PRESTEA POWER ENHANCEMENT PROJECT

Financier: Amandi Energy Solutions Limited

Contractor: Amandi Energy Solutions Limited

Project Cost: US\$ 26,994,110

The project consists of the construction of a double circuit twin bundle 330kV transmission line of approximately 80km from Aboadze to Awudua which forms part of the 330kV central backbone of the transmission system.

It seeks to improve power transfer capability between the Aboadze Generation Enclave and the Central and Northern Belts of Ghana. Overall progress of work was about 86% at the end of 2017.

The project was scheduled to be completed by September, 2018. However, the project has delayed due to delay in payment of compensation for crops and other property affected by the project.



b. 330kV PRESTEA-KUMASI POWER ENHANCEMENT PROJECT

Financier: Export-Import Bank of Korea

Contractor: GS Engineering & Construction (GSE & C) of Korea

Project Cost: US\$58,150,352

The 330kV Prestea-Kumasi transmission line forms part of the 330kV Central Backbone of the transmission system. The project involves the construction of approximately 185km of 330kV twin bundle transmission line from Awudua to Kumasi, a new 330kV substation at Kumasi and expansion of existing 161kV substation at Kumasi. The overall progress of works at the end of 2017 was about 70%. The project is expected to be completed by December, 2018.



c. SUPPLY IMPROVEMENT TO BEREKUM PROJECT

Financier: CAL Bank/GRIDCo

Contractor: Skipper Electricals Ghana Limited

Project Cost : US\$16,863,405 plus GH¢ 9,840,259

The Supply Improvement to Berekum Project seeks to improve quality of power supply to Berekum, Dormaa Ahenkro, Sampa and all localities that are served from the Berekum Substation.

It involves the construction of approximately 40km of 161kV transmission line from Sunyani to Berekum, a 161/34.5kV substation with the provision of Communication and SCADA system at Berekum and upgrade of the SCADA and Communication systems at Sunyani Substation.

The overall progress of work was 74% complete at the end of 2017. The project is expected to be completed by December, 2018.



d. SUBSTATION RELIABILITY ENHANCEMENT PROJECT (SREP)

Financier: Societe Generale Bank/GRIDCo

Contractor: Eiffage Energie Transport & Distribution

Project Cost : €31,762,217.00 and GHS10,218,312.00

The project seeks to upgrade and enhance the operational reliability of equipment at the Bulk Supply Points (BSPs) by replacing identified obsolete and faulty components of the transmission network, at various substations, that are contributing to unreliable and low power quality in the power network. The project also seeks to improve upon the flexibility in the operation of the power system and maintenance of power equipment.

Among other things, the project work include the replacement of obsolete substation protection, control and metering systems at the following substations: Achimota, Winneba, Cape Coast, Takoradi, Prestea, Aflao, Kumasi, Obuasi, Akwatia, Old Kpong, Tafo and Dunkwa substations.

Works were completed at the Achimota, Winneba, Old Kpone, Takoradi, Cape Coast and the Aflao substation as at the end of the year. The project is expected to be completed by December, 2018.



e. SUPPLY IMPROVEMENT TO WESTERN REGION PROJECT

Financier: El Selwedy Electric T&D /GRIDCo

Contractor: El Selwedy Electric T&D

Project Cost: US\$66,876,371

The Supply Improvement to Western Region project involves the construction of approximately 170km of twin bundle 161kV transmission line from Asawinso to Mim through Juabeso, a 161kV substation at Juabeso and the expansion of the existing 161kV substation at Asawinso. When completed, the project will improve power transmission system capability and reliability needed to adequately serve existing and additional loads.

The project also forms part of the system reinforcements required to reliably evacuate power generated from the proposed power plants in south - western Ghana to the mid and northern part of the country.

It will improve the socio-economic development of the rural communities who will be connected to an effective and reliable grid supply. Progress of work for the Asawinso-Juabeso transmission line and Juabeso-Mim transmission line and substations were 100% and 96% complete respectively at the end of 2017. The project will be completed by December, 2018.



f. AFIENYA SUBSTATION PROJECT

Financier: IbisTek Limited

Contractor : IbisTek Limited

Project Cost: US\$ 8,879,670

The Afienva Substation Project involves the construction of a new 161/34.5kV substation at Afienva equipped with two (2) power transformers and the construction of approximately 5km double circuit 161kV transmission line. The overall progress of work was 85% complete at the end of the year. The project was scheduled to be completed in 2018.



g. 34.5kV AND 11.5kV SWITCHGEAR UPGRADE PROJECT

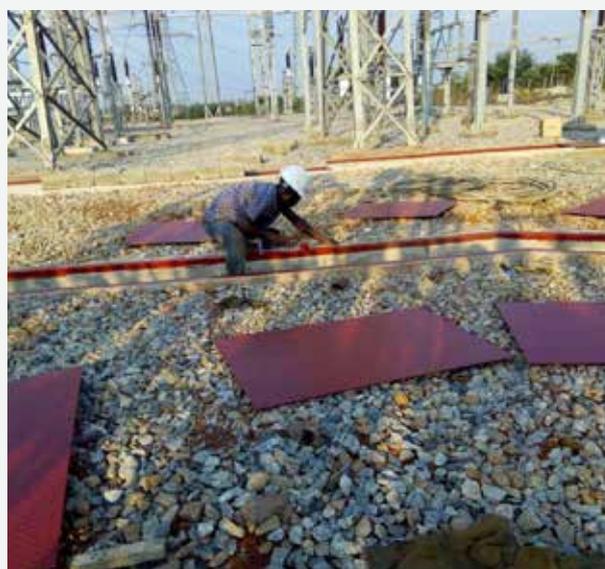
Financier: Bank of Africa/GRIDCo

Contractor: Schneider Electric and Atlantic International Holding Company Limited

Project Cost: €11,446,845

The 34.5kV and 11.5kV Switchgear Upgrade Project seeks to improve the reliability of supply to customers by replacing the existing air insulated indoor metal clad switchgear with SF6 insulated indoor metal clad switchgear at Sunyani, Techiman, Tamale and Bolgatanga substations.

The work also include the provision of outdoor feeder structures fully equipped with all balance of plant including 34.5kV disconnect switches, dead tank circuit breakers,



voltage transformers, power cables etc. for all feeders. Overall progress of works was 92% at the end of the year.

h. THE PROJECT FOR REINFORCEMENT OF POWER SUPPLY TO ACCRA CENTRAL

Financier: JICA/GRIDCo

Contractor: Consortium of Mitsubishi Corporation, Hitachi Plant Construction Ltd & Yurtec Corporation

Project Cost : US\$58,000,000

The project seeks to develop a Bulk Supply Point within the Central Business District of Accra, to adequately and reliably meet the high electricity demand in the area. The project will extend the 161kV network into the Central Business District and construct a 161/34.5kV substation to feed part of the load presently served from Achimota and Mallam Bulk Supply Points.

The project involves the following;

- Construction of a 161/34.5kV GIS substation to be equipped with three (3No.) 125MVA power transformers and two (2No.) transmission line bays.
- Construction of about 4km of 161kV double circuit transmission line from Avenor to ECG's substation "E" off the Graphic Road in Accra.
- Provision of 33kV indoor GIS switchgear in ECG's control building to facilitate evacuation via multiple feeders.
- Breaking into the existing 161kV Achimota - Mallam double circuit transmission line at Avenor to facilitate the 161kV feed to substation "E" (to be implemented by GRIDCo).
- Provision of SCADA/Communication equipment complete for use at the substation (by GRIDCo).

The project is scheduled to be completed by August, 2018.

WEST AFRICA POWER POOL PROJECTS

a. 225 kV BOLGATANGA-OUAGADOUGOU INTERCONNECTION PROJECT

Financier: Agence Francaise de Developpement (AFD) and World Bank/IDA

Contractor: Sieyuan-SEPD JV of China and Eiffage/Energoinvest JV

Project Cost: USD 16,946,993, Euro 398,396 and GHS 2,433,932

The Bolgatanga (Ghana)-Ouagadougou (Burkina Faso) Interconnection Project forms part of the WAPP

Inter-Zonal Transmission Hub Project which seeks to increase power supply from Ghana and improve security of electricity supply to Burkina Faso. The project implementation is in progress and the status of the Project as at December 2017 was as follows:

Transmission Line Component: Construction of the Ghana side of the interconnection line was completed and arrangements for the final inspection and commissioning testing of the line was in progress.

Substation Component: The substation civil works were completed. Electromechanical installation works were in progress. Also, arrangements to terminate the protection and communication equipment were in progress. Overall completion of the substation works was 92%.

2. 330 kV KUMASI – BOLGATANGA TRANSMISSION PROJECT

Financier: Agence Francaise de Developpement (AFD)

Contractors: Elecnor S.A. of Spain, Eiffage Energy Transport Distribution/ABBAG JV of France, Sinohydro Corporation Ltd. of China and KEC International Ltd. of India.

Project Cost: USD 82,140,659 plus Euro 31,959,481 plus GHS 84,728,963

The project involves the construction of approximately 550km of 330 kV transmission line from Kumasi to Bolgatanga and associated substation works at Kintampo, Tamale and Bolgatanga. When completed, the project will reinforce the grid and provide the capability to export at least 100MW of power to the Sahelian region. The project implementation is in progress and the status of the Project as at December 2017 was as follows:

Transmission Line Component: Detailed line surveys, soil investigation and construction of tower foundations as well as tower erection works were substantially completed. Stringing activities from Kintampo to Bolgatanga substations were in progress. Overall completion of the transmission line works was 80%.

Substation Component: Civil works at the three (3) Substations have been completed. Erection of Steel structures and electromechanical works were in progress. Overall completion of the substation works was 70%.



