



**GHANA OIL
COMPANY LIMITED**



**2006
ANNUAL REPORT
& ACCOUNT**

GOIL *Sharing good things in business with you*



GHANA OIL COMPANY LIMITED

ANNUAL REPORT
&
FINANCIAL STATEMENTS
2006

THE BOARD OF DIRECTORS



HONOURABLE FREDDIE BLAY
ACTING CHAIRMAN



MR. YAW AGYEMANG-DUAH



HON. (MRS.) CECELIA G. AMOAH



MR. GABBY NSIAH NKETIAH



MR. GOTTFRIED MARTIN SARPONG



DR. A. K. OFOSU-AHENKORAH



DR. ALHASSAN EMIL ABDULAI



MR. FRED ANTOH

Our Vision

To be a world-class provider of goods and services in the petroleum and other energy industry.

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BOARD, REGISTERED OFFICE AND OTHER INFORMATION

BOARD OF DIRECTORS: Hon. Freddie W. Blay - Acting Chairman
Dr. Alhassan Emil Abdulai
Dr. A.K. Oforu-Ahenkorah
Hon. (Mrs) Cecilia G. Amoah
Mr. Gabby Nsiah Nketiah
Mr. Gottfried Martin Sarpong
Mr. Fred Antoh
Mr. Yaw Agyemang-Duah - Managing Director

SECRETARY: Mr. S. Y. Gyaben

AUDITORS: Pannell Kerr Forster
Chartered Accountants
Farrar Avenue
P.O. Box 1219
Accra

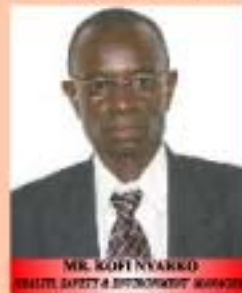
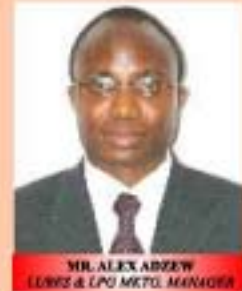
REGISTERED OFFICE: D 659/4, Kojo Thompson Road,
P.O. Box 3183,
Accra.

BANKERS: Ghana Commercial Bank
Standard Chartered Bank
Barclays Bank of Ghana Limited
Ecobank Ghana Limited
Merchant Bank Ghana Limited
Agricultural Development Bank Limited
Prudential Bank Limited
First Atlantic Merchant Bank Limited
SG-SSB Bank Limited

THE MANAGEMENT TEAM OF GOIL



Teamnetwork

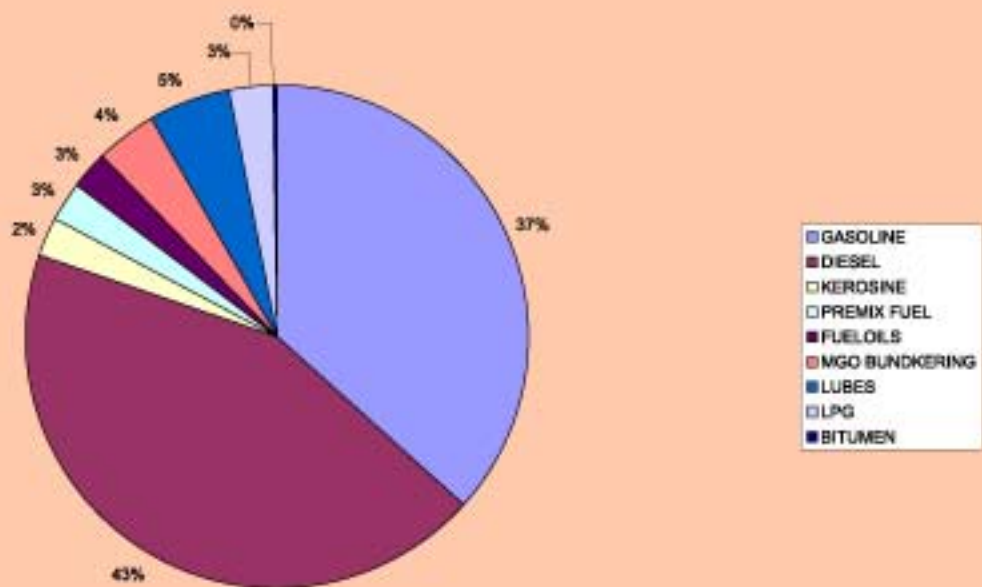


Our Mission

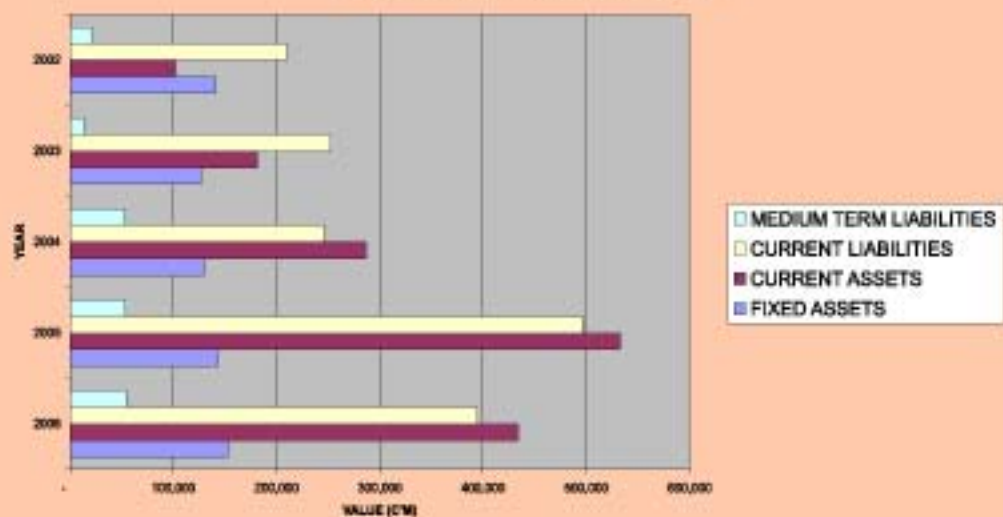
- Market quality petroleum and other energy products and services in all its branches in a healthy, safe, environmentally friendly and socially responsible manner.
- Produce and manufacture goods or provide services which enhance or support market distribution and sale of the company's products and services.

