



# GOIL

**Annual Report & Financial Statements  
2011**

**GOOD  
ENERGY  
STARTS  
WITH  
A SMILE.**



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## COMPANY INFORMATION

**BOARD OF DIRECTORS:** Prof. William A. Asomaning - Chairman  
Mr. Kojo Bonsu - Acting Managing Director (from August 1, 2011)  
Hon. Nii Laryea Afotey-Agbo  
Nana Esuman Kwesi Yankah  
Mr. Eugene Akoto-Bamfo  
Mr. Chris A-Ackummey  
Ms. Faustina Nelson  
Mr. Thomas Kofi Manu

**SECRETARY:** Mr. Stephen 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  
Zenith Bank Ghana Limited  
First Atlantic Merchant Bank Ghana Limited  
National Investment Bank Ghana Limited  
SG-SSB Bank Limited

## NOTICE OF 43RD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 43rd Annual General Meeting of the Shareholders of Ghana Oil Company Limited will be held at the Auditorium, College of Physicians and Surgeons, Ridge, Accra on Wednesday, 25th July, 2012 at 11.00 a.m. for the transaction of the following business:

### AGENDA

#### ORDINARY BUSINESS

1. To receive and consider the reports of the Directors and the Auditors and the Financial Statements of the Company for the year ended December 31, 2011.
2. To declare a dividend for the year ended December 31, 2011.
3. To re-elect Directors retiring by rotation.
4. To approve the appointment of a new Director.
5. To authorize the Directors to fix the remuneration of the Auditors.
6. To fix the remuneration of the Directors.

**DATED AT ACCRA THE 3RD DAY OF MAY 2012**

**BY ORDER OF THE BOARD**



**S. Y. GYABEN**  
**SECRETARY**

**REGISTERED OFFICE**  
**D 659/4, KOJO THOMPSON RD**

### NOTE

A member of the Company entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. Completed Proxy Forms should be deposited at the Registered Office, P O Box 3183, Accra not less than 48 hours before the appointed time of the meeting. Failure to submit the forms before the 48-hour deadline will result in the Proxy not being admitted to or participating in the meeting.

A Form of Proxy to be used is enclosed herewith.

## RESOLUTIONS TO BE PASSED AT THE ANNUAL GENERAL MEETING

The Board of Directors will be proposing the following resolutions, which would be put to the Annual General Meeting:

**1. To Receive the 2011 Accounts**

The Board shall propose the acceptance of the 2011 Accounts as the true and fair view of the state of affairs of the Company for the year ended 31st December 2011 and of its performance for the year then ended.

**2. To Declare a Dividend**

The Directors recommend the payment of a dividend of GH¢0.014 per share amounting to GH¢2.942 million for the year ended 31st December 2011.

**3. To Re-elect Directors Retiring By Rotation**

In accordance with Section 298 (a, b & d) of the Companies Code 1963, Act 179 and Regulation 88 of the Company's Regulations, the following Directors who are retiring by rotation but are eligible for re-election shall be re-elected as Directors:

- (1) Hon. Nii Laryea Afotey-Agbo
- (2) Mr. Thomas Kofi Manu
- (3) Nana Esuman Kwesi Yankah

**4. Appointment of a new Director**

The Board will recommend to members to approve the appointment of Mr. Patrick Akpe Kwame Akorli as a Director of the Company.

Following the expiry of the contract of Mr. Yaw Agyemang-Duah ( the former Managing Director) on 31st July 2011, it became necessary to appoint a new Managing Director for the Company.

The Board at a meeting held on 15th May 2012, acting in accordance with Section 92 of the Regulations of GOIL appointed Mr. Patrick A. K. Akorli as a Managing Director of the company with effect from 1st June 2012. In accordance with the said Section 92, the Board recommends to members to approve the appointment of Mr. Patrick A. K. Akorli as the Director (Managing) of the Company.

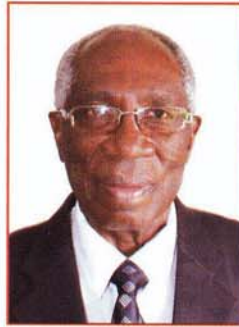
**5. To Authorize the Directors to Fix the Remuneration of the Auditors**

In accordance with Section 134(6a) and Section 134(11a) of the Companies Code 1963, Act 179, Messrs Pannell Kerr Forster will continue in office as Auditors of the Company. The Board will request from members their approval to fix the remuneration of the Auditors.

**6 To Fix the Remuneration of the Directors**

The Board will request from members their approval to fix the remuneration of the Directors.

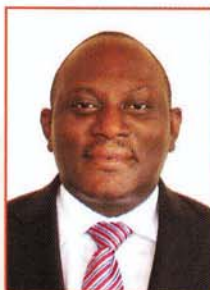
## BOARD OF DIRECTORS



Prof. William A. Asomaning  
Chairman



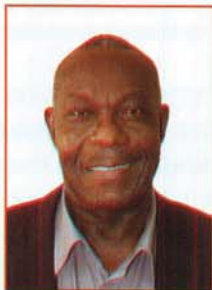
Mr. Kojo Bonsu  
Acting Managing Director



Mr. Eugene Akoto-Bamfo



Hon. Nii Laryea A. Agbo



Nana Esuman Kwasi Yankah



Mad. Faustina Nelson



Mr. Thomas Kofi Manu



Mr. Chris A-Ackumey

## PROFILE OF MR. PATRICK A. K. AKORLI



Mr. Patrick A. K. Akorli

Mr. Patrick A. K. Akorli is 53 years old.

Mr. Akorli is a Chartered Accountant by profession and is a member of ICA (Ghana). He has an Executive MBA Degree from GIMPA. He is also a trained teacher with Certificate A from EP Training College, Amedzofe.

He has a wealth of work experience to his credit including work at the Ghana Education Service, Mawuli School - Ho, Quansah Nyame & Co., an accounting firm among others. He held various positions in the company including Assistant Accountant, Ag. Chief Accountant, Treasurer, Controller, Chief Internal Auditor and until recently, Finance Manager.

Mr. Akorli has attended various career development/advancement conferences and workshops including IP Week at Energy Institute, Economics of Oil Supply Chain at Moller Centre, Churchill College, Cambridge; Directors Workshop on Corporate Governance; Effective Credit Control and Customer Care; Conference on Internal Audit; Advanced Computer Audit Techniques.

He is a Traditional Ruler of the Ziavi Traditional Area (Dutorfia) of the Volta Region with the stool name, Togbe Adza-Nye IV. Mr. Akorli is married with four (4) children.

## CHAIRMAN'S ADDRESS

Dear Shareholders

I warmly welcome you to the 43<sup>rd</sup> Annual General Meeting of our dear Company, at which we present to you the Annual Report and Financial Statements for the Year Ended 31 December, 2011.

The Year 2011 was quite an eventful one, but through it all we ensured that efforts to re-position the Company to deliver greater value, generate revenue from other energy-related sources, and improve upon service delivery were sustained.

As you were informed at our last AGM, the then Managing Director Mr. Yaw Agyemang-Duah, retired after 10 years of service in the seat at the end of July, 2011. One of our Board Members, Mr. Kojo Bonsu held the fort till the end of the year as the acting Managing Director while efforts were being made to have a substantive MD appointed.

### ECONOMIC AND OPERATING ENVIRONMENT

The global economy continued to make recovery although government finances deteriorated sharply across the advanced economies and particularly in the Euro Zone, with public and private debt increasing. Despite this the macroeconomic environment in Ghana continued to enjoy stability. Oil production at Ghana's offshore Jubilee field which began in mid-December, 2010 boosted the economy's growth. In 2011, Ghana's economy grew by 14.4% and there was a constant fall in inflation during the year, the year end inflation falling to 8.58%.

The downstream sector in the petroleum industry continued to experience heightened competition from the large number of operating oil marketing companies.

### INDUSTRY REVIEW

Despite fluctuations in crude oil prices during the year 2011, ex-pump prices of fuel in the country remained relatively stable till the end of December 2011, when it was increased by 25%.

Activities regarding the exploration and production of crude oil surged during the year 2011 bringing with it support services that were dependent on the use of petroleum products to deliver services to the crude oil industry. Thus, demand for petroleum products nationally rose by 30% during the year, and was expected to continue rising in the coming years.

These notwithstanding the Oil Industry, faced some challenges such as intermittent shortage of products, particularly LP Gas which was primarily due to delivery constraints and the sharp rise in demand due to large Government subsidies.

### COMPANY PERFORMANCE

Prudent management of resources and savvy business deals entered into by your Company impacted positively on the financial performance for the period under review. Net sales went up by 29%, from GHC 472.343 million in 2010 to GHC 609.319 million in 2011, resulting in a 22% increase in gross margin.