Bulk Customers: GRIDCo currently transmits power to the underlisted customers

1. ADAMUS GOLD LIMITED
2. AKOSOMBO TEXTILES LIMITED
3. ALUWORKS LIMITED
4. ANGLOGOLD ASHANTI LIMITED
5. ASANKO GOLD GHANA LIMITED
6. COMMUNAUTE ELECTRICITE DU BENIN
7. DIAMOND CEMENT LIMITED
8. DRILLWORX GHANA LIMITED
9. ELECTRICITY COMPANY OF GHANA (ECG)
10. ENCLAVE POWER COMPANY LIMITED
11. GHANA CONSOLIDATED DIAMONDS LIMITED
12. GHANA WATER COMPANY LIMITED
13. GOLD FIELDS GHANA LIMITED
14. GOLDEN STAR (BOGOSO) LIMITED
15. GOLDEN STAR (WASSA) LIMITED
16. NEW CENTURY MINES
17. NEWMONT GHANA GOLD LIMITED
18. NEWMONT GOLDEN RIDGE LIMITED
19. NORTHERN ELECTRICITY DISTRIBUTION COMPANY LIMITED (NEDCo)
20. OWERE MINES LIMITED
21. PERSEUS MINING GHANA LIMITED
22. SANKOFA GOLD LIMITED
23. SAVANA DIAMOND CEMENT LIMITED
24. SOCIÉTÉ NATIONALE D'ÉLECTRICITÉ DU BURKINA FASO (SONABEL)
25. SOCIÉTÉ NATIONALE D'ÉLECTRICITÉ DU BURKINA FASO (SONABEL) YOUNGA MINE
26. VOLTA ALUMINIUM COMPANY LIMITED



AUDITED FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of Ghana Grid Company Limited ("the Company") for the year ended 31 December 2017.

Statement of directors' responsibilities

The directors are responsible for the preparation of financial statements for each financial year, which gives a true and fair view of the state of affairs of the Company and of the profit or loss and cash flows for that period. In preparing these financial statements, the directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards and complied with the requirements of the Companies Act, 1963 (Act 179).

The directors are responsible for ensuring that the Company keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

Nothing has come to the attention of the directors that indicated that the Company will not remain a going concern for at least twelve months from the date of this statement.

Principal activities

The principal activities of the Company are the transmission of electricity and commercial telecommunication services.

Results

The directors in submitting to the shareholders the financial statements of the Company for the year ended 31 December 2017 report as follows:

| | GH¢'000 |
|--|-----------------------|
| Loss before income tax for the year is | (28,506) |
| from which is deducted income tax expense of | <u>(2,594)</u> |
| giving a loss for the year of | (31,100) |
| to which is added income surplus account balance brought forward of | <u>784,545</u> |
| giving a balance of | 753,445 |
| to which is added transfer from revaluation reserve account of | <u>90,115</u> |
| leaving a surplus carried forward on income surplus account of | <u>843,560</u> |

Dividend

The directors do not recommend the payment of a dividend for the year ended 31 December 2017 (2016: GH¢ Nil).

REPORT OF THE DIRECTORS (continued)

Board of Directors

The directors who held office during the year ended 31 December 2017 were:

Period to 7 January, 2017

| | |
|---------------------------|-----------------|
| Alhaji Huudu Yahaya | Chairman |
| Ing. William Amuna | Chief Executive |
| Dr. Patrick Buah | Member |
| Mr. Adam Mukaila | Member |
| Mr. Anthony El Adas | Member |
| Mr. Jonathan Tackie Komme | Member |
| Mr. Kwabla Dogbe Senanu | Member |
| Mr. Mark Ofori Amanfo | Member |

30 August, 2017 to 31 December, 2017

| | |
|--------------------------------------|-----------------|
| Ambassador Kabral Blay-Amihere | Chairman |
| Mr. Jonathan Amoako-Baah | Chief Executive |
| Madam Dzifa Amegashie | Member |
| Mr. Kenneth Kwamina Thompson | Member |
| Dr. Nicholas Kwabena Smart-Yeboah | Member |
| Air Vice Marshall Issifu Sakib Kadri | Member |
| Hon. Naana Eyiah | Member |
| Nana Kofi Nti | Member |
| Mr. Frederick Fredua Antoh | Member |

Auditor

The Company's auditor, PricewaterhouseCoopers, has expressed willingness to continue in office in accordance with section 134(5) of the Companies Act, 1963 (Act 179).

By order of the Board



.....
Ambassador Kabral Blay-Amihere
Board Chairman



.....
Mr. Jonathan Amoako-Baah
Chief Executive

Date: 20th September, 2018

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Ghana Grid Company Limited as at 31 December, 2017, 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).

What we have audited

We have audited the financial statements of Ghana Grid Company Limited (the "Company") for the year ended 31 December, 2017.

The financial statements on pages 34 to 64 comprise:

- the income statement for the year ended 31 December, 2017;
- the statement of comprehensive income for the year ended 31 December, 2017;
- the statement of financial position as at 31 December, 2017;
- the statement of changes in equity for the year ended 31 December, 2017;
- the statement of cash flows for the year ended 31 December, 2017; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the Company's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p><i>Carrying value of property, plant and equipment - GH¢4.77 billion</i></p> <p>Management applies the revaluation method in measuring the Company's carrying value of its property, plant and equipment. These assets are revalued on a monthly basis by management using the indexation model and every seven years by an external valuer. The most significant imputs used are US urban index for general price level and the Ghana cedi/United States dollar exchange rate.</p> <p>Management has estimated the revalued amount of the Company's property, plant and equipment to be GH¢4.77 billion at 31 December 2017 with a revaluation gain for the year ended 31 December 2017 recorded in the other comprehensive income of GH¢158.29 million. Key assumptions utilised by management in the valuation model are disclosed in Note 4.</p> <p>Given the materiality of the Company's property, plant and equipment, together with the significant judgement and estimates that are used in determining the carrying value, the valuation of these assets is considered a key audit matter. The gross property, plant and equipment and related revaluation surplus are disclosed in notes 12 and 20 to the financial statements.</p> | <p><i>Procedures performed include:</i></p> <ul style="list-style-type: none"> ▪ Updated our understanding of the key controls associated with the preparation of the valuation model used to access the carrying amount of the Company's property, plant and equipment. ▪ Critically evaluated management's methodology and their documented basis for key assumptions utilised in the valuation model. ▪ Assessed and challenged key assumptions used in the valuation model including the US urban index for general price level by comparing them to historical results and economic forecast. ▪ Checked the mathematical accuracy of the valuation model and agreed the inputs used to their underlying records. |

Other information

The directors are responsible for the other information. The other information comprises Corporate Information; Vision, Mission and Values; GRIDCo at a Glance; Report of the Directors, Management Staff as at August, 2018; the Chief Executive's Report, Corporate Governance, Corporate Social Responsibility, Operational Report, Engineering Projects and Bulk Customers but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern.
- If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statement of the current period and are therefore the key audit matters. We describe these matters in our auditors report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (continued)

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

The engagement partner on the audit resulting in this independent auditor's report is George Kwesi Arhin (ICAG/P/1187).



PricewaterhouseCoopers (ICAG/F/2018/028)

Chartered Accountants

Accra, Ghana

1st October, 2018



GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

INCOME STATEMENT

(All amounts are in thousands of Ghana cedis)

| | | <u>Year ended 31 December</u> | |
|--|------|-------------------------------|------------------|
| | | 2017 | 2016 |
| | Note | | |
| Revenue | 5 | 715,200 | 673,835 |
| Direct costs | 6 | (353,532) | <u>(342,697)</u> |
| Gross profit | | 361,668 | 331,138 |
| Other income | 7 | 29,002 | 26,087 |
| General and administrative expenses | 8 | (211,061) | <u>(165,617)</u> |
| Operating profit | | 179,609 | 191,608 |
| Finance costs | 9 | (211,376) | (99,464) |
| Finance income | 10 | 3,261 | <u>1,124</u> |
| (Loss)/profit before income tax | | (28,506) | 93,268 |
| Income tax expense | 11 | (2,594) | <u>(24,136)</u> |
| (Loss)/profit for the year | | (31,100) | <u>69,132</u> |

The notes on pages 40 to 64 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are in thousands of Ghana cedis)

| | | <u>Year ended 31 December</u> | |
|---|---------|-------------------------------|-----------------|
| | | 2017 | 2016 |
| | Note | | |
| (Loss)/profit for the year | | (31,100) | 69,132 |
| Other comprehensive income: | | | |
| Items that will not be classified to profit or loss: | | | |
| Gains on revaluation of property, plant and equipment and intangible assets | 12 & 13 | 158,291 | 225,374 |
| Deferred tax charge on gains on revaluation | 11 | (39,573) | <u>(55,518)</u> |
| Total comprehensive income for the year | | <u>87,618</u> | <u>238,988</u> |

The notes on pages 40 to 64 are an integral part of these financial statements.

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

STATEMENT OF FINANCIAL POSITION

(All amounts are in thousands of Ghana cedis)

| | | <u>As at 31 December</u> | |
|--|------|--------------------------|------------------|
| | | 2017 | 2016 |
| | Note | | |
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | 13 | 12,483 | 3,252 |
| Property, plant and equipment | 12 | 4,766,059 | 3,659,261 |
| Loans and receivables | 14 | 7,843 | 10,516 |
| Total non-current assets | | <u>4,786,385</u> | <u>3,673,029</u> |
| Current assets | | | |
| Inventories | 15 | 19,121 | 19,147 |
| Trade and other receivables | 16 | 998,586 | 715,200 |
| Cash and cash equivalents (excluding bank overdraft) | 17 | 198,534 | 197,873 |
| Total current assets | | <u>1,216,241</u> | <u>932,220</u> |
| Total assets | | <u>6,002,626</u> | <u>4,605,249</u> |

The notes on pages 40 to 64 are an integral part of these financial statements.