PERFORMANCE AT A GLANCE (2006)

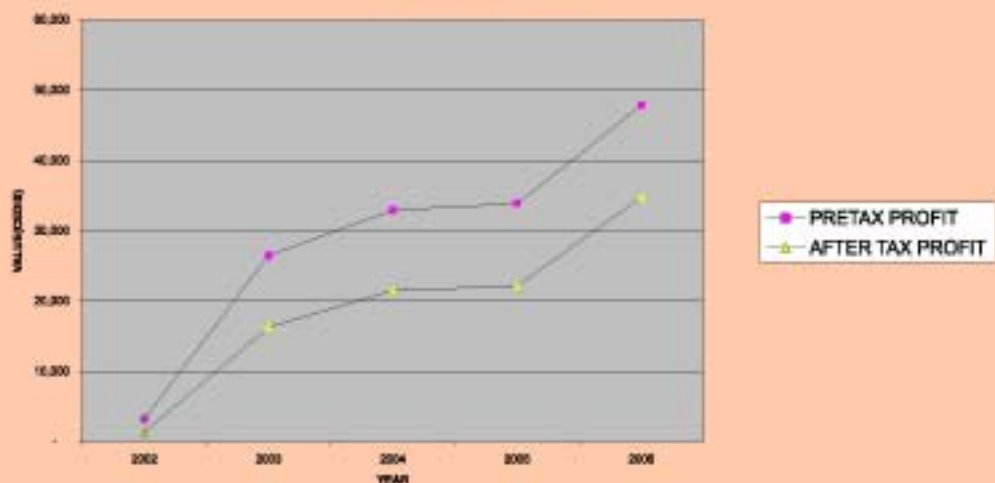
PERCENTAGE TURNOVER CONTRIBUTION BY PRODUCT



MAJOR ASSETS & LIABILITIES



TREND OF PROFIT



**FIVE-YEAR FINANCIAL REVIEW (2002-2006)
PROFIT AND LOSS ACCOUNT**

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|-------------------------------|------------------|------------------|------------------|------------------|----------------|
| | €'M | €'M | €'M | €'M | €'M |
| Gross Sales | 2,564,859 | 2,039,439 | 1,584,555 | 1,406,904 | 777,050 |
| Customs Duties and Levies | (643,263) | (658,647) | (596,398) | (437,406) | (205,734) |
| Net Sales | 1,921,596 | 1,380,792 | 988,157 | 969,498 | 571,316 |
| Sundry Income | 7,680 | 5,259 | 16,661 | 8,919 | 2,383 |
| Total Income | 1,929,276 | 1,386,051 | 1,004,818 | 978,417 | 573,699 |
| Operating Expense | (1,879,887) | (1,351,803) | (967,819) | (951,938) | (568,028) |
| Exceptional (charges)/credits | (1,696) | (359) | (4,069) | 858 | (2,466) |
| Profit before Tax | 47,893 | 33,889 | 32,930 | 27,337 | 3,205 |
| Taxation | (13,074) | (11,745) | (11,445) | (11,095) | (1,893) |
| Net Profit after tax | 34,819 | 22,144 | 21,485 | 16,242 | 1,312 |

INCOME SURPLUS ACCOUNT

| | | | | | |
|-------------------------------|---------------|---------------|---------------|-----------------|-----------------|
| Balance at 1 January | 26,565 | 12,420 | 1,023 | (29,719) | (31,031) |
| Prior year adjustment | (14,544) | 3,077 | 0 | 14,500 | 0 |
| Net Profit after Tax | 34,819 | 22,144 | 21,485 | 16,242 | 1,312 |
| Dividend | (16,305) | (11,076) | (10,088) | 0 | 0 |
| Balance at 31 December | 30,535 | 26,565 | 12,420 | 1,023 | (29,719) |

BALANCE SHEET

ASSETS

| | | | | | |
|-----------------------|----------------|----------------|----------------|----------------|----------------|
| Fixed Assets | 145,742 | 143,447 | 129,452 | 126,253 | 140,380 |
| Trade Investment | 6,473 | 6,473 | 2,333 | 110 | 110 |
| Stocks | 41,281 | 36,961 | 36,551 | 21,120 | 19,948 |
| Accounts Receivables | 361,335 | 419,136 | 189,808 | 125,191 | 59,206 |
| Short Term Investment | 12,306 | 10,850 | 10,537 | 0 | 0 |
| Cash & Bank Balance | 19,071 | 65,830 | 49,941 | 35,037 | 22,611 |
| Total Assets | 586,208 | 682,697 | 418,622 | 307,711 | 242,255 |

LIABILITIES

| | | | | | |
|--------------------------|----------------|----------------|----------------|----------------|----------------|
| Medium Term Loans | 54,345 | 53,578 | 53,254 | 13,283 | 21,129 |
| Short Term Loans | 51,623 | 0 | 0 | 101,668 | 116,303 |
| Bank Overdraft | 85,596 | 117,975 | 69,166 | 31,429 | 34,389 |
| Accounts Payable | 255,391 | 385,179 | 174,678 | 118,366 | 65,440 |
| Dividend | 0 | 0 | 3,077 | 0 | 0 |
| Deferred Tax | 3,364 | 0 | 0 | 0 | 0 |
| Taxation | (1,427) | (7,381) | (754) | 754 | (6,475) |
| Total Liabilities | 448,892 | 549,351 | 299,421 | 265,500 | 230,786 |

SHAREHOLDERS' FUNDS

| | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| Stated Capital | 67,593 | 67,593 | 67,593 | 2,000 | 2,000 |
| Income Surplus | 30,535 | 26,565 | 12,420 | 1,023 | (29,719) |
| Capital Surplus | 39,068 | 39,068 | 39,068 | 39,068 | 39,068 |
| Building Fund | 120 | 120 | 120 | 120 | 120 |
| Total | 137,316 | 133,346 | 119,201 | 42,211 | 11,469 |
| TOTAL OF LIABILITIES & SHAREHOLDERS' FUNDS | 586,208 | 682,697 | 418,622 | 307,711 | 242,255 |

CHAIRMAN'S STATEMENT



**HONOURABLE FREDDIE BLAY
ACTING CHAIRMAN**

Ladies and Gentlemen,

It is my greatest pleasure to welcome you to the 38th Annual General Meeting of Goil and pleased to inform you that the company's performance for 2006 was gratifying.