The rebranding programme which started in 2010, made our efforts in increasing sales volume difficult since some of our best stations had to be closed for rehabilitation works. This led to only a marginal increase in sales volume. Nonetheless, measures put in place by the Company, ensured we continued to be the bench-mark for the provision of quality products in retail outlets, within the industry. We are very confident that the results from the rebranded service stations when completed will start to yield the expected benefits in the coming years.

Several key stations all over the country suffered from declining sales volumes as a result of major road constructions during 2011. With the completion of these road works, the stations are expected to be back on stream in due course.

The Company also continued to invest in aviation fuel infrastructure and equipment to take advantage of the increase in air traffic following the oil find which has positioned Ghana as the hub in West Africa. Consequently, GOIL saw a marked increase in aviation fuel sales in the year 2011 in comparison to the previous year.



## CHAIRMAN'S ADDRESS

In harnessing the opportunities arising out of the oil find, the Company made significant progress in the supply of marine gas oil to supply vessels and other operational equipment of some Exploration and Production Companies operating in the country.

GOIL, together with Chase Petroleum, has formed a joint-venture company (JVC) named United Storage Company. The purpose of this JVC is to rehabilitate our Takoradi Depot, to manage and operate the Depot for the joint benefit of both parties, and to provide us with a strategic midstream sector partner.

This company has completed the First Phase of the rehabilitation of the GOIL Takoradi Depot, repairing leaking tanks, and increasing the diesel storage capacity. The Second Phase which will commence in the year 2012, will amongst other things make our bunkering operations more competitive.

Efforts are also underway to revamp our retail equipment, and improve the quality of pumps on the forecourts.

### HUMAN RESOURCE

Staff development continues to be of major interest to the Company.

Training & Development programmes in the past year, focused largely on re-equipping staff with skills and competencies to perform efficiently as professionals in the Oil Marketing Sector. Change Management Workshops were organized for all staff aimed at sharpening positive work attitudes. Another programme organized was Total Quality Management Training aimed at re-educating staff on cost efficient practices in product and service delivery. Some international training was also provided for select staff in key areas of GOIL's operations to ensure overall competitiveness.

A Best-Worker-Award Scheme was introduced as an incentive and to reward staff for outstanding work performance.

### HEALTH, SAFETY, SECURITY & ENVIRONMENT

Health, Safety, Security and Environmental issues continued to be of prime focus in our business operations. We believe that no operation is so important or profitable as to override our safety practices or the protection of the environment.

The Company improved on its total recordable accidents records during the past year. Housekeeping was improved. Employees and Attendants were provided with regular training, information and schooled in conducting operations at our facilities and networks in a manner that safeguards people and property, including those in communities where we operate.

The company continued to provide health care for staff and dependants.

In the second quarter of 2011, a well-equipped Mobile Inspection and Quality Assurance Unit was set up to ensure products being sold to motorists were of the highest quality. The Company continued the sale of environmentally friendlier products like Super XP and Diesel XP to motorists.

### CORPORATE SOCIAL RESPONSIBILITY

As has been our custom and in keeping with our standing as first class corporate citizens, donations to give back to society, select communities and institutions across the country, were made.

Support was given, not only to needy institutions, but for several educational causes, sports, culture, social and national institutions.

### OPERATING RESULTS AND HIGHLIGHTS OF FINANCIAL PERFORMANCE

GOIL's performance continued to improve. Turnover for 2011 amounted to GH¢671.672 million which is a significant year-on-year increase of 31% over the previous year's turnover of GH¢514.365 million. There was an increase of 39% in pre-tax profit in 2011 over the previous year, from GH¢8.145million in 2010 to GH¢11.341million in 2011. The profit after tax also

## CHAIRMAN'S ADDRESS

rose to GH¢7.889 million at the end of 2011 compared with GH¢6.319 million in year 2010, representing an increase of 25%. Earnings per share also saw a growth in 2011 compared with 2010 as it increased from GH¢0.030 in 2010 to GH¢0.038 in 2011.

Contributions totaling **GH¢65.083 million** were paid to Government during the year, broken down as follows:

	<b>Year 2011</b>	<b>Year 2010</b>
• Customs Duties and other Levies	GH¢62.353 million	GH¢42.021 million
• Income Tax paid	GH¢1.496 million	GH¢1.363 million
• Dividend paid	GH¢1.234 million	GH¢1.114 million
<b>Total Payments</b>	<b>GH¢65.083 million</b>	<b>GH¢44.50 million</b>

### PERFORMANCE ON THE GHANA STOCK EXCHANGE

The Company's share price ended the year 2011 at GH¢0.32 compared with GH¢0.30 which was the price at the end of year 2010. This was remarkable and a big vote of confidence from investors in the market, during a period when stocks have generally not performed well.

### PROPOSED DIVIDEND

I am delighted to report that we have increased our dividend for the year 2011 compared to that for the year 2010. The Board of Directors has proposed a dividend of GH¢0.014 per share for 2011. This represents an increase of 17% on last year's dividend of GH¢0.0115 per share which amounted to GH¢2.42 million and was fully paid. The proposed dividend amounts to GH¢2.94 million and represents 37% of the company's profit after tax. This is in line with your Company's dividend policy of not paying less than 30% of profit after tax as dividend.

### PROSPECTS

The immediate future of your Company is bright. The re-branding exercise which was launched in May 2012 is expected to greatly increase the visual appeal of the stations, and attract more customers to the stations. As I mentioned earlier, all staff have been trained to ensure the success of the re-branding project.

Having entered the market in aviation fuel, we are rolling out ambitious expansion programmes in Kumasi and Tamale to increase our share of the domestic airline market. Simultaneous arrangements are being made to enter the international airline market with suitable partners.

Strategic alliances and developments at our supply depots are being put in place to guarantee us good opportunities in the general market place, and particularly in the high volume bunkering business.

We see great opportunities offered by Government's continuing efforts to improve the nation's road network, both in terms of business from the construction stage, and the opening up of new routes. Suffice it to say, that though these can be expected to mature in the medium to long term, we hope to show the results of our efforts in an improved bottom-line in the near future.

Developing residential and urban areas continue to be closely watched for opportunities for building new stations.

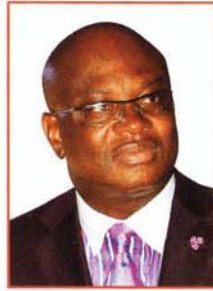
### ACKNOWLEDGEMENTS

This is a year in which Board members joined the Management and staff of the Company in putting their shoulders to the wheel as part of Management, and produced results. I would ask all of you to join me in giving our sincere thanks to those Board members, and the Management and staff for their laudable efforts.

This Board pledges to continue to provide the needed support and direction to Management and staff, and all stakeholders in the Company's best interest. We will assist the new Managing Director to succeed.

Finally and most importantly, for giving us the privilege to continue to serve you and the nation at large, my deepest gratitude goes to you our Shareholders.

## MANAGEMENT TEAM



Mr. Kojo Bonsu  
Acting Managing Director



Mr. Charles Kwasi Darko  
Fuel Marketing Manager



Mr. Patrick A. K. Akorli  
Finance Manager



Mr. Stephen Yaw Gyaben  
Solicitor / Secretary



Mr. E. Ofori Sarkwah  
Chief Internal Auditor



Mr. Alex Adzew  
Tech. & Special Products  
Manager



Mr. Paul Ohene Tagoe  
Operations Manager



Mr. Joseph Brian Ansah  
Admin/HR Manager



Mr. Cyril Opon  
Corporate Affairs Manager



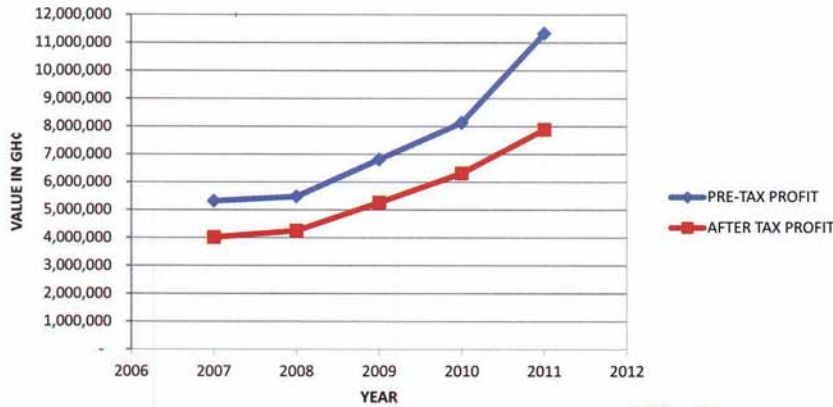
Mr. Kofi Nyarko  
Health, Safety, Security &  
Environment Manager