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

STATEMENT OF FINANCIAL POSITION (continued)

(All amounts are in thousands of Ghana cedis)

| | | As at 31 December | |
|---------------------------------------|------|-------------------------|-------------------------|
| | | 2017 | 2016 |
| | Note | | |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Stated capital | 18 | 350,922 | 350,922 |
| Income surplus account | 19 | 843,560 | 784,545 |
| Revaluation reserve account | 20 | <u>1,143,899</u> | <u>1,115,296</u> |
| Total equity | | <u>2,338,381</u> | <u>2,250,763</u> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Deferred income | 25 | 7,967 | 8,805 |
| Deferred income tax liabilities | 11 | 512,370 | 470,203 |
| Borrowings | 21 | 1,811,329 | 940,656 |
| Trade and other payables | 22 | 70,788 | - |
| Deferred donor support | 24 | <u>9,541</u> | <u>5,301</u> |
| Total non-current liabilities | | <u>2,411,995</u> | <u>1,424,965</u> |
| Current liabilities | | | |
| Deferred income | 25 | 629 | 629 |
| Trade and other payables | 22 | 806,524 | 484,832 |
| Current income tax liabilities | 11 | 145,483 | 151,591 |
| Borrowings (excluding bank overdraft) | 21 | 294,833 | 291,734 |
| Bank overdraft | 17 | <u>4,781</u> | <u>735</u> |
| Total current liabilities | | <u>1,252,250</u> | <u>929,521</u> |
| Total liabilities | | <u>3,664,245</u> | <u>2,354,486</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>6,002,626</u> | <u>4,605,249</u> |

The notes on pages 40 to 64 are an integral part of these financial statements.

The financial statements on pages 34 to 64 were approved by the Board of Directors on 20th September, 2018 and signed on their behalf by:



Ambassador Kabral Blay-Amihere
Board Chairman



Mr. Jonathan Amoako-Baah
Chief Executive

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

STATEMENT OF CHANGES IN EQUITY

(All amounts are in thousands of Ghana cedis)

| | Stated capital | Income Surplus account | Revaluation reserve surplus | Total |
|---|-----------------------|------------------------------|--------------------------------|-------------------------|
| Year ended 31 December 2017 | | | | |
| Balance at 1 January 2017 | <u>350,922</u> | <u>784,545</u> | <u>1,115,296</u> | 2,250,763 |
| Loss for the year | - | (31,100) | - | (31,100) |
| Other comprehensive income: | | | | |
| Gain on revaluation of property, plant and equipment (note 12) and intangible assets (note 13) | - | - | 158,291 | 158,291 |
| Deferred tax charge on gain on revaluation of property, plant and equipment (note 11) | - | - | (39,573) | (39,573) |
| Total comprehensive income | - | (31,100) | 118,718 | 87,618 |
| Transfer from revaluation reserve surplus | - | 90,115 | (90,115) | - |
| Balance at 31 December 2017 | <u>350,922</u> | <u>843,560</u> | <u>1,143,899</u> | <u>2,338,381</u> |
| Year ended 31 December 2016 | | | | |
| Balance at 1 January 2016 | <u>350,922</u> | <u>630,828</u> | <u>1,030,025</u> | <u>2,011,775</u> |
| Profit for the year | - | 69,132 | - | 69,132 |
| Other comprehensive income: | | | | |
| Gain on revaluation of property, plant and equipment (note 12) and intangible assets (note 13) | - | - | 225,374 | 225,374 |
| Deferred tax charge on gain on revaluation of property, plant and equipment and intangible assets (note 11) | - | - | (55,518) | (55,518) |
| Total comprehensive income | - | 69,132 | 169,856 | 238,988 |
| Transfer from revaluation reserve surplus | - | 84,585 | (84,585) | - |
| Balance at 31 December 2016 | <u>350,922</u> | <u>784,545</u> | <u>1,115,296</u> | <u>2,250,763</u> |

The notes on pages 40 to 64 are an integral part of these financial statements.

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

STATEMENT OF CASH FLOWS

(All amounts are in thousands of Ghana cedis)

| | <u>Year ended 31 December</u> | |
|---|-------------------------------|------------------|
| | 2017 | 2016 |
| Cash flows from operating activities | | |
| Operating (loss)/profit before tax | (28,506) | 93,268 |
| Adjusted for: | | |
| Depreciation of property, plant and equipment (note 12) | 116,558 | 105,339 |
| Amortisation of intangible assets (note 13) | 2,589 | 186 |
| Exchange difference on borrowings (note 21) | 143,283 | 74,079 |
| Interest expense (note 9) | 65,505 | 25,385 |
| Interest received on call accounts (note 10) | (3,261) | (1,124) |
| Write-off of property, plant and equipment (note 12) | 612 | 133 |
| Working capital adjustments: | | |
| Decrease in inventories | 26 | 269 |
| Decrease/(increase) in loans and receivables | 2,673 | (342) |
| Increase in trade and other receivables | (283,386) | (258,113) |
| Increase in trade and other payables | 392,480 | 251,037 |
| (Decrease)/increase in deferred income (note 25) | (838) | 9,434 |
| Tax paid (note 11) | (6,108) | (3,246) |
| Net cash generated from operating activities | <u>401,627</u> | <u>296,305</u> |
| Cash flows from investing activities | | |
| Interest received on call accounts (note 10) | 3,261 | 1,124 |
| Purchase of property, plant and equipment (note 12) | (1,077,497) | (520,924) |
| Purchase of intangible assets (note 13) | - | (3,057) |
| Net cash used in investing activities | <u>(1,074,236)</u> | <u>(522,857)</u> |
| Cash flows from financing activities | | |
| Proceeds from donor support (note 24) | 4,240 | 1,577 |
| Loan drawdown (note 21) | 923,197 | 484,957 |
| Principal repayment of borrowings (note 21) | (239,393) | (189,077) |
| Repayment of interest on borrowings (note 21) | (18,820) | (25,385) |
| Net cash generated from financing activities | <u>669,224</u> | <u>272,072</u> |
| Net increase in cash and cash equivalents | (3,385) | 45,520 |
| Cash and cash equivalents at beginning of year | <u>197,138</u> | <u>151,618</u> |
| Cash and cash equivalents at end of year (note 17) | <u>193,753</u> | <u>197,138</u> |

The notes on pages 40 to 64 are an integral part of these financial statements.

NOTES

1. General information

Ghana Grid Company Limited (GRIDCo) ("the Company") is incorporated in Ghana as a limited liability company under the Companies Act, 1963 (Act 179) and is domiciled in the Republic of Ghana. The address of its registered office is P. O. Box CS7979, Tema. The principal activities of the Company are transmission of electricity and commercial telecommunication services.

For Companies Act, 1963 (Act 179) reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the income statement, in these financial statements.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 1963 (Act 179). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.1.1 Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Company:

The Company has applied the following amendments to existing standards for the first time for their annual reporting period commencing 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12, and
- Disclosure Initiative Amendments to IAS 7.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(ii) New standards, amendments and interpretations not yet adopted by the Company:

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Company. The Company's

assessment of the impact of these new standards and interpretations is set out below:

IFRS 9: Financial Instruments

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2015. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss (P&L). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling.

There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of adoption of the new standard.

IFRS 15: Revenue from Contracts with Customers

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. The standard permits either a

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(ii) New standards, amendments and interpretations not yet adopted by the Company (continued):

IFRS 15: Revenue from Contracts with Customers (continued)

full retrospective or modified retrospective approach for the adoption. The application of IFRS 15 may result in identification of separate performance obligations in relation to the contract services rendered by the company which may affect the timing of the recognition of revenue going forward.

IFRS 16: Leases

IFRS 16, 'Leases', will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the statement of financial position.

The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting for lessors will not significantly change. The Company is still assessing the impact of this standard.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Company does not intend to adopt the standard before its effective date.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2.2 Foreign currency translation

2.2.1 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Ghana cedis (GH¢), which is also the Company's presentation currency.

2.2.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relates to cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

2.3 Recognition of income

2.3.1 Transmission service charge

Revenue from the transmission of power is recognised when the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the company and the costs incurred for the transaction and the costs to deliver the power can be measured reliably.

2.3.2 Interest income

Interest income is recognised when the right to receive the interest is established.

2.3.3 Fibre optic maintenance income

Income is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

2.4 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date in the country where the Company operates and generates taxable income.

The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

2. Summary of significant accounting policies (Continued)

2.4 Current and deferred income tax (Continued)

other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.5 Employee benefits

2.5.1 Defined contribution plans

The Company and all its employees contribute to pension schemes which are classified as defined pension schemes. These schemes are approved by the regulatory authority.

A defined contribution scheme is a pension plan under which the entity pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company's contributions to these schemes for its employees are recognised as an employee benefit expense when they are due.

2.5.2 Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of

employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.5.3 Bonus

The Company recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.5.4 Long service awards

To recognise and reward members of staff for continuous and dedicated service, the Company makes awards to all employees. Employees are rewarded for 10, 15, 20, 25, 30, 35 and 40 years of service. Liabilities for long service awards are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

2.6 Property, plant and equipment

Property, plant and equipment are shown at fair value, based on valuations by management on a monthly basis and by external independent valuers every seven years, less subsequent depreciation. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Freehold and leasehold land are shown at fair value, based on valuations by external independent valuers every seven years.

On initial recognition, all property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

2. Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment (Continued)

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 derecognised.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from 'revaluation reserves' to 'income surplus account'.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

| Asset class | Useful life (years) |
|--|----------------------------|
| Transmission assets | 30 - 45 |
| Leasehold land | Over the life of the lease |
| Buildings | 40 |
| Motor vehicles | 4 - 10 |
| Computers | 4 - 5 |
| Equipment and other miscellaneous assets | 4 - 8 |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

When revalued assets are sold, the amounts included in other reserves are transferred to income surplus account.

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

2. Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment (Continued)

2.7 Intangible assets

Intangible assets are shown at fair value, based on valuations by management on a monthly basis and by external independent valuers every seven years, less subsequent amortisation. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated amortisation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised either over their estimated useful lives, which does not exceed four years, or over the life of the licence.

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date

2.9 Inventories

The Company's inventories consist of consumables. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost comprise of direct purchase cost. Where appropriate, provision is made for obsolescence. Borrowing costs are not included in cost of inventories.