ECONOMIC ENVIRONMENT

The company operated in a favourable macro-economic environment. Inflation declined, GDP grew and borrowing interest rates on the money market continued to decline. The major constraining factor of operation was the continuous increase in the world market price of crude oil and its attendant increases in the ex-pump price leading to overall average increase of 21% over the year. However, the margin per litre of products accruing to Oil Marketing Companies went up from ₦275 per litre to ₦450 per litre from the start of May 2006.

OPERATING RESULTS & FINANCIAL POSITION

The company achieved pre-tax profit of ₦47.89 billion for 2006 (2005: ₦33.89 billion) and after tax profit of ₦34.82 billion (2005: ₦22.14 billion). This result was achieved in spite of the fact that fuels sales volume fell slightly by 2.6% compared to that of 2005 and interest on borrowing went up by 59 % due to the need to supplement working capital by bank overdraft in order to mitigate the effects of ex-pump price increases of petroleum products.

The net assets of the company grew by ₦3.97 billion (3%) to ₦137.31 billion at the end of December 2006 (2005: ₦133.35 billion). This was made up of fixed assets and trade investments of ₦152.22 billion, current assets of ₦433.99 billion, current liabilities of ₦394.55 billion and medium term liabilities of ₦54.35 billion. The resulting shareholders book value per share was ₦4,463 as at December 31, 2006 (₦4,334).

FINANCIAL CONTRIBUTIONS TO GOVERNMENT

The company paid a total amount of ₦643.26 billion in Customs Duties and Levies (2005: ₦658.65 billion) representing 25% of Gross Sales.

Other financial contributions to Government in 2006 included payment of company tax of ₦12.3 billion and Value Added Tax and National Health Insurance amounting to ₦0.46billion.

DIVIDEND

The company paid interim dividend of ₦10.15 billion to Government, the sole shareholder, in August 2006. It is pleasing to note that the Board has recommended a final dividend of ₦6.77 billion to be paid in respect of 2006, thereby bringing the total dividend for 2006 to ₦16.92 billion (₦550 per share), representing an increase in dividend pay out of 19.6% over that of the previous year.

BUSINESS DEVELOPMENT

A lot of business opportunities still abound for the company in the years to come, especially in energy related sectors.

During the year under review, the company explored sources of supply of bitumen and the search will continue so as to expand that business.

For the aviation fuel business, the company will continue to explore joining the existing Joint User Hydrant Installation facility at Kotoka International Airport with optimism.

INITIAL PUBLIC OFFER (IPO)

The Initial Public Offer (IPO) process has undergone through considerable stages up to submission of Prospectus to SEC and GSE for regulatory approvals. The company is working towards the completion of the exercise by the end of 2007.

CONCLUSION

The Board of Directors, Management and Staff of the company wish to extend their gratitude to the Government, the sole shareholder and other stakeholders for supporting Goil to achieve a successful year. We hope that the bond of partnership with the company will continue to grow in the years ahead, after the Company has listed on the Ghana Stock Exchange.

**HONOURABLE FREDDIE W. BLAY
ACTING CHAIRMAN**



MANAGING DIRECTOR'S REPORT



**MR. YAW AGYEMANG-DUAH
MANAGING DIRECTOR**

It is my pleasure to present my report on the performance of the company for the year ended December 31, 2006, and indicate the future prospects of the company.

1. INDUSTRY REVIEW

In Year 2006 crude oil price on the international market rose sharply from US \$54 in January 2006 to US\$ 78 in November 2006. This led to petroleum products price increases in the country. Despite this trend the total industry volume of sales grew by 5.7% with the bulk of the increase being taken up by

the mining fuel suppliers and the new oil marketing companies. The number of oil marketing companies which at the beginning of the year was 22 reached 36. The increase in the number of OMC's all vying for products from the same source, created some product delivery challenges as a result of inadequate logistics to handle the expanded service required from the existing facilities.

Another significant event which occurred during the year was the merger of Total and Mobil which resulted in Total becoming the market leader.

2. PERFORMANCE REVIEW

Although 2006 financial year was challenging, the company performed creditably.

The company distributed 300,152 metric tons of oil products as against 300,752 metric tons in 2005. Compared with other major competitors it is without doubt that GOIL showed appreciable resilience in the face of stiffer competition and intermittent product delivery interruptions. The company continued its dominance of the market in Lubricants, LP Gas, Marine Gas Oil and premix sales. This is attributable to strong customer relationship that we have built in these areas and marketing initiatives, including promotions and advertising that were undertaken during the year.

The company made a net turnover of ₵1.92 trillion for 2006 compared to ₵1.38 trillion for the previous year. This represented an increase of 39.2%. Gross margin of ₵176.85 billion was generated, leading to 39.7% increase over that of 2005. Operating expenses went up by 31.6% with the main contributing factors being increase in employees' compensation following salary restructuring in 2005 and bank interest charges due largely to the increase in working capital arising out of the increase in petroleum prices.

After tax net profit to net sales ratio was 1.8% (2005: 1.6%), whilst return on capital employed and earnings per share were 25.73% (2005 : 17.53%) and ₵1,132 (2005: ₵719.75) respectively.

The company was liquid during and at the end of the year under review with the

working capital position as at December 31, 2006 being ₵39.45 billion (2005: ₵37 billion).

3. MARKETING AND OPERATIONS

To meet the challenges of the competitive operational environment a number of strategies revolving around pricing, promotions, building of strong customer relationship and product brand management were re-enforced. The company stepped up its strategic marketing drive through proactive customer service operations, organisation of training programmes for frontline staff and improved company-customer interface during the year.

The company continued with its programme of improving the visual image of the stations, providing C-shops at the stations and making the stations more functional for easy maneuverability of vehicles.

Moreover, cleaning and recalibration of existing storage tanks as well as provision of other services and equipment were carried out to assure customers of the quality and quantity of fuel delivery to them.

4. HUMAN RESOURCE AND ORGANISATIONAL DEVELOPMENT

In the area of human resource and organisational development, the company pursued its policy of hiring highly skilled personnel in order to stay competitive as staff took advantage of the company's early retirement package. Thus, five employees went on early voluntary retirement whilst three were employed for the customer service unit. Also training in IT and marketing and operations, including emphasis on aviation fuel and bitumen, storage, supply and distribution continued.

Employees and station attendants were provided with regular training on fire fighting and disciplined approach to conducting operations at installations in a manner that safeguarded people and property.