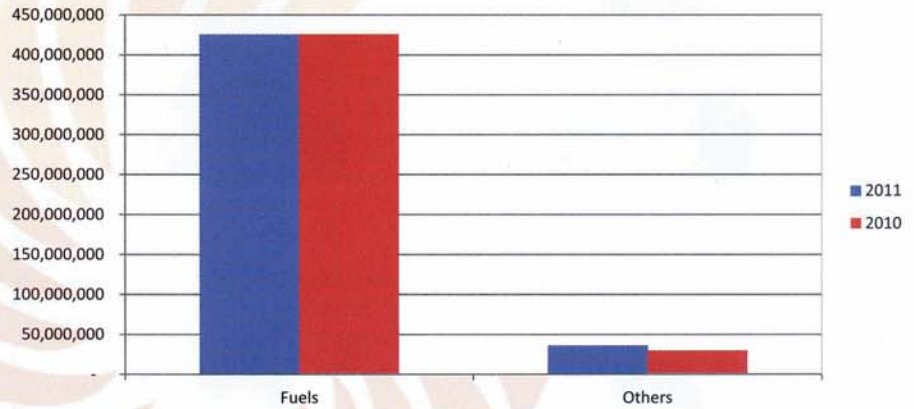
Mr. Anthony Twumasi  
Info. Tech. & Plang. Manager

## PERFORMANCE AT A GLANCE (2011)

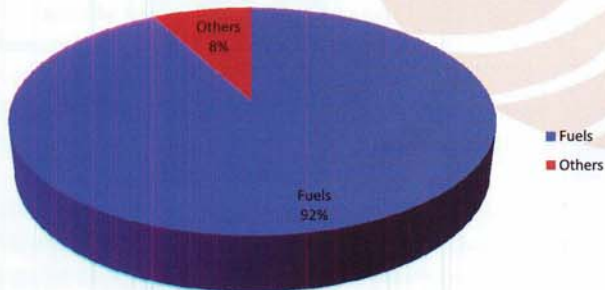
### Trend of Profit



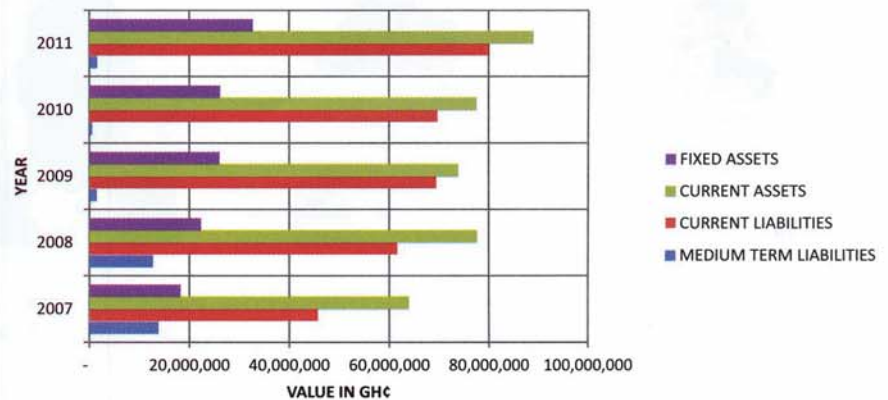
### Comparison of Contribution of Products, 2010 - 2011



### Contribution by Product, 2011



### Major Assets & Liabilities



## FIVE YEAR FINANCIAL REVIEW | 2007 - 2011

	2011 GH¢	2010 GH¢	2009 GH¢	2008 GH¢	2007 (restated) GH¢
<b>PROFIT AND LOSS ACCOUNT</b>					
<b>Gross Sales</b>	671,672,239	514,364,623	421,542,111	438,863,961	306,492,356
Customs Duties and Levies	(62,352,767)	(42,021,304)	(45,967,900)	(65,661,774)	(66,831,552)
<b>Net Sales</b>	609,319,472	472,343,319	375,574,211	373,202,187	239,660,804
Sundry Income	3,352,787	2,316,990	2,387,312	2,140,933	1,929,042
<b>Total Income</b>	612,672,259	474,660,309	377,961,523	375,343,120	241,589,846
<b>Operating Expense</b>	(600,045,900)	(464,082,389)	(366,658,474)	(366,969,867)	(233,770,301)
Exceptional (Charges) / Credits	(1,285,127)	(2,433,215)	(4,479,276)	(2,876,671)	(2,486,862)
<b>Profit before Tax</b>	11,341,232	8,144,705	6,823,773	5,496,582	5,332,683
Taxation	(3,452,457)	(1,825,270)	(1,556,270)	(1,239,905)	(1,311,195)
<b>Net Profit After Tax</b>	<b>7,888,775</b>	<b>6,319,435</b>	<b>5,267,503</b>	<b>4,256,677</b>	<b>4,021,488</b>
<b>INCOME SURPLUS ACCOUNT</b>					
Balance at 1 January	16,047,683	12,230,167	8,907,731	6,250,245	3,076,583
Prior year adjustment / Transfers	2,685	(315,972)	(158,025)	(127,700)	(171,000)
Net Profit after Tax	7,888,775	6,319,435	5,267,503	4,256,677	4,021,488
Dividend	(2,419,968)	(2,185,947)	(1,787,042)	(1,471,491)	(676,826)
Balance at 31 December	<b>21,519,175</b>	<b>16,047,683</b>	<b>12,230,167</b>	<b>8,907,731</b>	<b>6,250,245</b>
<b>BALANCE SHEET</b>					
<b>ASSETS</b>					
Non Current Assets	32,657,734	26,057,249	25,958,656	22,224,317	18,098,573
Available for Sale Financial Instruments / Investments	5,180,089	4,197,089	1,327,234	1,407,234	1,196,334
Stocks	9,926,343	8,851,764	5,911,106	7,470,026	6,282,661
Accounts Receivable	65,302,612	57,673,927	54,313,163	60,448,227	47,821,460
Short Term Investment	2,000,000	-	-	1,083,012	1,355,545
Cash and Bank Balances	6,465,964	6,759,053	12,200,376	7,123,630	7,152,569
<b>Total Assets</b>	<b>121,532,742</b>	<b>103,539,082</b>	<b>99,710,535</b>	<b>99,756,446</b>	<b>81,907,142</b>
<b>LIABILITIES</b>					
Medium Term Loan	1,465,600	461,543	1,354,166	12,611,541	13,661,541
Short Term Loan	2,350,500	4,582,098	5,660,134	3,241,097	2,571,080
Bank Overdrafts	2,009,604	3,982,610	9,613,292	4,392,799	7,986,141
Accounts Payable	72,841,345	60,055,551	53,541,521	53,452,474	34,750,072
Dividends	-	-	-	-	-
Deferred Tax	1,415,570.00	301,421	135,864.00	(65,542.00)	206,571
Taxation	1,300,194	707,411	394,599	479,624	83,370
<b>Total Liabilities</b>	<b>81,382,813</b>	<b>70,090,634</b>	<b>70,699,576</b>	<b>74,111,993</b>	<b>59,258,775</b>
<b>SHAREHOLDERS' FUNDS</b>					
Stated Capital	11,809,263	11,809,263	11,809,263	11,809,263	11,809,263
Income Surplus	21,519,175	16,047,683	12,230,167	8,907,731	6,250,245
Capital Surplus	5,692,355	4,856,805	4,552,805	4,666,759	4,455,859
Building Fund	1,129,136	734,697	418,725	260,700	133,000
<b>Total</b>	<b>40,149,929</b>	<b>33,448,448</b>	<b>29,010,960</b>	<b>25,644,453</b>	<b>22,648,367</b>
<b>Total Liabilities &amp; Shareholders' funds</b>	<b>121,532,742</b>	<b>103,539,082</b>	<b>99,710,535</b>	<b>99,756,446</b>	<b>81,907,142</b>

## REPORT OF THE DIRECTORS ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

In accordance with the requirements of section 132 of the Companies Code 1963 (Act 179), we the Board of Directors of Ghana Oil Company Limited, present herewith the annual report on the state of affairs of the Company for the year ended December 31, 2011.

### RESULTS OF OPERATIONS

	2011 GH¢	2010 GH¢
Gross Sales	671,672,239	514,364,623
Customs Duties and Levies	(62,352,767)	(42,021,304)
Net Sales	<u>609,319,472</u>	<u>472,343,319</u>
Profit for the year	11,341,232	8,144,705
from which is deducted; provision for estimated income tax of	(3,452,457)	(1,825,270)
leaving a net profit after tax of	7,888,775	6,319,435
to which is added the income surplus brought forward from the previous year of	16,047,683	12,230,167
and over provision of corporate taxes over the years of	397,124	0
	<u>24,333,582</u>	<u>18,549,602</u>
Less:		
final dividend paid; for 2011 at GH¢0.0115 per share (2010 at GH¢0.0104 per share)	(2,419,968)	(2,185,947)
transfer to building fund	(394,439)	(315,972)
	<u>21,519,175</u>	<u>16,047,683</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 Company was listed on the Ghana Stock Exchange in the year 2007. The Government of Ghana owns 51% of the shares while the other 49% are owned by individuals and other corporate bodies.