2.10 Trade receivables

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.11 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.12 Stated capital

Ordinary shares are classified stated capital in equity. All shares are issued at no par value.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

2. Summary of significant accounting policies (Continued)

2.13 Borrowings (Continued)

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.14 Borrowing cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Provision

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 Financial assets

2.17.1 Classification

All the Company's financial assets are classified as loans and receivables. The classification is driven by the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 2.10 and 2.11).

2.17.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

2.17.3 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.17.4 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

2. Summary of significant accounting policies (Continued)

2.17 Financial assets (Continued)

2.17.4 Impairment of financial assets (Continued)

events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.18 Financial assets

The Company's holding in financial liabilities represents mainly trade payables and other payable (note 2.15) and borrowings (note 2.13). Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

2.19 Government grants and donor support

Grants from the government and donor support are recognised at their fair value where there is a reasonable assurance that the grant or support will be received and the Company will comply with all attached conditions.

Government grants and donor support relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants and donor support relating to property, plant and equipment are included in non-current liabilities as deferred government grants and deferred donor support and are credited to the income statement on a straight – line basis over the expected lives of the related assets.

2.20 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's treasury department under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

NOTES (Continued)**3. Financial risk management (Continued)****3.1 Financial risk factors (Continued)****3.1.1 Market risk****3.1.1.1 Foreign currency risk**

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollars, the Euro and the Pound Sterling. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

To manage the Company's foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Company hold some of its bank balances in foreign currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

At 31 December 2017, if the Ghana cedi had weakened/strengthened by **20%** (2016: 20%) against the US dollar with all other variables held constant, post tax loss (2016: profit) for the year would have been **GH¢172.8 million** (2016: GH¢79.8 million) higher/lower, mainly as a result of US dollar denominated borrowings.

At 31 December 2017, if the Ghana cedi had weakened/strengthened by **20%** (2016: 20%) against the Euro with all other variables held constant, post tax loss (2016: profit) for the year would have been **GH¢65.4 million** (2016: GH¢64.5 million) higher/lower, mainly as a result of Euro denominated borrowings.

At 31 December 2017, if the Ghana cedi had weakened/strengthened by **20%** (2016: 20%) against the Pound with all other variables held constant, post tax loss (2016: profit) for the year would have been **GH¢0.01 million** (2016: GH¢0.01 million) lower/higher, mainly as a result of pound denominated amounts payable.

3.1.1.2 Cash flow and fair value interest rate risk

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

At 31 December, 2017, if interest rates on borrowings had been 10 basis points higher/lower with all other variables held constant, the calculated post-tax loss (2016: profit) for the year would have been **GH¢5.2 million** (2016: GH¢3.1 million) higher/lower, mainly as a result of higher/lower interest expense on floating rate borrowings.

3.1.2 Credit risk

The Company's credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For foreign banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. For local banks and financial institutions, the Company transacts business with only those issued with operating license by the Central Bank. To manage credit risk arising from trade receivables, the credit department assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties aside those disclosed in note 16.

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

Exposure to credit risk

The carrying value of the Company's financial assets represents its maximum exposure to credit risk. Set out below is the Company's gross exposure to credit risk at the reporting date.

| | 2017 | 2016 |
|--|-------------------------|-----------------------|
| Trade receivables (gross trade receivables) | 1,059,300 | 776,254 |
| Other receivables (excluding prepayment) | 16,895 | 1,927 |
| Cash and cash equivalents (excluding bank overdraft) | 198,479 | 197,838 |
| Loans and receivables | <u>7,843</u> | <u>10,516</u> |
| | <u>1,282,517</u> | <u>986,535</u> |
| Trade receivables: | | |
| Neither past due nor impaired | 769,147 | 689,792 |
| Past due but not impaired | 210,529 | 22,035 |
| Impaired | <u>79,624</u> | <u>64,427</u> |
| Total | 1,059,300 | 776,254 |
| Provision for impairment loss | <u>(79,624)</u> | <u>(64,427)</u> |
| Net carrying amount of trade receivables | <u>979,676</u> | <u>711,827</u> |
| 93.91% (2016: 93.01%) of the Company's gross trade receivables are due from: | | |
| Electricity Company of Ghana Limited | 66.09% | 69.62% |
| Volta Aluminium Company Limited | 15.29% | 15.19% |
| Northern Electricity Distribution Limited | <u>12.53%</u> | <u>8.20%</u> |

90.94% (2016: 89.65%) of the cash and cash equivalents (excluding bank overdraft) are held by:

| | 2017 | 2016 |
|-------------------------------|---------------------|--------------|
| Cal Bank Limited | 6.15% | 10.14% |
| Societe General Ghana Limited | 2.74% | 5.67% |
| Barclays Bank PLC | 52.34% | 46.33% |
| Bank of Africa Ghana Limited | 17.30% | 7.36% |
| Ecobank Ghana Limited | 1.17% | 10.64% |
| Ghana International Bank | 1.37% | 0.84% |
| Rand Merchant Bank | <u>9.87%</u> | <u>8.67%</u> |

None of the Company's cash and cash equivalents (note 17); loans and receivables (note 14); and other receivables (excluding prepayment) (note 16) were impaired as at 31 December 2017 and 31 December 2016.

3.1.3 Liquidity risk

Management monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 21) at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance,

compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Liquidity risk (Continued)

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| As at 31 December 2017 | Carrying amount | Less than 1 year | 1-2 years | 2-5 Years | Above 5 years |
|-------------------------------|----------------------------|-----------------------------|-----------------------|-----------------------|--------------------------|
| Trade and other payables | 877,312 | 806,524 | 70,788 | - | - |
| Borrowings | 2,106,162 | 345,220 | 625,010 | 486,080 | 987,359 |
| Bank overdraft | 4,781 | 4,781 | - | - | - |
| | <u>2,988,255</u> | <u>1,156,525</u> | <u>695,798</u> | <u>486,080</u> | <u>987,359</u> |
| As at 31 December 2016 | Carrying amount | Less than 1 year | 1-2 years | 2-5 Years | Above 5 years |
| Trade and other payables | 484,832 | 484,832 | - | - | - |
| Borrowings | 1,232,390 | 291,734 | 326,538 | 528,527 | 85,591 |
| Bank overdraft | <u>735</u> | <u>735</u> | - | - | - |
| | <u>1,717,957</u> | <u>777,301</u> | <u>326,538</u> | <u>528,527</u> | <u>85,591</u> |

3.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

During 2017, the Company's strategy, which was unchanged from 2016, was to maintain the gearing ratio within 1% to 2%.

| | 2017 | 2016 |
|---|-------------------|------------|
| Total borrowings including bank overdraft (note 21) and (note 17) | 2,110,943 | 1,233,125 |
| Less: cash and cash equivalents (excluding bank overdraft)(note 17) | (198,534) | (197,873) |
| Net debt | 1,912,409 | 1,035,252 |
| Total equity | 2,338,381 | 2,250,763 |
| Total capital | 4,250,790 | 3,286,015 |
| Gearing ratio | <u>45%</u> | <u>32%</u> |

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

3. Financial risk management (Cont.)

3.3 Fair value estimation

The Company discloses the fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The table below analyses financial instruments held by the entity:

| Financial assets – Loans and receivables | 2017 | 2016 |
|--|-------------------------|------------------|
| Loans and receivables | 7,843 | 3,252 |
| Trade and other receivables (excluding prepayment) | 989,840 | 714,579 |
| Cash and cash equivalents (excluding cash) | 198,479 | 197,838 |
| | <u>1,196,162</u> | <u>915,669</u> |
| Financial liabilities at amortised cost | | |
| Trade and other payables (excluding statutory liabilities) | 837,830 | 484,306 |
| Borrowings | 2,106,162 | 1,232,390 |
| Bank overdraft | 4,781 | 735 |
| | <u>2,948,773</u> | <u>1,717,431</u> |

At 31 December 2017 and 2016, the Company did not hold any financial assets and liabilities that are measured at fair value.

See note 12 for disclosures of property, plant and equipment that are measured using the revaluation model.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1.1 Income tax

The Company is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4.1.2 Fair value of property, plant and equipment

On a monthly basis management determine the fair value of the Company's property and equipment using indexation. Valuation by an external valuer is done every seven years, with the most recent being in 2011. The most significant inputs used are US urban index for general price level and the Ghana cedi/United States dollar exchange rate. A 10% increase in the inputs will result in an additional revaluation gain of GH¢ 15.8 million (2016: GH¢ 26.5 million).

4.2 Critical judgements in applying the entity's accounting policies

No critical judgement was made in applying the entity's accounting policies.