In the provision of health care services for the staff and some of their dependants, the company took a step further by financing provision of preventive medical services for the staff. During the year the company sourced the services of the Pharmaceutical Society of Ghana and Cocoa Clinic in the screening and vaccination of staff and dependants against Hepatitis B.

5. HSE & SUSTAINABLE DEVELOPMENT ISSUES

In conducting business, we recognize that success depends on the prosperity and sustainability of the communities in which we operate. Thus, health, safety and environmental issues were part of the prime focus of our business operations during 2006.

During the course of the year under review, the company teamed up with the Police MTU to undertake 'Road Safety Education Campaign' in Greater Accra, Eastern and Central regions to educate drivers and motoring public at twenty seven lorry stations on road safety. Reports indicate that the collaboration and other measures taken by MTU contributed significantly to the reduction of road accidents in Accra during the year.

The company further supported the needy by donating in cash and in kind to orphanages and distressed institutions in the country during the year. Support was also extended to institutions and bodies in the areas of education, sports, health, environment, safety, culture and tourism. These included donations towards the organization of the Annual Conference of the West College of Surgeons held in Accra as well as clean-up and sanitation campaigns in two Metropolitan Assemblies.

In sports, we supported the national senior men's soccer team the Black Stars, in its maiden participation in the 2006 World Cup Competition and sponsored two major GOLF competitions.

6. BUSINESS OUTLOOK

The unstable international crude oil and petroleum products prices will continue to put pressure on local prices of products, causing some supply constraints and pressure on consumption of petroleum products. However, overall economic growth and increased demand for diesel as a result of the power crisis will drive upward demand for energy in general and petroleum products in particular. The power crisis would however cause operational costs to rise. Energy saving measures as well as alternative sources of fuel would therefore have to be explored.

Competition particularly from the increasing number of new OMC's will put excessive pressure on the major OMC's in the country having regard to logistics constraints, which do not allow free loading of products. The company will however, position itself to take advantage of various opportunities that will be created by the deregulation of the downstream sector and the overall growth of the economy.

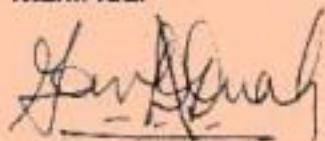
The company will continue the rehabilitation of existing stations and construction of new ones at strategic locations with convenience shops and undertake various marketing and promotional campaigns to improve its business. The marketing of bitumen will also be expanded.

And on this note, I wish to conclude by assuring you that the future outlook is good for the company.

7. APPRECIATION

I wish to thank our customers, suppliers, business partners and other stakeholders for their cooperation, and support during the year under review. I also wish to thank the Board and shareholders for their support and commend the Management and staff for their commitment and understanding. I look forward to your continued support in the years ahead.

Thank You.



YAW AGYEMANG-DUAH
MANAGING DIRECTOR

CORPORATE GOVERNANCE

1.0 DIRECTORATE

The company was governed by eight-member Board of Directors during 2006 financial year. Seven of the Board members were non-executive in addition to the Managing Director.

The Board of Directors conducted regular bi-monthly meeting and extraordinary meetings to consider corporate issues requiring approvals and specific decisions. The Board was assisted by the under mentioned Committees, which met in between Board meetings to deliberate on various aspect of business matters. The full Board met on seven occasions during the year under review.

1.1 Apex Committee

This Committee composed of the Chairman, the Managing Director and one other member of the Board and, when necessary, met on five occasions to take various decisions for ratification by the full Board.

1.2 Finance and Audit Committee

The Finance and Audit Committee met twice during the year under review to ensure that the financial and operational control systems were working effectively as well as reviewed and deliberated on budgets, audited financial statements and dividend recommendations of the Management.

1.3 Operational and Marketing Committee

The Committee assisted Management to consider policies on marketing and operations strategies of the company. It met thrice during the year under review.

2.0 GENERAL INTERNAL CONTROL

The company upholds the importance of good corporate governance by investing in a well-structured Internal Audit department. The department has an independent appraisal function which encompasses the examination and evaluation of the adequacy and effectiveness of the company's system of internal controls.

The functions of the department include review of the reliability and integrity of the financial and operating reports as well as ensure compliance with the approved company policies, plans, procedures and regulations. The department undertakes pre and post audits and also reviews systems of safeguarding assets, verifies the existence of such assets and carries out value for money audits before and after expenditure transactions.

The Finance and Audit Sub-Committee of the Board has direct access to Internal Audit files and reports.

3.0 PERFORMANCE MONITORING & EVALUATION

There is a monthly performance review process during which actual corporate performance, especially in the areas of marketing, operations and finance, is compared with budgets and targets. Regarding marketing performance, the corporate actual results are compared also to industrial competition. The reports of such reviews are considered by the full Board and or its sub-committees.

**GHANA OIL COMPANY LIMITED
REPORT OF THE DIRECTORS
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

In accordance with the requirements of Section 132 of the Companies Code 1963 (Act 179), we the Board of Directors of the Ghana Oil Company Limited, present herewith the annual report on the state of affairs of the company for the year ended 31 December, 2006.

RESULTS OF OPERATIONS

| | 2006 ¢'million | 2005 ¢'million |
|--|---------------------------|---------------------------|
| Gross Sales | 2,564,859 | 2,039,439 |
| Customs Duties and Levies | (643,263) | (658,647) |
| Net Sales | <u>1,921,596</u> | <u>1,380,792</u> |
| Profit for the year | 47,893 | 33,889 |
| From which is deducted: | | |
| National Reconstruction Levy | (0) | (508) |
| Provision for the estimated Income tax Liability | (13,074) | (11,237) |
| Leaving a Net Profit | 34,819 | 22,144 |
| To which is added the Income Surplus brought forward from the previous year of | 26,565 | 12,420 |
| Prior Year Adjustment | <u>(14,544)</u> | <u>3,077</u> |
| | 46,408 | 37,641 |
| Less: | | |
| Dividend paid: 2005 at ¢200 per share (2004 at ¢100 per share) | (6,153) | (3,077) |
| Interim Dividend at ¢260 per share (2005: ¢228 per share) | (10,152) | (7,999) |
| | <u>30,535</u> | <u>26,565</u> |

NATURE OF BUSINESS

There was no change in the principal activity of the Company as detailed in Section 2 of the Company's Regulations during the year.

OWNERSHIP

The Government of Ghana wholly owns the Company.