## REPORT OF THE DIRECTORS ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

### DIRECTORS

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

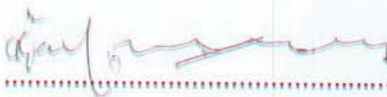
Name			Date Appointed	Date Retired
Prof. William A. Asomaning	Chairman	Appointed	16.07.2009	-
Hon. Nii Laryea Afotey-Agbo	Member	Appointed	16.07.2009	-
Nana Esuman Kwesi Yankah	Member	Appointed	16.07.2009	-
Mr. Chris A-Ackummey	Member	Appointed	16.07.2009	-
Mr. Thomas Kofi Manu	Member	Appointed	16.10.2008	-
Mr. Eugene Akoto-Bamfo	Member	Re-elected	23.06.2011	-
Mr. Kojo Bonsu	Member	Re-elected	23.06.2011	-
Ms. Faustina Nelson	Member	Re-elected	23.06.2011	-
Mr. Yaw Agyemang-Duah	Managing	Re-elected	16.10.2008	31.07.2011


### DIVIDEND

Final dividend of GH¢0.0115 per share amounting to GH¢2,419,968 was paid during the year. A final dividend of GH¢0.014 per share amounting to GH¢2,942,610 has been proposed for the year ended 31 December 2011. (2010: GH¢0.0115 per share, amounting to GH¢2,419,968)

### EVENTS AFTER THE REPORTING DATE

The Directors confirm that no matters have arisen since December 31, 2011, which materially affect the financial statements of the company for the year ended on that date.

  
.....Director

  
.....Director

*30th March*  
..... 2012.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GHANA OIL COMPANY LIMITED**

FOR THE YEAR ENDED 31 DECEMBER 2011

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Ghana Oil Company Limited which comprise the statement of financial position as of December 31, 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Directors' Responsibility for the Financial Statements**

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Code, 1963 (Act 179) Securities and Exchange Commission Regulations 2003, LI 1728 and Ghana Stock Exchange Membership Regulations 1991 LI 1510 as amended. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Ghana Oil Company Limited as of December 31, 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Code, 1963 (Act 179), Securities and Exchange Commission Regulations 2003, LI 1728 and Ghana Stock Exchange Membership Regulations 1991 LI 1510 as amended.

### **Report on Other Legal and Regulatory Requirements**

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

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) In our opinion proper books of accounts have been kept by the Company, so far as appears from our examination of those books, and
- iii) The Company's statement of financial position and statement of comprehensive income of the Company are in agreement with the books of accounts.

  
**Chartered Accountants**  
Farrar Avenue  
Accra

*30th March* 2012



**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 GH¢	2010 GH¢
<b>Gross Revenue</b>		<b>671,672,239</b>	514,364,623
Customs Duties and Levies		(62,352,767)	(42,021,304)
<b>Net Revenue</b>		<b>609,319,472</b>	472,343,319
<b>Cost of Sales</b>		<b>(575,483,539)</b>	(444,674,800)
<b>Gross Profit</b>		<b>33,835,933</b>	27,668,519
Sundry Income	3	3,352,787	2,316,990
Depot and Station Expenses	2a.	(6,151,741)	(5,541,421)
Selling & Administrative Expenses	2b.	(18,410,620)	(13,866,168)
<b>Operating profit before financing cost</b>		<b>12,626,359</b>	10,577,920
Net Finance Expenses	4	(1,285,127)	(2,433,215)
<b>Profit before Taxation</b>		<b>11,341,232</b>	8,144,705
Income Tax Expense	5	(3,452,457)	(1,825,270)
<b>Net profit after tax attributable to equity holders of the company</b>		<b>7,888,775</b>	6,319,435
<b>Other Comprehensive Income</b>			
Available -for-Sale Financial Assets net of tax	19	983,000	320,000
Deferred tax on revaluation	19	(147,450)	(16,000)
<b>Total Other Comprehensive Income</b>		<b>835,550</b>	304,000
<b>Total Comprehensive Income for the year</b>		<b>8,724,325</b>	6,623,435
<b>Earning per share</b>	28	<b>GH¢0.038</b>	GH¢0.030
<b>Dividend per share</b>	28	<b>GH¢0.014</b>	GH¢0.0115

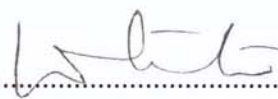
**STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2011

	Notes	2011 GH¢	2010 GH¢
<b>NON CURRENT ASSETS</b>			
Property, Plant and Equipment	8a	32,657,734	26,057,249
Available for Sale Financial Instruments	9a	5,180,089	4,197,089
<b>TOTAL NON CURRENT ASSETS</b>		<b>37,837,823</b>	<b>30,254,338</b>
<b>CURRENT ASSETS</b>			
Stocks	10	9,926,343	8,851,764
Accounts Receivable	11	65,302,612	57,673,927
Short Term Investment	9b	2,000,000	0
Cash and Bank Balances	12	6,465,964	6,759,053
<b>TOTAL CURRENT ASSETS</b>		<b>83,694,919</b>	<b>73,284,744</b>
<b>TOTAL ASSETS</b>		<b>121,532,742</b>	<b>103,539,082</b>
<b>EQUITY</b>			
Stated Capital	16	11,809,263	11,809,263
Building Fund	17	1,129,136	734,697
Income Surplus	18	21,519,175	16,047,683
Capital Surplus	19	5,692,355	4,856,805
<b>TOTAL EQUITY</b>		<b>40,149,929</b>	<b>33,448,448</b>
<b>NON CURRENT LIABILITIES</b>			
Deferred Tax	7b	1,415,570	301,421
Term Loan	15b	1,465,600	461,543
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>2,881,170</b>	<b>762,964</b>
<b>CURRENT LIABILITIES</b>			
Bank Overdraft	13	2,009,604	3,982,610
Accounts Payable	14	72,841,345	60,055,551
Short Term Loan	15c	2,350,500	4,582,098
Current Tax	7a	1,300,194	707,411
<b>TOTAL CURRENT LIABILITIES</b>		<b>78,501,643</b>	<b>69,327,670</b>
<b>TOTAL LIABILITIES</b>		<b>81,382,813</b>	<b>70,090,634</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>121,532,742</b>	<b>103,539,082</b>

Approved by the Board on 30th March.....2012

  
.....Director


  
.....Director

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

	Stated Capital GH¢	Building Fund GH¢	Income Surplus GH¢	Capital Surplus GH¢	Totals GH¢
<b>2011</b>					
Balance at 1 January	11,809,263	734,697	16,047,683	4,856,805	33,448,448
Net profit for the year	0	0	7,888,775	0	7,888,775
Transfer to Building Fund	0	394,439	(394,439)	0	0
Revaluation Gain on Available for Sale Investments	0	0	0	983,000	983,000
Over Provision of Corporate Taxes up to Year 2009	0	0	397,124	0	397,124
Deferred tax on Revaluation Gain	0	0	0	(147,450)	(147,450)
Dividend paid	0	0	(2,419,968)	0	(2,419,968)
<b>Balance at 31 December</b>	<b>11,809,263</b>	<b>1,129,136</b>	<b>21,519,175</b>	<b>5,692,355</b>	<b>40,149,929</b>
<b>2010</b>					
Balance at 1 January	11,809,263	418,725	12,230,167	4,552,805	29,010,960
Net profit for the year	0	0	6,319,435	0	6,319,435
Transfer to Building Fund	0	315,972	(315,972)	0	0
Revaluation Gain on Available for Sale Investments	0	0	0	320,000	320,000
Deferred tax on Revaluation Gain	0	0	0	(16,000)	(16,000)
Dividend paid	0	0	(2,185,947)	0	(2,185,947)
<b>Balance at 31 December</b>	<b>11,809,263</b>	<b>734,697</b>	<b>16,047,683</b>	<b>4,856,805</b>	<b>33,448,448</b>