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

(All amount are in thousands of Ghana Cedis unless otherwise stated)

5. Revenue

| | 2017 GWH | 2016 GWH | 2017 Amount | 2016 Amount |
|------------------------------------|-------------|-------------|----------------|----------------|
| Total transmission | 13,678 | 13,077 | | |
| Sub-station usage | 8 | 8 | | |
| Transmission loss | 587 | 607 | | |
| Revenue from transmission services | | | <u>715,200</u> | <u>673,835</u> |

6. Direct cost

| | 2017 | 2016 |
|---|----------------|----------------|
| Staff cost (note 8) | 92,724 | 83,107 |
| Materials and spares consumed | 2,133 | 993 |
| Maintenance and other direct cost | 35,585 | 32,577 |
| Depreciation of property, plant and equipment (note 12) | 98,714 | 97,464 |
| Write-off of property, plant and equipment (note 12) | 612 | 133 |
| Transmission loss | <u>123,764</u> | <u>128,423</u> |
| | <u>353,532</u> | <u>342,697</u> |

7. Other income

| | | |
|--------------------------------|---------------|---------------|
| Bandwith income | 1,207 | - |
| Fibre optic maintenance income | 1,694 | 1,442 |
| Exchange gain | 24,293 | 17,051 |
| Miscellaneous income | 1,808 | 7,594 |
| | <u>29,002</u> | <u>26,087</u> |

8. General and administrative expenses

| | | |
|---|----------------|----------------|
| Directors emoluments | 151 | 370 |
| Staff cost | 95,217 | 61,420 |
| Materials and spares consumed | 3,592 | 381 |
| Other administrative cost | 76,295 | 37,998 |
| Depreciation of property, plant and equipment (note 12) | 17,844 | 7,875 |
| Provision for bad debt | 15,197 | 57,227 |
| Amortisation of intangible assets (note 13) | 2,589 | 186 |
| Auditors remuneration | 176 | 160 |
| | <u>211,061</u> | <u>165,617</u> |
| Staff cost for the year include: | | |
| Wages and salaries and other termination benefits | 166,371 | 127,520 |
| Employers share of pension cost | 21,570 | 17,007 |
| | <u>187,941</u> | <u>144,527</u> |

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

(All amount are in thousands of Ghana Cedis unless otherwise stated)

8. General and administrative expenses (Continued)

| | 2017 | 2016 |
|--|---------------|---------------|
| Allocation of staff cost: | | |
| Staff cost allocated to direct cost (note 6) | 92,724 | 83,107 |
| Staff cost allocated to general and expenses | 95,217 | <u>61,420</u> |

The total number of staff employed by the Company by the end of the year was 947 (2016: 900).

9. Finance costs

| | 2017 | 2016 |
|--|----------------|---------------|
| Finance cost on staff loans | 2,588 | - |
| Interest on loans and overdrafts (note 21) | 65,505 | 25,385 |
| Exchange loss on borrowings (note 21) | 143,283 | <u>74,079</u> |
| | 211,376 | <u>99,464</u> |

10. Finance income

| | | |
|-----------------|--------------|--------------|
| Interest income | 3,261 | <u>1,124</u> |
|-----------------|--------------|--------------|

11. Income tax

(i) Income tax expense

| | | |
|-------------------------------------|--------------|-----------------|
| Current income tax | - | 58,608 |
| Deferred income tax charge/(credit) | 2,594 | <u>(34,472)</u> |
| Total | 2,594 | <u>24,136</u> |

Year ended 31 December 2017

| | Balance 1 January | Charge to income statement | Payment during the year | Balance 31 December |
|---------------------|-------------------|----------------------------|-------------------------|---------------------|
| Year of assessment: | | | | |
| 2008 to 2016 | 151,591 | - | - | 151,591 |
| 2017 | <u>-</u> | <u>-</u> | <u>(6,108)</u> | (6,108) |
| Total | <u>151,591</u> | <u>-</u> | <u>(6,108)</u> | 145,483 |

Year ended 31 December 2016

| | Balance 1 January | Charge to income statement | Payment during the year | Balance 31 December |
|---------------------|-------------------|----------------------------|-------------------------|---------------------|
| Year of assessment: | | | | |
| 2008 to 2015 | 96,229 | - | - | 96,229 |
| 2016 | - | <u>58,608</u> | <u>(3,246)</u> | <u>55,362</u> |
| Total | <u>96,229</u> | <u>58,608</u> | <u>(3,246)</u> | <u>151,591</u> |

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

(All amount are in thousands of Ghana Cedis unless otherwise stated)

11. Income tax (Continued)

The tax on the Company's (loss)/profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits for the profit of the Company as follows:

| | 2017 | 2016 |
|--|-----------------|---------------|
| (Loss)/profit before income tax | (28,506) | <u>93,268</u> |
| Corporate tax rate | 25% | 25% |
| Income tax using the corporate tax rate of 25% | (7,127) | 23,317 |
| Adjusted for tax effect of: | | |
| Unutilised tax losses | 7,135 | - |
| Expenses not deductible for tax purposes | 2,586 | <u>819</u> |
| Income tax expense | 2,594 | <u>24,136</u> |

(ii) Deferred income tax liabilities

| | | |
|-------------------------------------|----------------|----------------|
| Balance as at 1 January | 470,203 | 449,157 |
| Charge/(credit) to income statement | 2,594 | (34,472) |
| Charge to equity | 39,573 | <u>55,518</u> |
| Balance as at 31 December | 512,370 | <u>470,203</u> |

Year ended 31 December 2017

| | At 1 January | Credit to income statement | Charged to equity | At 31 December |
|--|----------------|----------------------------|-------------------|----------------|
| Deferred tax liabilities arising from: | | | | |
| Other deductible temporary difference | 54,538 | 2,594 | - | 57,132 |
| Revaluation surplus on properties | <u>415,665</u> | - | <u>39,573</u> | 455,238 |
| | <u>470,203</u> | <u>2,594</u> | <u>39,573</u> | 512,370 |

Year ended 31 December 2016

| | At 1 January | Credit to income statement | Charged to equity | At 31 December |
|--|----------------|----------------------------|-------------------|----------------|
| Deferred tax liabilities arising from: | | | | |
| Other deductible temporary difference | 89,010 | (34,472) | - | 54,538 |
| Revaluation surplus on properties | <u>360,147</u> | - | <u>55,518</u> | <u>415,665</u> |
| | <u>449,157</u> | <u>(34,472)</u> | <u>55,518</u> | <u>470,203</u> |

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

(All amounts are in thousands of Ghana Cedis unless otherwise stated)

12. Property, plant and equipment Year ended 31 December 2017

| Cost/valuation | Transmission assets | Freehold land | Leasehold land | Buildings | Motor vehicles | Computers | Miscellaneous plant & office equipment | Capital work-in progress | Total |
|--|---------------------|---------------|----------------|----------------|----------------|--------------|--|--------------------------|------------------|
| Balance as at 1 January 2017 | 3,663,839 | 16,129 | 25,817 | 160,004 | 132,808 | 5,093 | 5,704 | 1,601,721 | 5,611,115 |
| Write-off | - | - | - | (666) | - | - | - | - | (666) |
| Transfers from Capital Works | 356,445 | - | - | 4,523 | 1,648 | 330 | 718 | (363,664) | - |
| Transfers from CWIP to intangible assets | - | - | - | - | - | - | - | (1,381) | (11,381) |
| Gross revaluation adjustment | 347,736 | - | - | 13,133 | 11,462 | 444 | 477 | - | 373,252 |
| Direct purchases | 457,998 | - | - | 786 | 6,758 | 269 | 546 | 611,140 | 1,077,497 |
| Balance 31 December 2017 | 4,826,018 | 16,129 | 25,817 | 177,780 | 152,676 | 6,136 | 7,445 | 1,837,816 | 7,049,817 |
| Accumulated depreciation | | | | | | | | | |
| Balance as at 1 January 2017 | 1,809,696 | - | 5,889 | 25,139 | 103,447 | 4,580 | 3,103 | - | 1,951,854 |
| Write-off | - | - | - | (54) | - | - | - | - | (54) |
| Gross revaluation adjustment | 203,195 | - | - | 2,197 | 9,330 | 400 | 278 | - | 215,400 |
| Charge for the year | 98,714 | - | 1,178 | 4,438 | 11,029 | 423 | 776 | - | 116,558 |
| Balance at 31 December 2017 | 2,111,605 | - | 7,067 | 31,720 | 123,806 | 5,403 | 4,157 | - | 2,283,758 |

Net book value

| | | | | | | | | | |
|---------------------|------------------|---------------|---------------|----------------|---------------|------------|--------------|------------------|------------------|
| At 31 December 2017 | 2,714,413 | 16,129 | 18,750 | 146,060 | 28,870 | 733 | 3,288 | 1,837,816 | 4,766,059 |
| At 31 December 2016 | 1,854,143 | 16,129 | 19,928 | 134,865 | 29,361 | 513 | 2,601 | 1,601,721 | 3,659,261 |

Analysis of depreciation charged to the income statements:

Included in cost of sales (note 6) – depreciation of transmission and other related assets
Included in general and administrative expense (note 8)

| | | | | | | | | | |
|---|--|--|--|--|--|--|--|----------------|-------------|
| Total depreciation charge for the year | | | | | | | | 2017 | 2016 |
| | | | | | | | | 98,714 | 97,464 |
| | | | | | | | | 17,844 | 7,875 |
| | | | | | | | | 116,558 | 105,339 |

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

(All amounts are in thousands of Ghana Cedis unless otherwise stated)

12. Property, plant and equipment (Continued)Year ended 31 December 2016

| Cost/valuation | Transmission assets | Freehold land | Leasehold land | Buildings | Motor vehicles | Computers | Miscellaneous plant & office equipment | Capital work-in progress | Total |
|------------------------------|---------------------|---------------|----------------|----------------|----------------|--------------|--|--------------------------|------------------|
| Balance as at 1 January 2016 | 3,131,907 | 16,129 | 25,817 | 138,889 | 120,331 | 4,316 | 4,639 | 1,139,024 | 4,581,052 |
| Write-off | - | - | - | - | (2,144) | - | - | - | (2,144) |
| Transfers | 44,893 | - | - | 1,994 | - | - | - | (46,887) | - |
| Gross revaluation adjustment | 487,039 | - | - | 19,121 | 3,901 | 603 | 619 | - | 511,283 |
| Additions | - | - | - | - | 10,720 | 174 | 446 | 509,584 | 520,924 |
| Balance 31 December 2016 | <u>3,663,839</u> | <u>16,129</u> | <u>25,817</u> | <u>160,004</u> | <u>132,808</u> | <u>5,093</u> | <u>5,704</u> | <u>1,601,721</u> | <u>5,611,115</u> |
| Accumulated depreciation | | | | | | | | | |
| Balance as at 1 January 2016 | 1,447,253 | - | 4,711 | 18,321 | 86,444 | 3,559 | 2,155 | - | 1,562,443 |
| Write-off | - | - | - | - | (2,011) | - | - | - | (2,011) |
| Gross revaluation adjustment | 281,101 | - | - | 2,972 | 1,134 | 530 | 346 | - | 286,083 |
| Charge for the year | <u>81,342</u> | - | <u>1,178</u> | <u>3,846</u> | <u>17,880</u> | <u>491</u> | <u>602</u> | - | <u>105,339</u> |
| Balance at 31 December 2016 | <u>1,809,696</u> | - | <u>5,889</u> | <u>25,139</u> | <u>103,447</u> | <u>4,580</u> | <u>3,103</u> | - | <u>1,951,854</u> |
| Net book value | | | | | | | | | |
| At 31 December 2016 | <u>1,854,143</u> | <u>16,129</u> | <u>19,928</u> | <u>134,865</u> | <u>29,361</u> | <u>513</u> | <u>2,601</u> | <u>1,601,721</u> | <u>3,659,261</u> |
| At 31 December 2015 | <u>1,684,554</u> | <u>16,129</u> | <u>21,106</u> | <u>120,568</u> | <u>33,887</u> | <u>757</u> | <u>2,484</u> | <u>1,139,024</u> | <u>3,018,609</u> |

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

(All amount are in thousands of Ghana Cedis unless otherwise stated)

12. Property, plant and equipment (Continued)

A revaluation of the Company's property, plants and equipment and intangible assets was performed to determine their fair values as at 31 December 2017 and 2016. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'revaluation reserves' in shareholders equity. Set out below are the hierarchy for classifying valuation inputs:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The most significant inputs used in the valuation are set out in note 4.1.2 and are classified under the level 2 fair value inputs hierarchy.