DIRECTORS

The Directors of the Company who held office during the year were as follows:

| <u>NAME</u> | | DATE OF APPOINTMENT | DATE RETIRED |
|------------------------------|-------------------|----------------------------|---------------------|
| Hon. Freddie W. Blay | Acting Chairman | 06/08/01 | |
| Dr. Alhassan Emil Abdulai | | 06/08/01 | |
| Dr. A.K. Ofori-Ahenkorah | | 06/08/01 | |
| Hon.(Mrs) Cecilia G. Amoah | | 06/08/01 | |
| Mr. Gabby Nsiah Nketiah | | 06/08/01 | |
| Mr. Gottfried Martin Sarpong | | 06/08/01 | |
| Mr. Fred Antoh | | 06/08/01 | |
| Mr. Yaw Agyemang-Duah | Managing Director | 06/08/01 | |


DIVIDEND

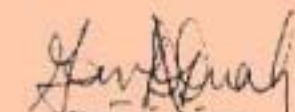
Interim dividend of ¢330 per share amounting to ¢10.152 billion was paid to the Government of Ghana during the year.

A final dividend of ¢220 per share amounting to ¢6.769 billion has been proposed for the year ended 31 December 2006.

POST BALANCE SHEET EVENTS.

The Directors confirm that no matters have arisen since 31 December 2006, which materially affect the financial statements of the Company for the year ended on that date.


.....Director


.....Director

ACCRA

.....21st June.....2007

**REPORT OF THE AUDITORS
TO THE MEMBERS OF GHANA OIL COMPANY LIMITED
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

We have audited the accompanying balance sheet of Ghana Oil Company Limited as of 31 December 2006 and the related statements of income and cash flows for the year then ended.

Respective Responsibilities of Directors and Auditors

These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an independent opinion on these financial statements based on our audit.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examination, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates and judgments made by the Directors, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

The financial statements are in agreement with the books of account, which in our opinion have been properly kept. We obtained all the information and explanations, which we required. In our opinion, the financial statements give a true and fair view of the state of the affairs of the company as at 31 December 2006 and of the profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Code, 1963 (Act 179) and Ghana Accounting Standards.

FARRAR AVENUE
ACCRA

PANNELL KERR FORSTER
CHARTERED ACCOUNTANTS

..... 21st June2007

GHANA OIL COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006

Notes

| | | 2006 | 2005 |
|---|------------|---------------------------|--------------------|
| | | ¢'million | ¢'million |
| GROSS SALES | | 2,564,859 | 2,039,439 |
| Customs Duties and Levies | | <u>(643,263)</u> | <u>(658,647)</u> |
| NET SALES | | 1,921,596 | 1,380,792 |
| COST OF SALES | | <u>(1,744,745)</u> | <u>(1,249,258)</u> |
| GROSS PROFIT | | <u>176,851</u> | <u>131,534</u> |
| OPERATING EXPENSES | | | |
| Depot and Station Expenses | 2a. | (29,986) | (26,251) |
| Selling & Administrative Expenses | 2b. | <u>(104,956)</u> | <u>(76,294)</u> |
| TOTAL OPERATING EXPENSES | | <u>(134,942)</u> | <u>(102,545)</u> |
| OPERATING PROFIT | | 41,909 | 28,989 |
| Sundry Income | 3 | <u>7,680</u> | <u>5,259</u> |
| PROFIT BEFORE EXCEPTIONAL ITEMS | | 49,589 | 34,248 |
| EXCEPTIONAL ITEMS | 4 | <u>(1,696)</u> | <u>(359)</u> |
| NET PROFIT BEFORE TAXATION | | 47,893 | 33,889 |
| National Reconstruction Levy | 5 | 0 | (508) |
| Provision for Taxation | 6 | <u>(13,074)</u> | <u>(11,237)</u> |
| NET PROFIT AFTER TAXATION | | | |
| TRANSFERED TO INCOME SURPLUS ACCOUNT | | <u>34,819</u> | <u>22,144</u> |

INCOME SURPLUS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006

| | | | |
|--|----------------|------------------------|---------------|
| Balance at 1 January | | | 12,420 |
| Prior Year Adjustment - Proposed Dividend | | 26,565 | |
| Prior Year Adjustment | 19(iii) | 0 | 3,077 |
| Balance at 1 January Re-stated | | <u>(14,544)</u> | 0 |
| Net Profit for the Year | | 12,021 | 15,497 |
| Dividend paid: 2005 at ¢200 per share (2004 at ¢100 per share) | | 34,819 | 22,144 |
| Interim Dividend at ¢330 per share (2005: ¢260 per share). | 19(i) | <u>(6,153)</u> | -3,077 |
| Balance at 31 December | 19(i) | <u>(10,152)</u> | <u>-7,999</u> |
| | | 30,535 | 26,565 |

**GHANA OIL COMPANY LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2006**

| | <u>Notes</u> | <u>2006</u> <u>€'million</u> | <u>2005</u> <u>€'million</u> |
|------------------------------|--------------|---------------------------------|---------------------------------|
| FIXED ASSETS | 7 | 145,742 | 143,447 |
| TRADE INVESTMENTS | 8 | 6,473 | 6,473 |
| | | <u>152,215</u> | <u>149,920</u> |
| CURRENT ASSETS | | | |
| Stocks | 9 | 41,281 | 36,961 |
| Accounts Receivable | 10 | 361,336 | 419,136 |
| Short Term Investment | 11 | 12,306 | 10,850 |
| Cash and Bank Balances | 12 | 19,071 | 65,830 |
| | | <u>433,994</u> | <u>532,777</u> |
| CURRENT LIABILITIES | | | |
| Bank Overdraft | 13 | 85,596 | 117,975 |
| Accounts Payable | 14 | 255,391 | 385,179 |
| Short Term Loan | 15 | 51,623 | 0 |
| Deferred Tax | 6 | 3,365 | 0 |
| National Reconstruction Levy | 5 | 0 | (2) |
| Taxation | 6 | (1,427) | (7,379) |
| | | <u>394,548</u> | <u>495,773</u> |
| NET CURRENT ASSETS | | <u>39,446</u> | <u>37,004</u> |
| | | 191,661 | 186,924 |
| TERM LOAN | 15 | (54,345) | (53,578) |
| NET ASSETS | | <u>137,316</u> | <u>133,346</u> |
| REPRESENTED BY: | | | |
| STATED CAPITAL | 16 | 67,593 | 67,593 |
| BUILDING FUND | 17 | 120 | 120 |
| INCOME SURPLUS | | 30,535 | 26,565 |
| CAPITAL SURPLUS | 18 | 39,068 | 39,068 |
| | | <u>137,316</u> | <u>133,346</u> |