**STATEMENT OF CASH FLOW**

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 GH¢	2010 GH¢
<b>Cash flow from operating activities</b>		
Operating Profit	11,341,232	8,144,705
Adjustment for:		
Depreciation Charges	2,815,870	2,377,822
Profit on sale of Property, Plant and Equipment	(2,628)	(44,941)
Interest and Dividend Received	(272,843)	(595,296)
Interest Paid	1,557,970	3,028,511
	<hr/>	<hr/>
<b>Operating Profit Before Working Capital Changes</b>	15,439,601	12,910,801
Increase in Stocks	(1,074,579)	(2,940,657)
Increase in Debtors	(7,628,685)	(3,360,764)
Increase in Creditors	12,785,794	6,514,030
	<hr/>	<hr/>
<b>Cash generated from operations</b>	19,522,131	13,123,410
Company Tax Paid	(1,495,851)	(1,362,901)
	<hr/>	<hr/>
<b>Net Cash Inflow from Operating activities</b>	18,026,280	11,760,509
	<hr/>	<hr/>
<b>Cash flows from Investing activities</b>		
Interest and Dividend Received	272,843	595,296
Interest paid	(1,557,970)	(3,028,511)
Acquisition of Available for Sale Financial Instrument	0	(2,549,855)
Acquisition of Property, Plant and Equipment	(9,639,746)	(2,489,894)
Receipt from disposal of Property, Plant and Equipment	226,019	58,420
	<hr/>	<hr/>
<b>Net Cash Outflow from Investing activities</b>	10,698,854	(7,414,544)
	<hr/>	<hr/>
<b>Net Cash Inflows Before Financing</b>	7,327,426	4,345,965
	<hr/>	<hr/>
<b>Cash flows from Financing Activities</b>		
Term Loan paid	(1,227,541)	(1,970,659)
Dividend paid	(2,419,968)	(2,185,947)
	<hr/>	<hr/>
<b>Net Cash Outflow from Financing activities</b>	(3,647,509)	(4,156,606)
	<hr/>	<hr/>
<b>Net Increase in Cash and Cash Equivalents</b>	3,679,917	189,359
<b>Cash and Cash Equivalents at 1 January</b>	2,776,443	2,587,084
	<hr/>	<hr/>
<b>Cash and Cash Equivalents at 31 December</b>	6,456,360	2,776,443
	<hr/>	<hr/>
<b>Cash and Cash Equivalents</b>		
Cash at Bank and in Hand	6,465,964	6,759,053
Bank Overdraft	(2,009,604)	(3,982,610)
Short Term Investment	2,000,000	0
	<hr/>	<hr/>
	6,456,360	2,776,443
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

### 1. GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT

#### ACCOUNTING POLICIES

##### a. Corporate Information

Ghana Oil Company Limited, a public company limited by shares, was incorporated and domicile in Ghana under the Companies Code, 1963 (Act 179). The Company is permitted by its regulations to carry on, the business of marketing quality petroleum and other energy products and services in all its branches in a healthy, safe, environmentally friendly and socially responsible manner. The address of the registered office of the Company is 'D 659/4, Kojo Thompson Road, P. O. Box 3183, Accra'.

##### b. Statement of Compliance

The financial statements have been prepared in accordance with all International Financial Reporting Standards, including International Accounting Standards and interpretations issued by the International Accounting Standards Board and its committees, as required by the Institute of Chartered Accountants (Ghana).

##### c. Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the following assets and liabilities that are stated at their fair values: financial instruments that are at fair value through profit or loss; financial instruments classified as available-for-sale; and property, plant and equipment.

##### d. Use of Estimates and Judgement

The preparation of financial statements in conformity with IFRSs requires Management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and the associated assumptions are based on historical experience and other factors that are reasonable under the circumstances, the results of which form the basis of making the judgement about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

##### e. Summary of Significant Accounting Policies

The significant accounting policies adopted by Ghana Oil Company Limited under the International Financial Reporting Standards (IFRSs) are set out below:

##### i. Interest Income and Expense

Interest income and expenses are recognised in the statement of income for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the instrument.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

##### ii. Financial Assets and Financial Liabilities

##### • Categorisation of Financial Assets and Financial Liabilities

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivable; and available-for-sale financial assets; and held-to-maturity investments. Financial liabilities are classified as either held at fair value through profit or loss, or amortised cost. Management determines the categorisation of its financial assets and financial liabilities at initial recognition.

##### • Financial Assets and Financial Liabilities at Fair Value through Profit or Loss

Financial asset or liability at fair value through profit or loss is a financial asset or financial liability that meets either of the following conditions:

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2011

- **Held for trading**

A financial asset or financial liability is classified as held for trading if it is: acquired or incurred principally for the purpose of selling or repurchasing in the near future; or part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

- **Designated at fair value through profit or loss**

Upon initial recognition as financial asset or financial liability, it is designated by the Company as at fair value through profit or loss except for investments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

- **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

- **Available-for-sale Financial Assets**

Available-for-sale financial assets are non-derivative financial assets that are designated on initial recognition as available for sale and are held for an indefinite period of time and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

- **Held-to-maturity Investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity.

- **Initial Recognition of Financial Assets and Financial Liabilities**

The Company shall recognise a financial asset or financial liability on its balance sheet when, and only when, the Company becomes a party to the contractual provisions of the instrument subject to the provisions in respect of regular way purchases or sales of a financial asset which state that, 'a regular way purchase or sale of financial assets is recognised and derecognized using either trade date or settlement date accounting'.

- **Derecognition of Financial Assets and Financial Liabilities**

Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or where the Company has transferred substantially all the risks and rewards of ownership. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset.

A financial liability (or part of a financial liability) is removed from the Company's balance sheet when, and only when, it is extinguished – i.e. when the obligation specified in the contract is: discharged; cancelled; or expired.

- **Initial Measurement of Financial Assets and Financial Liabilities**

When a financial asset or financial liability is recognised initially, the Company measures it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

When the Company uses settlement date accounting for an asset that is subsequently measured at cost or amortised cost, the asset is recognised initially at its fair value on the trade date.

- **Subsequent Measurement of Financial Assets**

After initial recognition, the Company shall measure financial assets, including derivatives that are assets, at their fair value, without any deduction for transaction costs it may incur on sale or other disposal, except for the following financial assets: loans and receivables, which shall be measured at amortised cost using the effective interest method; held-to-maturity investments, which shall be measured at amortised cost using the effective interest method; and investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost.

- **Subsequent Measurement of Financial Liabilities**

After initial recognition, the Company shall measure all financial liabilities at amortised cost using the effective interest method, except for: financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be measured at fair value except for a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, which shall be measured at cost; and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or is accounted for using the continuing involvement approach.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

- **Gains and Losses**

The Company shall recognise a gain or loss arising from a change in the fair value of a financial asset or financial liability that is not part of a hedging relationship as follows: a gain or loss on a financial asset or financial liability classified as at fair value through profit or loss shall be recognised in profit or loss; a gain or loss on an available for sale financial asset shall be recognised directly in equity, through the statement of changes in equity except for impairment losses and foreign exchange gains and losses until the financial asset is derecognized, at which time the cumulative gain or loss previously recognised in equity shall be recognised in profit or loss.

Interest calculated using effective interest method is recognised in profit or loss; dividends on an available-for-sale equity instrument are recognised in profit or loss when the Company's right to receive payment is established;

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortization process.

- **Amortised Cost Measurement**

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayment, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

- **Fair Value Measurement**

The determination of fair values of quoted financial assets and financial liabilities in active markets are based on quoted market prices or dealer price quotations. If the market for a financial asset or a financial liability is not actively traded or unlisted security, the Company establishes fair value by using valuation techniques. These techniques include the use of arms' length transactions, discounted cash flow analysis, and valuation models and techniques commonly used by market participants.

The value produced by a model or other valuation technique may be adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors that market participants take into account when entering into a transaction. Management believe that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value in the balance sheet.

- **Offsetting**

Financial assets and financial liabilities are set off and the net amount presented in the balance sheet when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expense are presented on the net basis only when permitted by the accounting standards or interpretation, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

- **Measurement of Impairment and Provision for Credit Losses**

The Company shall assess at each balance sheet date, whether there is any objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a loss event) and that loss event(s) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather, the combined effect of several events may have caused the impairment. Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

- significant financial difficulty of the issuer or the obligor;
- a breach of contract, such as a default or delinquency in interest or principal payment;
- the lender (the Company), for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Company would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or

observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including:

- adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2011

- national or local economic conditions that correlate with defaults in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, a decrease in oil prices for loan assets to oil companies, or adverse changes in the industry conditions that affect the borrowers in the group).

A provision for credit losses is established if there is objective evidence that the Company will be unable to collect all amounts due on a claim according to the original contractual term. A "claim" means a loan, a commitment such as a letter of credit, guarantee or commitment to extend credit or other credit product.

An allowance for credit loss is reported as a reduction in carrying value of a claim on the balance sheet, whereas for an off-balance sheet item such as a commitment, a provision for credit loss is reported in other liabilities. Additions to provisions for credit losses are made through credit loss expense.

Provision for credit losses is based on the following principles:

Counterparty-specific – A claim is considered as a loss when management determines that it is probable that the Company will not be able to collect all amounts due according to the original contractual terms.

Individual credit exposures are evaluated based on the borrower's character, overall financial condition, resources and payment record, prospects of support from financially responsible guarantor and cash collaterals.