Valuation processes of the Company

On a monthly basis management determines the fair value of the Company's property and equipment using the indexation method. Valuation by an external valuer is done every seven years, with the most recent being in 2011.

13. Intangible assets

Software

| | 2017 | 2016 |
|--------------------------------------|---------------|--------------|
| Cost/valuation | | |
| Balance as at 1 January | 3,700 | 352 |
| Additions | - | 3,057 |
| Transfer from CWIP | 11,381 | - |
| Gross revaluation adjustment | 562 | 291 |
| At 31 December | <u>15,643</u> | <u>3,700</u> |
| Amortisation | | |
| Balance as at 1 January | 448 | 145 |
| Gross revaluation adjustment | 123 | 117 |
| Charge for the year | 2,589 | 186 |
| At 31 December | <u>3,160</u> | <u>448</u> |
| Net book value at 31 December | <u>12,483</u> | <u>3,252</u> |

14. Loans and receivables

| | | |
|-------------|--------------|---------------|
| Staff loans | <u>7,843</u> | <u>10,516</u> |
|-------------|--------------|---------------|

Represents various loans granted to staff with duration of between five and ten years.

15. Inventories

| | 2017 | 2016 |
|------------------------|---------------|---------------|
| Stores and spare parts | <u>19,121</u> | <u>19,147</u> |

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

(All amount are in thousands of Ghana Cedis unless otherwise stated)

| 16. Trade and other receivables | 2017 | 2016 |
|--|------------------------|-----------------|
| Gross trade receivable | 1,059,300 | 776,254 |
| Impairment of trade receivables | <u>(79,624)</u> | <u>(64,427)</u> |
| Net trade receivables | 979,676 | 711,827 |
| Sundry receivables | 6,731 | - |
| Fibre optic maintenance debtors | 615 | 596 |
| Advances | 4,406 | 825 |
| Prepaid expenses | 2,015 | 621 |
| Staff advances | <u>5,143</u> | <u>1,331</u> |
| | <u>998,586</u> | <u>715,200</u> |

Out of the gross trade receivable of GH¢ 1,059.3 million (2016: GH¢ 776.2 million), GH¢ 994.8 million (2016: GH¢ 721.9 million) is due from related parties (note 23(b)).

The maximum amount of staff loans during the year did not exceed GH¢ 10.83 million (2016: GH¢ 10.516 million).

All trade debtors and other receivables (excluding prepayments) are current and their carrying amounts approximate their fair value.

Movement on the provision for impairment of trade receivables is as follows:

| | 2017 | 2016 |
|--------------------------------|----------------------|---------------|
| At January 1 | 64,427 | 7,200 |
| Impairment charge for the year | <u>15,197</u> | <u>57,227</u> |
| At December 31 | <u>79,624</u> | <u>64,427</u> |

17. Cash and cash equivalents

| | | |
|---------------|-----------------------|----------------|
| Call account | 7,450 | 9,118 |
| Cash on hand | 55 | 35 |
| Cash at banks | <u>191,029</u> | <u>188,720</u> |
| | <u>198,534</u> | <u>197,873</u> |

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

| | 2017 | 2016 |
|---------------------------|-----------------------|----------------|
| Cash and cash equivalents | 198,534 | 197,873 |
| Bank overdraft | <u>(4,781)</u> | <u>(735)</u> |
| | <u>193,753</u> | <u>197,138</u> |

Included in cash and cash equivalents is GH¢ 148.07 million (2016: GH¢ 150.82 million) representing amounts held in debt service reserve accounts to service the Company's debt facilities.

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

(All amount are in thousands of Ghana Cedis unless otherwise stated)

18. Stated capital

i. The number of shares authorised, issued and in treasury are as follows:

| | 2017 | 2016 |
|-------------------------|-------------------|-------------------|
| Ordinary shares: | | |
| Authorised | <u>10,000,000</u> | <u>10,000,000</u> |
| Issued | <u>10,000,000</u> | <u>10,000,000</u> |

ii. Proceeds from the issued shares are as follows:

| | | |
|-------------------------------|----------------|----------------|
| Ordinary shares: | | |
| Issued for cash | 1 | 1 |
| Consideration other than cash | <u>350,921</u> | <u>350,921</u> |
| Total | <u>350,922</u> | <u>350,922</u> |

19. Income surplus account

The income surplus balance represents the amount available for distribution to the members of the Company, subject to regulations imposed by Companies Act, 1963 (Act 179). Movements in the income surplus account are shown as part of the statement of changes in equity on page 38.

20. Revaluation reserve account

The revaluation reserve balance represents revaluation gains on the Company's property, plant and equipment. Movements in the income surplus account are shown as part of the statement of changes in equity on page 38.

21. Interest bearing loans and borrowings

| | 2017 | 2016 |
|---|------------------|------------------|
| Loans due within one year | <u>294,833</u> | <u>291,734</u> |
| Loans falling due after one year | | |
| Loans due within two and five years | <u>823,970</u> | <u>855,065</u> |
| Over five years | <u>987,359</u> | <u>85,591</u> |
| Total borrowings | <u>1,811,329</u> | <u>940,656</u> |
| | <u>2,106,162</u> | <u>1,232,390</u> |

21. Interest bearing loans and borrowings

Year ended 31 December 2017

| Lender | At start of year | Drawdown/ unpaid interest | Repayment | Exchange difference | At end of year |
|--------------------------------|------------------|------------------------------|-----------|------------------------|----------------|
| Rand Merchant Bank | 34,408 | 399 | (17,906) | 1,317 | 18,218 |
| Societe Generale Ghana Limited | 146,885 | 542 | (23,743) | 27,910 | 151,594 |
| Societe Generale Ghana Limited | 111,141 | 410 | (16,787) | 22,135 | 116,899 |

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

(All amount are in thousands of Ghana Cedis unless otherwise stated)

21. Interest bearing loans and borrowings (Continued)

| | | | | | |
|--------------------------------------|------------------|----------------|------------------|----------------|------------------|
| HSBC | 11,075 | 51 | (5,940) | 713 | 5,899 |
| Nordea Bank | 124,330 | 18 | (1,195) | 9,535 | 132,688 |
| Stanbic Bank | 6,173 | 4 | (2,469) | - | 3,708 |
| Ecobank | 269,143 | - | (70,081) | 14,533 | 213,595 |
| CAL Bank | 53,653 | 324 | (13,104) | 2,849 | 43,722 |
| Bank of Africa | 37,617 | 260 | (13,831) | 10,106 | 34,152 |
| Agence Francaise de Development | 223,040 | 127,074 | (7,778) | 13,574 | 355,910 |
| IDA 4971 GH (WB) | 28,793 | 52,096 | - | 4,423 | 85,312 |
| Societe Generale (STL) | 11,496 | - | (12,654) | 1,158 | - |
| Newmont Golden Ridge | 10,205 | - | (4,400) | 513 | 6,318 |
| IBISTEK- Afiensa Substation | 17,710 | 12,145 | (10,776) | 731 | 19,810 |
| Sunon Asogli | 8,502 | - | (3,482) | 366 | 5,386 |
| Export - Import Bank of Korea | 86,611 | 69,631 | - | 22,615 | 178,857 |
| Ministry of Finance - On Lending | 51,608 | 1,245 | - | 10,805 | 63,658 |
| VRA Contribution to WAPP- US Dollar | - | 66,464 | - | - | 66,464 |
| Kuwait Fund 657 | - | 37,249 | - | - | 37,249 |
| IDA CR4092 | - | 192,584 | - | - | 192,584 |
| IDA CR4213 | - | 187,623 | - | - | 187,623 |
| African Development Bank | - | 88,199 | - | - | 88,199 |
| AFD B-GEDAP | - | 52,986 | - | - | 52,986 |
| VRA Contribution to WAPP- Ghana Cedi | - | 21,479 | - | - | 21,479 |
| Ecobank Short Term Loan | - | 59,099 | (35,247) | - | 23,852 |
| Total | 1,232,390 | 969,882 | (239,393) | 143,283 | 2,106,162 |

Included in the drawdown/unpaid interest balance is an amount drawn down of GH¢923.20 million (2016: GH¢189.08 million), interest charge for the year of GH¢65.51 million (2016: GH¢25.39 million) net of the interest repayment of GH¢18.82 million (2016: GH¢25.39 million).