Approved by the Board on.....21st June.....2007

..........Director

..........Director

GHANA OIL COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

CASH FLOWS FROM OPERATING ACTIVITIES

| | <u>2006</u> <u>€ million</u> | <u>2005</u> <u>€ million</u> |
|--|---------------------------------|---------------------------------|
| OPERATING PROFIT | 47,893 | 33,889 |
| Adjustment for: | | |
| Depreciation Charges | 17,721 | 16,550 |
| Prior Year Adjustment | (5,939) | 0 |
| National Reconciliation Levy adjustment | 48 | |
| Exchange Loss on IDA Loan | 767 | 324 |
| Profit on sale of tangible fixed assets | (848) | 0 |
| Interest and Dividend Received | (3,783) | (2,589) |
| Interest | 30,421 | 20,241 |
| | <u>38,387</u> | <u>34,526</u> |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES | 86,280 | 68,415 |
| (Increase) in Stocks | (4,320) | (410) |
| Decrease/(Increase) in Accounts Receivable | 57,800 | (229,328) |
| (Decrease)/Increase in Accounts Payable | (129,788) | 210,500 |
| CASH GENERATED FROM OPERATIONS | 9,972 | <u>49,177</u> |
| National Reconstruction Levy Paid | (46) | (882) |
| Company Tax Paid | (12,362) | (17,490) |
| | <u>(12,408)</u> | <u>(18,372)</u> |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | (2,436) | <u>30,805</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest and Dividend Received | 3,783 | 2,589 |
| Interest paid | (28,898) | (17,458) |
| Acquisition of shares | 0 | (4,140) |
| Acquisition of Tangible Fixed Assets | (20,281) | (30,544) |
| Receipt from sale of Tangible Fixed Assets | 1,113 | 0 |
| | <u>(44,283)</u> | <u>(49,553)</u> |
| FINANCING ACTIVITIES | | |
| Long Term Loan Paid | (1,523) | (2,783) |
| Medium Term Loan | 51,623 | 0 |
| Dividend paid | (16,305) | (11,076) |
| | <u>33,795</u> | <u>(13,859)</u> |

| | | |
|--|-------------------------------|------------------------|
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (12,924) | (32,607) |
| Cash and Cash Equivalents at 1 January | <u>(41,295)</u> | <u>(8,688)</u> |
| BALANCE AT 31 DECEMBER | <u><u>(54,219)</u></u> | <u><u>(41,295)</u></u> |
| | | |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | 2006 | 2005 |
| | <u>€'000</u> | <u>€'000</u> |
| Cash at Bank and in Hand | 19,071 | 65,830 |
| Short Term Investment | 12,306 | 10,850 |
| Bank Overdraft | <u>(85,596)</u> | <u>(117,975)</u> |
| | <u><u>(54,219)</u></u> | <u><u>(41,295)</u></u> |

GHANA OIL COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

1. ACCOUNTING POLICIES

The significant accounting policies adopted and used by the Company in preparing these financial statements were as follows:

a. Basis of Accounting

These financial statements have been prepared under the historical cost convention as modified by the revaluation of fixed assets.

b. Fixed Assets

Assets other than Capital Work-in-Progress are depreciated by a fixed annual rate applied to the value of the assets as follows:

| | |
|-----------------------------------|------|
| Freehold Land and Buildings | 2% |
| Leasehold Land and Buildings | 2.5% |
| Plant, Machinery and Equipment | 20% |
| Furniture and Equipment | 10% |
| Motor Vehicle - Tanker and Trucks | 20% |
| Motor Vehicle - Others | 25% |

Exchange alignment is amortised over the remaining payment period of the Government of Ghana Loan.

d. Trade Investments

These are stated at cost.

e. Stocks

Stocks are stated at cost or net realisable value. Cost includes a proportion of overheads incurred in bringing the stock to its appropriate location.

f. Debtors

These are shown at face value less provision for doubtful debts expected to be irrecoverable.

g. Assets and Liabilities

Assets and liabilities in foreign currencies are translated into cedis at the rate of exchange ruling at the Balance Sheet date. Transactions denominated in foreign currencies are translated into cedis at the rate of exchange ruling at the date of transactions.

h. Dividend

Dividend declared are treated as an appropriation of profits in the year of approval, whilst dividend proposed are disclosed as a note to the financial statements.

i. Deferred Income Tax

Deferred Income Tax is provided, using balance sheet liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying amount in the balance sheet.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised.



GHANA OIL COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

2.a DIRECT, DEPOT AND STATION EXPENSES

Includes depreciation - ₵ 14,290,000,000 (2005 - ₵ 12,579,000,000)

b. SELLING AND ADMINISTRATION EXPENSES

| | 2006 ₵'million | 2005 ₵'million |
|----------------------------|--------------------------|--------------------------|
| Depreciation | 3,431 | 3,971 |
| Directors' Fees & Expenses | 1,892 | 1,455 |
| Auditors' Remuneration | 250 | 180 |
| Donations | 673 | 257 |

3. SUNDRY INCOME

| | | |
|--------------------------------|---------------------|---------------------|
| Throughput Income | 558 | 430 |
| Exchange Gain | 28 | 0 |
| Contractors Registration | 221 | 20 |
| Miscellaneous Income | 988 | 908 |
| Interest and Dividend Received | 3,783 | 2,589 |
| Various Rent | 1,097 | 921 |
| Sale of Materials | 29 | 292 |
| LPG Compensation Claim | 128 | 99 |
| Profit on Sale of Fixed Assets | 848 | 0 |
| | <u>7,680</u> | <u>5,259</u> |

4. EXCEPTIONAL ITEMS

| | | |
|------------------------------------|-----------------------|---------------------|
| Early Voluntary Retirement Payment | <u>(1,696)</u> | <u>(359)</u> |
|------------------------------------|-----------------------|---------------------|