An impaired asset refers to an asset where there is no longer reasonable assurance of timely collection of the full amount of principal and interest due to deterioration in the credit quality of the counterparty. An asset is impaired if the estimated recoverable amount of an asset is less than its carrying amount shown in the books of the Company. Impairment is measured and a provision for credit losses is established for the difference between the carrying amount and its estimated recoverable value.

Estimated recoverable amount is measured by discounting the expected future cash flows at the effective interest rate inherent in the asset. When the amount and timing of future cash flows cannot be estimated with reasonable reliability, estimated, recoverable amounts may be measured at either:

- The fair value of any security underlying the assets, net of expected costs of recovery and any amount legally required to be paid to the borrowers; or
- Observable market prices for the assets.

Upon impairment the accrual of interest income based on the original terms of the claim is discontinued until the asset has been written down to its estimated recoverable amount. Interest income thereafter is recognized.

A write-off is made when all or part of a claim is deemed uncollectible or forgiven. Write-offs are charged against previously established allowances for credit losses or directly to credit loss expense and reduce the principal amount of a claim.

#### iii. Loans and Advances

Loans and advances originated by the Company include loans where money is provided directly to the borrower and are recognized when cash is advanced to the borrower. They are initially recorded at cost, which is fair value of cash originated by the Company, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method.

#### iv. Investments

Investments are recognized on a trade date basis and are classified as held to maturity or available for sale. Investments with fixed maturity dates, where management has both the intent and ability to hold to maturity are classified as held to maturity. Investments intended to be held for indefinite period of time, which may be sold in response to needs for liquidity or changes in the market, are classified as available for sale.

Investments are initially measured at cost. Available for sale investments are subsequently re-measured at fair value based on quoted prices. Fair values for unlisted securities are estimated using market values of the underlying securities or appropriate valuation methods.

Held to maturity investments are carried at amortised cost less any provision for impairment. Amortised cost is calculated on the effective interest method.

#### v. Property, Plant and Equipment

Fixed assets are stated at cost less accumulated depreciation and impairment losses. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of assets is the greater of their net selling price and value in use. The impairment losses are recognized in the statement of income.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Depreciation is computed for all items of Property, Plant and Equipment other than Capital Work-in-Progress, using the straight-line method, at the following annual rates:

Freehold Land and Buildings	2%
Leasehold Land and Buildings	2.5%
Plant, Machinery and Equipment	20%
Furniture and Equipment	10%
Motor Vehicles – Tanker and Trucks	20%
Motor Vehicles – Others	25%
Computers	50%

Repairs and maintenance are charged to the income statement when the expenditure is incurred. Improvements to Fixed Assets are capitalized.

Gains and losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining net income.

### vi. Translation of Foreign Currencies

The Company's functional currency is the Ghana Cedi. In preparing the balance sheet of the Company, transactions in currencies other than Ghana Cedis are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of income. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the statement of income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in shareholders' equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in the shareholders' equity.

### vii. Cash and Cash Equivalents

For the purposes of cash flow statement cash and cash equivalents include cash, non-restricted balances with Bank of Ghana, amounts due from other banks and financial institutions and short term government securities maturing in three months or less from the date of acquisition.

### viii. Leases

Leases are tested to determine whether the lease is finance or operating lease and treated accordingly.

Finance leases - leases 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 inception of the lease at the lower of the fair value of the lease property, plant and equipment and the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included on other long term borrowings. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases – leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Rentals payable under operating leases are charged to income statement on a straight- line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into operating lease are also spread on a straight-line basis over the lease term.

### ix. Provision

Provisions for restructuring costs, legal claims and similar events are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is more likely that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

### x. Deferred Taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2011

been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **xi. Current Taxation**

The Company provides for income taxes at the current tax rates on the taxable profits of the Company.

Current tax is the expected tax payable on the taxable income for the year, using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years.

#### **xii. Dividends on Ordinary Shares**

Dividends on ordinary shares are recognised on equity in the period in which they are approved by the Company's shareholders.

Dividends for the year that are declared after the reporting date are dealt with in the subsequent events notes.

Interim dividends are recognised when paid.

#### **xiii. Borrowings**

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

Borrowings are classified as non-current liabilities where the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### **xiv. Borrowing Cost**

Borrowing costs shall be recognised as an expense in the period in which they are incurred, except to the extent that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset.

The capitalisation of borrowing costs as part of the cost of a qualifying asset shall commence when: expenditures for the asset are being incurred; borrowing costs are being incurred; and activities that are necessary to prepare the asset for its intended use or sale are in progress

Capitalisation of borrowing cost shall be suspended during extended periods in which active development is interrupted. Capitalisation of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

#### **xv. Inventories**

Inventory is stated at the lower of cost or net realisable value. Costs of inventories includes, the purchase price, and related cost of acquisition. The cost of inventory is determined using weighted average cost formula.

#### **xvi. Impairment of Non-financial Assets**

The carrying amount of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Impairment losses are recognised in the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

### xvii. Employee Benefits

#### • Short-Term Benefits

Short-term employee benefits are amounts payable to employees that fall due wholly within twelve months after the end of the period in which the employee renders the related service.

The cost of short-term employee benefits are recognised as an expense in the period when the economic benefit is given, as an employment cost. Unpaid short-term employee benefits as at the end of the accounting period are recognised as an accrued expense and any short-term benefit paid in advance are recognised as prepayment to the extent that it will lead to a future cash refund or a reduction in future cash payment.

Wages and salaries payable to employees are recognised as an expense in the income statement at gross amount. The Company's contribution to social security fund is also charged as an expense.

#### • Social Security and National Insurance Trust (SSNIT)

Under a National Deferred Benefit Pension Scheme, the Company contributes 13% of employees' basic salary to SSNIT for employee pensions. The Company's obligation is limited to the relevant contributions, which are settled on due dates. The pension liabilities and obligations, however, rest with SSNIT.

#### • End of Service Benefit Scheme

The Company has an End of Service Benefit Scheme for all permanent employees. The Company sets aside 10% Gross Basic Salaries into the fund. The Company's obligation under the plan is limited to the relevant contribution attributable to each individual staff member.

### xiii. Events after the Reporting Date

The Company adjusts the amounts recognised in its financial statements to reflect events that provide evidence of conditions that existed at the balance sheet date.

Where there are material events that are indicative of conditions that arose after the balance sheet date, the Company discloses, by way of note, the nature of the event and the estimate of its financial effect, or a statement that such an estimate cannot be made.

### xix. Earnings Per Share

The company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the relevant period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares in issue for the effects of all dilutive potential ordinary shares.

**xx. The following standards, amendments and interpretations were also applicable for the year ended 31<sup>st</sup> December 2011 and were either not relevant to Ghana Oil Company Limited or had no impact on the Company's Financial Statements:**

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Amendments/Improvements	Effective date
IFRIC 14	IAS 19. The limit on a Define Benefit Assets. Minimum Funding Requirements and their Interaction.	1 January 2011
IFRS 1	IFRS 1. First time Adoption of IFRSs	1 January 2011
IAS 34	IAS 34. Interim Financial Reporting	1 January 2011
IFRIC 13	IFRIC 13. Consumer Loyalty Programmes	1 January 2011
IFRS 7	IFRS 7. Disclosure – Transfers of Financial Assets	1 July 2011
IFRS 1	IFRS 1. Severe Hyperinflation and Removal of Fixed Dates for First – time Adoptors	1 July 2011
IAS 24	IAS (revised). Related Party Disclosures - The revisions provide a partial exemption from the disclosure requirements for government-related entities and simplify the definition of a related party.	1 January 2011

### xxi New standards and interpretations not yet adopted

	Amendments/Improvements	Effective date
IAS 12	IAS 12 Deferred Tax; Recovery of Underlying Assets	1 January 2012
IFRS 9	IFRS 9. Financial Instruments – Classification and Measurement.	1 January 2015
IAS 19	Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects.	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented.	1 July 2012
IFRS 12	Disclosure of Interests in Other Entities.	1 January 2013
IAS 28	Investments in Associates – Reissued as IAS 28, Investments in Associates and Joint Ventures (as amended in 2011).	1 January 2013

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

### 2a. DEPOT AND STATION EXPENSES

Includes depreciation -GHC2,319,025 (2010 - GHC1,888,799)