Year ended 31 December 2016

| Lender | At start of year | Drawdowns | Repayment | Exchange difference | At end of year |
|--------------------------------|------------------|-----------|-----------|---------------------|----------------|
| Newmont Ghana Gold Mines | 5,374 | - | (5,449) | 75 | - |
| Rand Merchant Bank | 45,922 | - | (14,886) | 3,372 | 34,408 |
| Standard Chartered Bank | 17,796 | - | (18,047) | 251 | - |
| CAL Bank Cedi | 324 | - | (324) | - | - |
| Ghana International Bank | 7,197 | - | (7,678) | 481 | - |
| Societe Generale Ghana Limited | 159,125 | - | (21,051) | 8,811 | 146,885 |
| Societe Generale Ghana Limited | 119,400 | - | (14,811) | 6,552 | 111,141 |
| HSBC | 15,076 | - | (5,169) | 1,168 | 11,075 |
| Nordea Bank | 131,720 | - | (14,554) | 7,164 | 124,330 |
| Stanbic Bank | 11,362 | - | (5,189) | - | 6,173 |
| Ecobank | 213,184 | 67,251 | (31,378) | 20,086 | 269,143 |
| CAL Bank | 59,155 | - | (10,783) | 5,281 | 53,653 |

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

(All amount are in thousands of Ghana Cedis unless otherwise stated)

21. Interest bearing loans and borrowings (Contonued)

| | | | | | |
|----------------------------------|----------------|----------------|------------------|---------------|------------------|
| Bank of Africa | 38,100 | - | (6,737) | 6,254 | 37,617 |
| Agence Francaise de Development | 5,610 | 209,558 | - | 7,872 | 223,040 |
| IDA 4971 GH (WB) | 16,011 | 11,059 | - | 1,723 | 28,793 |
| Ghana International Bank (STL) | 17,075 | - | (17,495) | 420 | - |
| Societe Generale (STL) | - | 19,516 | (8,181) | 161 | 11,496 |
| Newmont Golden Ridge | - | 11,640 | (2,349) | 914 | 10,205 |
| IBISTEK- Afienny Substation | - | 19,992 | (3,374) | 1,092 | 17,710 |
| Sunon Asogli | - | 9,374 | (1,622) | 750 | 8,502 |
| Export - Import Bank of Korea | - | 81,128 | - | 736 | 81,864 |
| LC – GCB - Import Bank of Korea | - | 4,747 | - | - | 4,747 |
| Ministry of Finance - On Lending | - | <u>50,692</u> | - | <u>916</u> | <u>51,608</u> |
| Total | <u>862,431</u> | <u>484,957</u> | <u>(189,077)</u> | <u>74,079</u> | <u>1,232,390</u> |

Summary of loan facilities

- Newmont Golden Ridge Limited constructed the Akyem Power Project and passed on the cost to GRIDCo as a loan. The loan is US Dollar denominated with a tenor of 3 years. No interest accrues on this amount as this is a cost reimbursement.
- NORDEA Bank financed the Bawku Zebilla Reinforcement Project with a Euro Loan. Interest rate is EUROBOR plus 1.94% with a tenor of 13 years. The moratorium is 3 years.
- CAL Bank financed the Accra third bulk supply with a US Dollar and Cedi denominated loan. The tenor is 4 years with 18 months grace year. Interest rate is 11% and 25% for the Dollar and Cedi loans respectively. Cal Bank also financed the Supply improvement to Brekum project with a Dollar loan. The tenor is 7 years with 2 years grace year with an interest rate of 8.5%.
- Rand Merchant Bank financed the Smelter II project with a US Dollar denominated loan with a tenor of 7 years with 36 months grace year. Interest rate is LIBOR plus 3 %.
- IBISTEK financed the construction of a warehouse and passed on a US Dollar denominated loan to GRIDCo. Tenor is 4 years with 12 months grace year. Interest is 6.25%.
- Standard Chartered bank financed the supply of transformers with a US Dollar loan. Tenor is 5 years with 12 months grace year. Interest rate is LIBOR plus 5.85.
- Ghana International bank financed the supply of transformers with a US Dollar loan. Tenor is 6 years with 12 months grace Year. Interest rate is 7.25%.
- Stanbic Bank co-financed the Bawku Zebilla Reinforcement Project with a Cedi loan. Tenor is 7 years with 2 years grace year. Interest rate is 23.5%.
- Ecobank financed the Supply Improvement to Western Region Project with a Euro denominated loan. Tenor is 7 years with 2 years grace year. Interest rate is 5%.
- Bank of Africa financed the Switchgear Upgrade Project with a Euro denominated loan. Tenor is 6.5 years with 24 months grace year. The interest rate is 9%.
- Agence Francaise de Development financed the 330kv Kumasi to Bolgatanga Transmission line and other components with a Euro Loan. The facility has a 20 years tenor with 5 years moratorium. Interest is 6 months LIBOR plus 1.63%.
- The IDA 4971 GH is a World Bank facility. The facility is for 35 years with a 10 year moratorium at an interest rate of 0.75% per annum.
- Societe Generale Ghana Limited financed the Tumu-Han-Wa transmission Project and the Substation Reliability Project with a Euro denominated loan. Tenor is 12 and 11.5 years respectively with 29 and 23 months moratorium respectively. Interest rate is EURIBOR plus 1.75% for the two loans.
- HSBC financed the Prestea - Bogoso transmission lines and Substation Refurbishment Project with a Dollar loan. Tenor is 5 years with 12 months moratorium. Interest rate is LIBOR plus 1.9%.

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

(All amount are in thousands of Ghana Cedis unless otherwise stated)

21. Interest bearing loans and borrowings (Continued)

- Societe Generale Ghana made available to GRIDCo a euro short-term facility for general corporate purpose at 8% interest rate over a twelve month period from the date of initial drawdown.
- Ecobank Ghana Limited made available to GRIDCo a US Dollar short-term facility for general corporate purpose at 13% interest rate over a three month period from the date of initial drawdown.
- Sunon Asogli Power (SAP) constructed a 161kV double circuit transmission line for their gas powered plant at Tema and passed on the cost to GRIDCo as a loan. The loan is US Dollar denominated with a tenor of 3 years. No interest accrues on this amount as this is a cost reimbursement.
- The Government of Ghana (Represented by the Ministry of Finance) and GRIDCo signed an on-lending agreement in respect of funding for the construction of the Kpando-Kajebi 161kV Single circuit transmission line and substation works. Tenor is 9.5 years at an interest rate of 2%.
- The Export-Import Bank of Korea financed the Prestea Enhancement Project with a dollar loan. Tenor is 25 years at an interest rate of 0.5%.
- The Government of Ghana (Represented by the Ministry of Finance) and the Kuwait fund for Arab Economic Development signed an agreement in respect of funding for the construction of the 330 kV Aboadze-Volta transmission line project. Tenor is 20 years with 4 years grace year at an interest rate of 3% per annum and an additional charge of 0.5% per annum for administrative charges. This facility was transferred to GRIDCo from the Volta River Authority (VRA) effective 31 December 2017.
- The IDA CR 4092 GH is a World Bank facility for the construction of the first phase of the Coastal Transmission Backbone project. The facility is for 30 years with a 10 year moratorium at an interest rate of 1% per annum for the first 10 years and 2% for the remaining period. This facility was transferred to GRIDCo from VRA effective 31 December 2017.
- The IDA CR 4213 GH is a World Bank facility for the construction of the second phase of the Coastal Transmission Backbone project. The facility is for 30 years with a 10 year moratorium at an interest rate of 1% per annum for the first 10 years and 2% for the remaining period. This facility was transferred to GRIDCo from VRA effective 31 December 2017.
- African Development Bank financed the Power System Reinforcement Project (GEDAP) through a Loan facility granted to the Government of Ghana. The facility has a 40 years tenor with 10 years moratorium. Interest is 1% per annum for the first 10 years and 3% for the remaining period. This facility was transferred to GRIDCo from VRA effective 31 December 2017. Repayment on the facility commences 2018.
- African Development Bank financed the Ghana-Togo-Benin 330kV Power Interconnection Project through a Loan facility granted to the Government of Ghana. The facility has a 40 years tenor with 10 years moratorium. Interest is 1% per annum for the first 10 years and 3% for the remaining period. This facility was transferred to GRIDCo from VRA effective 31 December 2017. Repayment on the facility commences 2018.
- Volta River Authority (VRA) Contribution to WAPP relates to the portion of the facility financed by VRA on behalf of GRIDCo in respect of some transmission assets constructed by VRA. This liability was transferred to GRIDCo effective 31 December 2017.

22. Trade and other payables

| | 2017 | 2016 |
|---|----------------|----------------|
| Amount due to Public Utility Regulatory Commission | 83,247 | 62,335 |
| Amount due to related party (Volta River Authority) (note 23 (c)) | 335,525 | 216,850 |
| Power infrastructure and ancillary service charge | 202,314 | 103,029 |
| Trade payables | 61,079 | 99,496 |
| Accrued expenses | 124,359 | 3,122 |
| | 806,524 | <u>484,832</u> |
| Trade payables – non current | | |
| Compensation payments | 70,788 | = |

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

(All amount are in thousands of Ghana Cedis unless otherwise stated)

23. Related party transactions

Ghana Grid Company Limited is wholly own by the Government of Ghana. The Company is related to Volta River Authority, Electricity Company of Ghana, Northern Electricity Distribution Company Limited and Volta Aluminium Company Limited through common shareholding.