GHANA OIL COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

5 NATIONAL RECONSTRUCTION LEVY

| YEAR | Balance at 1 January €'million | Payments for the year €'million | Adjustments €'million | Charge P & L €'million | Balance at 31 December €'million |
|-------------|---|--|----------------------------------|---|---|
| 2001 | (211) | 0 | 211 | 0 | 0 |
| 2002 | (173) | 0 | 173 | 0 | 0 |
| 2003 | 574 | 0 | (574) | 0 | 0 |
| 2004 | 182 | 0 | (182) | 0 | 0 |
| 2005 | (374) | 0 | 374 | 0 | 0 |
| 2006 | 0 | (46) | 46 | 0 | 0 |
| | <u>(2)</u> | <u>(46)</u> | <u>48</u> | <u>0</u> | <u>0</u> |

6 TAXATION

| | Balance at 1 January €'million | Tax Paid/ Refund €'million | Adjustments €'million | Charge P & L €'million | Balance at 31 December €'million |
|-----------------------------|---|---|----------------------------------|---|---|
| Income Tax | | | | | |
| 1992 - 2005 | (8,618) | 0 | 4,640 | 0 | (3,978) |
| 2006 | | (12,362) | 0 | 13,674 | 1,312 |
| Sub Total | <u>(8,618)</u> | <u>(12,362)</u> | <u>4,640</u> | <u>13,674</u> | <u>(2,666)</u> |
| Rent Tax | | | | | |
| 2001-2005 | 326 | 0 | 0 | 0 | 326 |
| 2006 | 0 | 0 | 0 | 0 | 0 |
| Sub Total | <u>326</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>326</u> |
| Capital Gains Tax | | | | | |
| 1994-2005 | 913 | 0 | 0 | 0 | 913 |
| 2006 | 0 | 0 | 0 | 0 | 0 |
| Sub Total | <u>913</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>913</u> |
| Total for Profit Tax | <u>(7,379)</u> | <u>(12,362)</u> | <u>4,640</u> | <u>13,674</u> | <u>(1,427)</u> |
| Deferred Tax | | | | | |
| 2000-2005 | 0 | 0 | 3,965 | 0 | 3,965 |
| 2006 | 0 | 0 | 0 | (600) | (600) |
| Sub Total | <u>0</u> | <u>0</u> | <u>3,965</u> | <u>(600)</u> | <u>3,365</u> |
| Grand Total | <u>(7,379)</u> | <u>(12,362)</u> | <u>8,605</u> | <u>13,074</u> | <u>1,938</u> |

GHANA OIL COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

7 FIXED ASSETS

| COST | FHOLD | L'SEHOLD | PLANT | MOTOR | FURN. & | CAPITAL | TOTAL |
|--------------------------------|-------------------|-------------------|--------------------|------------------|--------------------|------------------|------------------|
| | LAND & | LAND & | MACH. & | VEHICLES | EQUIP. | WORK IN | |
| | BUILDINGS | BUILDINGS | EQUIP. | | | PROGRESS | |
| | €'million | €'million | €'million | €'million | €'million | €'million | €'million |
| Balance - 01/01/2006 | | | | | | | |
| Cost | 65 | 37,490 | 136,707 | 17,299 | 8,701 | 26,495 | 226,757 |
| Revaluation | 65 | 38,831 | 1,252 | 0 | 379 | 0 | 40,527 |
| Additions : | | | | | | | |
| Cost | 0 | 14,615 | 10,033 | 0 | 981 | 9,337 | 34,966 |
| Disposals/Write Off | 0 | (166) | (375) | 0 | 0 | 0 | (541) |
| Transfers | 0 | 0 | 0 | 0 | 0 | (14,685) | (14,685) |
| Balance as at 31/12/2006 | <u>130</u> | <u>90,770</u> | <u>147,617</u> | <u>17,299</u> | <u>10,061</u> | <u>21,147</u> | <u>287,024</u> |
| DEPRECIATION | | | | | | | |
| Balance - 01/01/2006 | | | | | | | |
| Cost | 19 | 5,258 | 96,037 | 12,479 | 3,888 | 0 | 117,681 |
| Revaluation | 23 | 4,683 | 1,252 | 0 | 198 | 0 | 6,156 |
| Disposals/Write Off | 0 | (28) | (248) | 0 | 0 | 0 | (276) |
| Charge for the year : | | | | | | | |
| Cost | 1 | 1,415 | 12,022 | 2,557 | 832 | 0 | 16,827 |
| Revaluation | 2 | 851 | 0 | 0 | 41 | 0 | 894 |
| Balance as at 31/12/2006 | <u>45</u> | <u>12,179</u> | <u>109,063</u> | <u>15,036</u> | <u>4,959</u> | <u>0</u> | <u>141,282</u> |
| NET BOOK VALUE 31/12/06 | 85 | 78,591 | 38,554 | 2,263 | 5,102 | 21,147 | 145,742 |
| NET BOOK VALUE 31/12/05 | 88 | 66,380 | 40,670 | 4,820 | 4,994 | 26,495 | 143,447 |

Fixed Assets were valued in 1985 and 1988. Landed properties, Furniture and equipment, Plant, machinery and equipment were again revalued in December 1999 and in December 2000 on Open Market basis by Owusu Adjapong and Company and Messrs Propicon.

| 8 TRADE INVESTMENTS | 2006 | 2005 |
|------------------------------------|------------------|------------------|
| | €'million | €'million |
| Ghana Bunkering Services Ltd. | 2,222.777 | 2,222.777 |
| Ghana Fertilizer Company | 0.017 | 0.017 |
| Total (Ghana) Ltd. | 0.264 | 0.264 |
| Tema Lube Oil Company Ltd. | 109.537 | 109.537 |
| Metro Mass Transit Company Limited | 4,140.000 | 4,140.000 |
| | 6,472.595 | 6,472.595 |
| Rounded to the nearest million | 6,473.000 | 6,473.000 |