### 2b. SELLING AND ADMINISTRATION EXPENSES

	2011 GHC	2010 GHC
Depreciation	496,845	489,023
Directors' Fees & Expenses	408,093	393,219
Auditors' Remuneration	60,000	55,000
Donations	126,920	144,078
<b>3. SUNDRY INCOME</b>		
Throughput Income	0	27,766
Exchange Gain	440,124	85,082
Contractors Registration	30	6,665
Miscellaneous Income	265,923	267,018
Various Rent	773,808	484,875
Sale of Materials	988	827
Discounts Received	1,542,790	595,515
Penalties on Customers Dishonored Cheques	68,935	70,618
Profit on Sale of Property, Plant and Equipment	5,128	44,941
Storage and Premium Income	255,061	733,683
	<b>3,352,787</b>	<b>2,316,990</b>
<b>4. NET FINANCE EXPENSES 4 EXCEPTIONAL ITEMS</b>		
Early Voluntary Retirement Payment Interest Income	272,843	595,296
Bank, loan interest and Other Finance Charges	(1,557,970)	(3,028,511)
	<b>(1,285,127)</b>	<b>(2,433,215)</b>
<b>5. TAXATION</b>		
Current Tax	2,485,758	1,675,713
Deferred Tax	966,699	149,557
	<b>3,452,457</b>	<b>1,825,270</b>
<b>6. RECONCILIATION OF EFFECTIVE TAX</b>		
Profit before tax	11,341,232	8,144,705
Tax at applicable tax rate at 25%( 2010 - 25%)	2,835,308	2,036,176
Tax effect of non-deductible expenses	874,902	810,289
Tax effect of non-chargeable income	(148,170)	(384,427)
Tax effect of capital allowances	(1,076,282)	(792,941)
Origination/(reversal) of temporary differences	966,699	149,557
	<b>3,452,457</b>	<b>1,818,655</b>
Effective tax rate (%)	<b>30.44</b>	<b>22.33</b>

### 7a CURRENT TAX

	Balance at 1 January GHC	Tax Paid/ Refund GHC	Charge/Credit to P&L GHC	Balance at 31 December GHC
<b>Income Tax</b>				
Up to 2009	(2,525)	0	0	(2,525)
2010	312,812	0	0	312,812
2011	0	(1,495,851)	2,485,758	989,907
<b>Total</b>	<b>310,287</b>	<b>(1,495,851)</b>	<b>2,485,758</b>	<b>1,300,194</b>

Tax position up to 2009 year of assessment have been agreed with the tax authorities. The remaining liabilities are however subject to agreement with the tax authorities. The amount provided for Income Tax is calculated at the rate of 25% of the Adjusted Profit and is subject to agreement with Internal Revenue Service.

### 7b DEFERRED TAXATION

Balance at 1 January	301,421	135,864
Charge to P & L for the year	966,699	149,557
Charge to Capital Surplus	147,450	16,000
Balance at 31 December	<b>1,415,570</b>	<b>301,421</b>

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 25% (2010 - 25%).

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2011

**8a PROPERTY, PLANT AND EQUIPMENT****2011**

Cost / Valuation	F'HOLD LAND & BUILDINGS		L'SE HOLD LAND & BUILDINGS		PLANT MACH. & EQUIP.		MOTOR VEHICLES		FURN. & COMPUTERS EQUIP. & ACCESS.		CAPITAL WORK IN PROGRESS		TOTAL	
	GHC	GHC	GHC	GHC	GHC	GHC	GHC	GHC	GHC	GHC	GHC	GHC	GHC	GHC
Balance at 01.01.2011	13,004	25,034,956	19,634,223	2,482,103	1,460,301	331,790	264,579	49,220,956						
Additions during the year	30,000	920,000	1,849,901	707,072	132,715	38,198	5,961,860	9,639,746						
Transfers during the year	0	3,851,357	737,067	0	0	0	(4,588,424)	0						
Disposals during the year	0	(255,304)	0	(347,654)	0	0	0	(602,958)						
Balance at 31.12.2011	43,004	29,551,009	22,221,191	2,841,521	1,593,016	369,988	1,638,015	58,257,744						
<b>Depreciation</b>														
Balance at 01.01.2011	5,598	2,987,546	16,968,690	2,120,757	846,528	234,588	0	23,163,707						
Charges during the year	860	738,775	1,579,390	294,637	130,889	71,319	0	2,815,870						
Disposal during the year	0	(31,913)	0	(347,654)	0	0	0	(379,567)						
Balance at 31.12.2011	6,458	3,694,408	18,548,080	2,067,740	977,417	305,907	0	25,600,010						
<b>Net Book Value</b>														
<b>31 December 2011</b>	<b>36,546</b>	<b>25,856,601</b>	<b>3,673,111</b>	<b>773,781</b>	<b>615,599</b>	<b>64,081</b>	<b>1,638,015</b>	<b>32,657,734</b>						
31 December 2010	7,406	22,047,410	2,665,533	361,346	613,773	97,202	264,579	26,057,249						

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.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2011

**8b PROPERTY, PLANT AND EQUIPMENT****2010**

	F'HOLD LAND & BUILDINGS GH¢	L'SEhold LAND & BUILDINGS GH¢	PLANT MACH. & EQUIP. GH¢	MOTOR VEHICLES GH¢	FURN. & COMPUTERS EQUIP. & ACCESS. GH¢	CAPITAL WORK IN PROGRESS GH¢	TOTAL GH¢
<b>Cost / Valuation</b>							
Balance at 01.01.2010	13,004	21,935,196	18,671,142	2,249,617	1,272,634	2,416,034	46,784,976
Additions during the year	0	174,578	873,568	286,400	187,667	863,240	2,489,894
Transfers during the year	0	2,925,182	89,513	0	0	(3,014,695)	0
Disposals during the year	0	0	0	(53,914)	0	0	(53,914)
Balance at 31.12.2010	13,004	25,034,956	19,634,223	2,482,103	1,460,301	264,579	49,220,956
<b>Depreciation</b>							
Balance at 01.01.2010	5,338	2,361,673	15,706,024	1,886,240	723,919	143,126	20,826,320
Charges during the year	260	625,873	1,262,666	274,952	122,609	91,462	2,377,822
Disposal during the year	0	0	0	(40,435)	0	0	(40,435)
Balance at 31.12.2010	5,598	2,987,546	16,968,690	2,120,757	846,528	234,588	23,163,707
<b>Net Book Value</b>							
<b>31 December 2010</b>	<b>7,406</b>	<b>22,047,410</b>	<b>2,665,533</b>	<b>361,346</b>	<b>613,773</b>	<b>97,202</b>	<b>26,057,249</b>
31 December 2009	7,666	19,573,523	2,965,118	363,377	548,715	84,223	25,958,656

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.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 GH¢	2010 GH¢
<b>9a AVAILABLE FOR SALE FINANCIAL INSTRUMENTS</b>		
Ghana Bunkering Services Ltd.	222,278	222,278
Ghana Fertilizer Company	2	2
Total (Ghana) Ltd.	1,983,000	1,000,000
Tema Lube Oil Company Ltd.	10,954	10,954
Metro Mass Transit Company Limited	414,000	414,000
JUHI	2,549,855	2,549,855
	<b>5,180,089</b>	<b>4,197,089</b>
Available for sale financial instruments of the above companies are made up of equity shares.		
<b>9b SHORT TERM INVESTMENT</b>		
Fixed Deposit	2,000,000	0
<b>10. STOCKS &amp; GOODS IN TRANSIT</b>		
Trading :		
Gas Cookers & parts	7,952	23,073
Fuel	333,752	260,196
Lubricants	7,480,148	7,120,628
L.P. Gas	126,501	37,938
	<b>7,948,353</b>	<b>7,441,835</b>
Non Trading : Materials	1,977,323	1,145,489
	<b>9,925,676</b>	<b>8,587,324</b>
Goods in Transit	667	264,440
	<b>9,926,343</b>	<b>8,851,764 11</b>
<b>11. ACCOUNTS RECEIVABLE</b>		
Trade Receivable	51,211,306	48,004,649
Oil Marketing Companies	0	70,788
Other Receivable	12,779,249	8,681,644
Staff Receivable	539,804	390,236
Prepayments	1,193,604	770,994
	<b>65,723,963</b>	<b>57,918,311</b>
Less: Provision for Bad & Doubtful Debts	(421,351)	(244,384)
	<b>65,302,612</b>	<b>57,673,927</b>

The maximum amount owed by the staff did not at one particular time exceed:  
**2011 GH¢539,804** (2010: GH¢390,236)



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

### 12. CASH AND BANK BALANCES

Current Account  
Cash in Hand

2011 GH¢	2010 GH¢
6,406,959	6,734,898
59,005	24,155
<u>6,465,964</u>	<u>6,759,053</u>

### 13. BANK OVERDRAFT

Ghana Commercial Bank Limited  
First Atlantic Merchant Bank Limited  
Standard Chartered Bank Ghana Limited  
Ecobank Limited  
Others

300	683
0	343,094
2,001,762	3,614,787
0	24,046
7,542	0
<u>2,009,604</u>	<u>3,982,610</u>

#### Ghana Commercial Bank

The company has an overdraft facility of GH¢5,000,000 with Ghana Commercial Bank to finance the company's working capital (stocks and receivables). Interest rate is at 17.5% per annum or any other rate to be determined by the Bank from time to time. The facility is secured by a Negative Pledge over the assets of the company estimated at GH¢25,958,656 (NBV, December 2009). The facility expires on 31 March, 2012.