During the year transactions between the Company and its related parties are as follows:

| | 2017 | 2016 |
|--|----------------|----------------|
| (i) Provision of transmission services: | | |
| Electricity Company of Ghana | 500,099 | 466,987 |
| Volta Aluminium Company Limited | 37,402 | 30,081 |
| Northern Electricity Distribution Company Limited | <u>62,313</u> | <u>57,418</u> |
| (ii) Rendering of services: | | |
| Volta River Authority | <u>3,949</u> | <u>4,621</u> |
| Year end balances arising from transactions with related parties are as follows: | | |
| (a) Loans due from related parties: | | |
| | 2017 | 2016 |
| Long-term portion of staff loan (note 14) | 7,843 | 10,516 |
| Short-term portion of staff loans (note 16) | <u>5,114</u> | <u>1,331</u> |
| | <u>12,957</u> | <u>11,847</u> |
| (b) Receivables from related parties: | | |
| Electricity Company of Ghana | 700,070 | 540,397 |
| Volta Aluminium Company Limited | 161,965 | 117,889 |
| Northern Electricity Distribution Company Limited | <u>132,772</u> | <u>63,660</u> |
| | <u>994,807</u> | <u>721,946</u> |
| (c) Payables to related parties: | | |
| Volta River Authority (VRA) | <u>335,525</u> | <u>216,850</u> |
| (d) Compensation of key management personnel of the Company | | |
| | 2017 | 2016 |
| Salaries, wages and termination benefits | 13,328 | 5,741 |
| Employers pension contribution | <u>1,463</u> | <u>1,123</u> |
| | <u>14,791</u> | <u>6,864</u> |

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

(All amount are in thousands of Ghana Cedis unless otherwise stated)

24. Donor support

Donor support represents grants from Agence Française de Développement (AFD) to support the construction of a 330 kilo-volts transmission line from Kumasi to Bolga to reinforce its network and a 225 kilo-volts interconnection from Bolga to Burkina Faso. These grants are included in non-current liabilities as 'deferred donor support' in the statement of financial position and are credited to income statements after the completion of the project on a straight-line basis over the expected lives of the related assets. The movement in donor support during the year is set out below:

| | 2017 | 2016 |
|--------------------------|--------------|--------------|
| Balance as at 1 January | 5,301 | 3,724 |
| Receipts during the year | 4,240 | 1,577 |
| | 9,541 | 5,301 |

25. Deferred income

Deferred income represents the unamortised portion of prepaid lease paid by a customer for a designated route segment of the Company's transmission grid.

The movement in deferred income is set out below:

| | 2017 | 2016 |
|----------------------------|--------------|--------------|
| As at 1 January | 9,434 | - |
| Addition | - | 9,434 |
| Credit to income statement | (838) | - |
| As at 31 December | 8,596 | 9,434 |

The maturity analysis of deferred income is set out below:

| | | |
|--|--------------|--------------|
| Between 0 to 12 months (current) | 629 | 629 |
| Between 12 months to 18 months (non-current) | 7,967 | 8,805 |
| | 8,596 | 9,434 |

GHANA GRID COMPANY LIMITED

Financial Statements for the year ended 31 December 2017

NOTES (Continued)

(All amount are in thousands of Ghana Cedis unless otherwise stated)

26. Comparatives

Where necessary, comparatives have been presented to conform to presentation of the current year.

27. Contingencies and commitments

(a) Guarantees and indemnities

As at 31 December 2017, the Company had the following guarantees and letters of credit:

| | 2017 | 2016 |
|----------------------------------|--------------------------|--------------------|
| Guarantees: | | |
| GCB Bank Limited | 6,025,912 | - |
| HSBC | 17,544,144 | 16,612,048 |
| Letters of credit: | | |
| GCB Bank Limited | 16,471,714 | 115,963,239 |
| Ghana International Bank Limited | 3,970,846 | <u>29,718,755</u> |
| | <u>44,012,616</u> | <u>162,294,042</u> |

(b) Contingencies

(i) Claims

There were no claims against the Company at the reporting date (2016:nil)

(ii) Contingent liabilities

As at 31 December 2017, the Company was in a dispute with the Volta River Authority over the rate applied by the Volta River Authority in the computation of transmission losses billed to the Company. There is also a dispute over the measurement of these transmission losses. The dispute has been referred to the Public Utilities Regulatory Commission for settlement. The value of these losses in dispute as at 31 December 2017 is GH¢53,752,944.

The Company acquired Value Added Tax (VAT) agency status in June 2017. It however does not charge output VAT on transmission services rendered. The output VAT accrued by the Company as at 31 December 2017 is GH¢ 75,832,538.

(c) Commitments

Capital commitments at the balance sheet date is GH¢622.37 million (2016: GH¢ 1.031 billion). This is in respect of the construction of transmission assets.

28. Events after the reporting period

There were no events after the reporting period, which could have had a material effect on the state of affairs of the Company as at 31 December 2017 and on the results for the year then ended which have not been adequately provided for and/or disclosed.

PROXY FORM

I..... of
being a Member of the above-named Company hereby appointof
.....as our proxy to vote for us on our behalf at the 9th Annual General Meeting of the
Company to be held at the on at and every adjournment thereof.

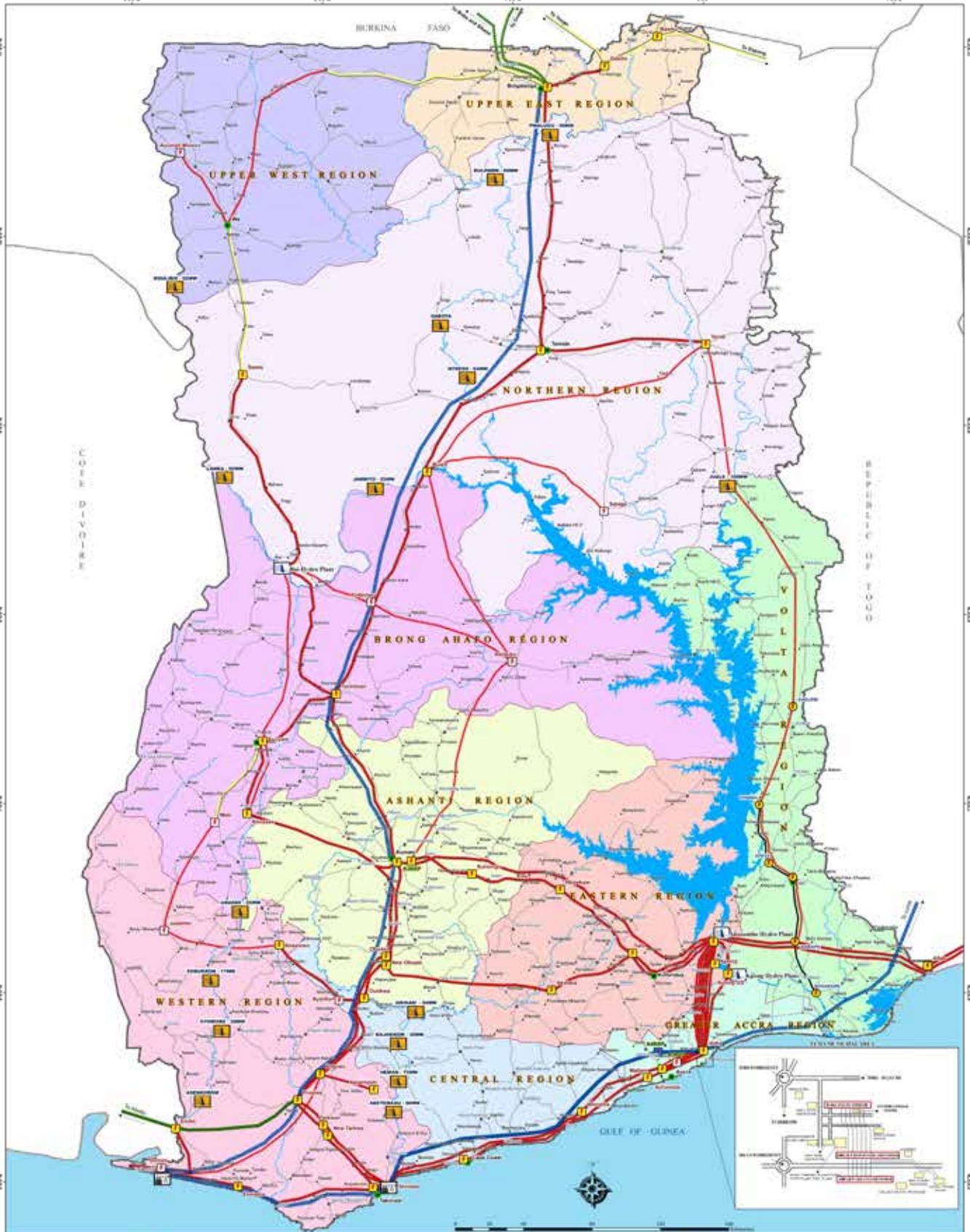
Please indicate with an "X" in the spaces below how you wish your vote to be cast.

| RESOLUTION | FOR | AGAINST |
|--|-----|---------|
| 1. To receive and consider the Financial Statements for the year ended December 31, 2017, together with the Reports of the Directors and Auditors thereon. | | |
| 2. To authorize Directors to re-appoint auditors to audit the 2018 Financial Statements and to fix the remuneration of Auditors. | | |

Signed this day of November, 2018

Shareholder's Signature.....

NATIONAL INTERCONNECTED TRANSMISSION SYSTEM OF GHANA



LEGEND

- | | | | | |
|--|--|--|--|---|
| <ul style="list-style-type: none"> ● Regional Capital ● District Capital ● Towns M Major Electric Plant P Potential Hydro Sites | <ul style="list-style-type: none"> U 161kV Sub-Station S 110kV Sub-Station (Proposed) A 66kV Sub-Station P Proposed 110kV Sub-Station P Potential Power Plant | <ul style="list-style-type: none"> — Existing 161kV Powerline — Proposed 161kV Powerline — Existing 110kV Powerline — Proposed 110kV Powerline — Existing 66kV Powerline — Proposed 66kV Powerline | <ul style="list-style-type: none"> — Proposed 161kV Powerline — Existing 110kV Powerline — Existing 66kV Powerline — Proposed 66kV Powerline | <ul style="list-style-type: none"> — Trunk Road — Major Rivers — National Boundary — Grid of Towns — Volta Canal |
|--|--|--|--|---|



GRIDCo

Ghana Grid Company Limited
 P.O. Box CS 7979, Tema, Ghana
 Tel: +233-303-310310
 Email: gridco@gridcogh.com
 Web: www.gridcogh.com