GHANA OIL COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

| | <u>2006</u> | <u>2005</u> |
|--|------------------|------------------|
| | <u>¢'million</u> | <u>¢'million</u> |
| 9 STOCKS & GOODS IN TRANSIT | | |
| Trading : Gas Cookers & parts | 1,304 | 148 |
| Fuel | 697 | 1,195 |
| Lubricants | 17,619 | 26,884 |
| L.P. Gas | 880 | 276 |
| | <u>20,500</u> | <u>28,503</u> |
| Non Trading : Materials | 19,565 | 7,574 |
| | <u>40,065</u> | <u>36,077</u> |
| Goods in Transit | 1,216 | 884 |
| | <u>41,281</u> | <u>36,961</u> |
| 10 ACCOUNTS RECEIVABLE | | |
| Trade Receivable | 283,299 | 211,491 |
| Oil Marketing Companies | 708 | 131,182 |
| Other Receivable | 77,197 | 75,978 |
| Staff Receivable | 5,002 | 5,485 |
| Prepayments | 2,067 | 1,711 |
| | <u>368,273</u> | <u>425,847</u> |
| Less: Provision for Bad & Doubtful Debts | 6,937 | 6,711 |
| | <u>361,336</u> | <u>419,136</u> |
| The maximum amount owed by the staff did not at one particular time exceed 2006:¢5,002,000,000 (2005: ¢5,485,000,000) | | |
| 11 SHORT TERM INVESTMENT | | |
| This represents Investment in HFC Unit Trust. | | |
| Balance 1 January | 10,850 | 10,537 |
| Add: Interest Earned during the year | 1,456 | 313 |
| Balance 31 December | <u>12,306</u> | <u>10,850</u> |
| 12 CASH AND BANK BALANCES | | |
| Current Account - Local | 18,848 | 27,912 |
| Cash and Cheques for collection | 61 | 37,818 |
| Cash in Hand | 162 | 100 |
| | <u>19,071</u> | <u>65,830</u> |
| 13 BANK OVERDRAFT | | |
| The overdraft facilities offered by the bankers of the company has been secured by a negative pledge over the company's assets. Total facility offered was ¢180 billion. | | |

GHANA OIL COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

| | 2006 | 2005 |
|---|--|-----------------------------|
| | €'million | €'million |
| 14 ACCOUNTS PAYABLE | | |
| Trade Payable | 225,329 | 329,410 |
| Oil Marketing Companies | 0 | 24,252 |
| Other Payable | 14,016 | 9,607 |
| Accruals | 16,046 | 21,910 |
| | <u>255,391</u> | <u>385,179</u> |
| 15 TERM LOAN | | |
| Balance as at 1 January | 53,578 | 53,254 |
| Interest due for the year | 3,143 | 2,783 |
| Interest paid during the year | (1,523) | (2,783) |
| Exchange Loss | 770 | 324 |
| Additions for the year | 50,000 | 0 |
| | <u>105,968</u> | <u>53,578</u> |
| LONG TERM PORTION | | |
| IDA/Government of Ghana | <u>54,345</u> | <u>53,578</u> |
| SHORT TERM PORTION | | |
| IDA/Government of Ghana | 1,623 | 0 |
| Merban Investment Holding Limited | 50,000 | 0 |
| | <u>51,623</u> | <u>0</u> |
| a | The Government of Ghana-IDA Loan (Goil Subsidiary Loan) is rescheduled and repayable in seven (7) years with four years grace period commencing 2004. Interest is payable on the principal amount at a rate equal to 1.1 times the prevailing interest rate applicable to Bank (IBRD) Loans. Interest is payable semi-annually on May 15 and November 15 in each year. | |
| b | Merban Investment Holding Limited loan is a commercial paper: €20 billion is repayable on March 17, 2007 and €30 billion is repayable by June 30, 2007. | |
| 16 STATED CAPITAL | 2006 | 2005 |
| Number of authorised shares | <u>1,000,000,000</u> | <u>1,000,000,000</u> |
| Total number of issued shares | <u>30,764,830</u> | <u>30,764,830</u> |
| | €'million | €'million |
| Issued for Cash | 2 | 2 |
| issued on consideration other than cash | 65,593 | 65,593 |
| Issued on Transfer from Surplus | 1,998 | 1,998 |
| | <u>67,593</u> | <u>67,593</u> |

GHANA OIL COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

17 BUILDING FUND

This is an amount set aside from profits for the construction of Head Office Building.

18 CAPITAL SURPLUS

This is surplus arising from the revaluation of fixed assets in 1985, 1988 and 2000 by Owusu-Adjapong and Company and Messrs Propicon.

19(i) DIVIDEND

| | 2006 | 2005 |
|--------------------------|------------------|------------------|
| | €'million | €'million |
| Balance brought forward | 0 | 3,077 |
| Prior Year Adjustment | 0 | (3,077) |
| | 0 | <u>0</u> |
| Final Dividend (2004) | 0 | 3,077 |
| Interim Dividend (2005) | 0 | 7,999 |
| Final Dividend (2005) | 6,153 | 0 |
| Interim Dividend (2006) | 10,152 | 0 |
| Payments during the year | (16,305) | (11,076) |
| | <u>0</u> | <u>0</u> |

Final dividend of ¢220 per share amounting to ¢6.769 billion has been proposed for the year ended 31 December 2006.

19(ii) PRIOR YEAR ADJUSTMENT

- a) This represents the effect of a change in accounting policy during the year in relation to post balance sheet events (proposed dividend). International Accounting Standards (IAS 10) states that if an entity declares dividends after the balance sheet date, the entity shall not recognise those dividends as a liability at the balance sheet date. Such dividends are disclosed in the notes to the financial statements.
- b) This represents company tax charges arising from tax audit conducted by Internal Revenue Service and Value Added Tax Offices in 2006 from 2002 to 2004 as follows:

| | 2006 | 2005 |
|---|----------------------|------------------|
| | €'million | €'million |
| 32% Tax on IDA Loan interest adjustment | 4,640 | 0 |
| VAT disallowable Expenses | 4,239 | 0 |
| 15% Tax on Royalties paid | 1,700 | 0 |
| Deferred Tax | 3,965 | 0 |
| | <u>14,544</u> | <u>0</u> |

20 RELATED PARTY TRANSACTIONS

During the year, the following related party transactions took place and the outstanding balances existed as detailed below:

| | <u>2006</u> <u>€'million</u> | <u>2005</u> <u>€'million</u> |
|--------------------------------------|---------------------------------|---------------------------------|
| i Metro Mass Transit Company Limited | 25,463 | 8,707 |
| ii Ghana Bunkering Services Limited | 70 | 47 |
| | <u>25,533</u> | <u>8,754</u> |

21 CONTINGENT LIABILITIES

There were no legal contingent liabilities in respect of any pending legal claim against the Company.

22 CAPITAL COMMITMENTS

There were no capital expenditure commitments as at 31 December 2006



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2006

ANNUAL REPORT & ACCOUNT