#### First Atlantic Merchant Bank Limited

The company has an overdraft facility of GH¢1,500,000 with the bank to support working capital requirements. Interest rate is at 18.0% per annum, however a penal rate of 3.5% per annum shall be chargeable when the limit is exceeded. The facility is secured by Clean (Negative Pledge) over fixed assets of the company. The facility expires on 30 November 2012.

#### Standard Chartered Bank

The company was granted an overdraft facility of GH¢4,000,000 by the bank to meet its operating expenses such as fuel purchases and other operational requirements. The rate of interest is 19.5% (at the bank's base rate) per annum payable monthly in arrears and subject to change in line with market conditions. The facility is secured by Negative Pledge over assets of the company, and is to expire on 12 months after date of disbursement.

#### Ecobank Ghana Limited

The company has an overdraft facility of GH¢5,000,000 with Ecobank Ghana Limited to finance the company's working capital (inventory and receivables) and the payment of operational bills. Interest rate is at the bank's current base rate of 18.0% minus 6% per annum, payable monthly in arrears. The facility expires on 31 December, 2012 and is secured by a Clean Negative Pledge over the company's assets.

#### Prudential Bank Limited

The company has an overdraft facility of GH¢1,500,000 with Prudential Bank Limited to supplement the company's resources for its oil marketing operations. Interest rate is at 18.5%. The facility is secured by an existing Negative Pledge over the company's assets. The facility expires on 31 May, 2012.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 GH¢	2010 GH¢
<b>14. ACCOUNTS PAYABLE</b>		
Trade Payable	62,615,594	51,244,692
Other Payable	7,353,428	6,377,192
Accruals	2,872,323	2,433,667
	<u>72,841,345</u>	<u>60,055,551</u>
<b>15a. TERM LOAN</b>		
Balance as at 1 January	5,043,641	7,014,300
Addition during the year	152,052	661,592
Exchange Loss	273,600	76,906
Loan repayment	(1,653,193)	(2,709,157)
	<u>3,816,100</u>	<u>5,043,641</u>
<b>15b. LONG TERM PORTION</b>		
Medium Term Loan	1,465,600	461,543
	<u>1,465,600</u>	<u>461,543</u>
<b>15c. SHORT TERM PORTION</b>		
Government of Ghana	1,465,600	2,854,294
Exchange Loss on GOG Loan	273,600	76,906
Medium Term Loan	611,300	1,650,898
	<u>2,350,500</u>	<u>4,582,098</u>

- a) The Government of Ghana Loan (Goil Subsidiary Loan) was rescheduled in the year 2007 and repayable in seven (7) years with four years grace period commencing 2011. The facility expires on 31 December, 2015.
- b) The Company has been granted a Medium Term Loan of GH¢5,000,000 by Ghana Commercial Bank, to finance the construction of New Ultra Modern Service Stations across the country. The facility is for a period of 60 months from date of disbursement with 12 months moratorium on both principal and interest. The interest rate is 16.0% per annum or any rate to be determined by the Bank from time to time. The facility is secured by Negative Pledge over all assets of the company. The Bank shall have the right to set-off all outstanding debts under the facility against any amount available in the company's account with the Bank.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

### 16. STATED CAPITAL

Number of authorised shares  
Total number of issued shares

	2011	2010
	1,000,000,000	1,000,000,000
	<u>210,186,240</u>	<u>210,186,240</u>
	GH¢	GH¢
Issued for Cash	5,000,200	5,000,200
issued on consideration other than cash	6,559,263	6,559,263
Issued on Transfer from Surplus	249,800	249,800
	<u>11,809,263</u>	<u>11,809,263</u>

There is no unpaid liability on any share and there are no shares in treasury.

### 17. BUILDING FUND

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

Balance at 1 January  
Transfer from Income Surplus

	734,697	418,725
	394,439	315,972
	<u>1,129,136</u>	<u>734,697</u>

Balance at 31 December

### 18. INCOME SURPLUS

This represents the residual of cumulative annual profits that are available for distribution to shareholders.

### 19. CAPITAL SURPLUS

This is surplus arising from the revaluation of property, plant and equipment in 1985, 1988 and 2000 by Owusu-Adjapong and Company and Messrs Propicon. It also includes movements in the market price of available for sale financial assets of 100,000 shares held in Total Petroleum Ghana Limited as a result of the adoption of International Financial Reporting Standards.

	Available-for-sale Fin. Asset GH¢	Revaluation surplus GH¢	2011 GH¢	2010 GH¢
Balance at 1 January 2011	950,046	3,906,759	4,856,805	4,552,805
Revaluation	983,000	0	983,000	320,000
Deferred tax current year	(147,450)	0	(147,450)	(16,000)
	<u>1,785,596</u>	<u>3,906,759</u>	<u>5,692,355</u>	<u>4,856,805</u>

### 20. DIVIDEND

Final Dividend paid was GH¢0.0115 per Share  
(2010 GH¢0.0104 per Share) Payments during the year.

	2011 GH¢	2010 GH¢
	2,419,968	2,185,947
	(2,419,968)	(2,185,947)
	<u>0</u>	<u>0</u>

A final dividend of **GH¢0.014** per share amounting to **GH¢2,942,610** has been proposed for the year ended 31 December 2011. (2010: GH¢0.0115 per share, amounting to GH¢2,419,968)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

### 21 FINANCIAL RISK MANAGEMENT

The company has exposure to the following risks from its use of financial instruments;

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

#### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Board has established the Audit and Finance committee, which is responsible for developing and monitoring the company's risk management policies in their specified areas. The team includes selected members of executive management and report regularly to the Board of Directors on their activities.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The company's Audit and Finance Committee is responsible for monitoring compliance with the company's risk management policies and procedures, and for reviewing the adequacy of risk management framework in relation to the risks faced by the company. This committee is assisted in these functions by a risk management structure in all the units of the company which ensures a consistent assessment of risk management control and procedures.

#### Credit risk

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

#### Trade and other receivables

The company's exposure to credit risk is minimised as all sales are made to one individual customer. The company has transacted business with this customer over the years, there has not been much default in payment of outstanding debts.

#### Allowances for impairment

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

#### Exposure to credit risks

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

	2011 GH¢	2010 GH¢
Available for sale Financial Assets	5,180,089	4,197,089
Loans and Receivables	65,302,612	57,673,927
Cash and Cash Equivalents	6,465,964	6,759,053
	<u>76,948,665</u>	<u>68,630,069</u>

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was;

Public Institutions	<u>51,211,306</u>	<u>48,075,437</u>
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Impairment Losses

	2011		2010	
	Gross GH¢	Impairment GH¢	Gross GH¢	Impairment GH¢
Past due after 0 - 180 days	<u>51,211,306</u>	<u>0</u>	<u>48,075,437</u>	<u>0</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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

	2011 GH¢	2010 GH¢
Balance at 1 January	51,211,306	48,004,649
Impairment loss recognised	(421,351)	(244,384)
Balance at 31 December	50,789,955	47,760,265

Based on historical default rates, the company believes that no impairment is necessary in respect of trade receivables past due up to 180 days.

### Liquidity risk

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

The following are contractual maturities of financial liabilities;

### 31 December 2011

Non-derivative financial liability	Amount GH¢	6 mths or less GH¢	6-12 mths GH¢	1-3 years GH¢
Secured bank loans	3,816,100	1,175,250	1,175,250	1,465,600
Trade and other payables	72,841,345	72,841,345	0	0
Bank overdraft	2,009,604	2,009,604	0	0
<b>Balance at 31 December 2011</b>	<b>78,667,049</b>	<b>76,026,199</b>	<b>1,175,250</b>	<b>1,465,600</b>
31 December 2010				
Non-derivative financial liability				
Secured bank loans	5,043,641	2,291,049	2,291,049	461,543
Trade and other payables	60,055,551	60,055,551	0	0
Bank overdraft	3,982,610	3,982,610	0	0
<b>Balance at 31 December 2010</b>	<b>69,081,802</b>	<b>66,329,210</b>	<b>2,291,049</b>	<b>461,543</b>

### Market risks

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

### Foreign currency risk

The company is exposed to currency risk as there are transactions and balances denominated in currencies other than the functional currency.

### Interest rate risk

**Profile:** At the reporting date the interest rate profile of the company's interest-bearing financial instruments was:

### Variable rate instrument

Financial liabilities

Carrying amount	
2011 GH¢	2010 GH¢
5,825,704	9,026,251

### Fair value sensitivity analysis for fixed rate instrument

The company did not have fixed rate instrument at 31 December 2011 and also at 31 December 2010

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

### 22. FAIR VALUES

**Fair values versus carrying amounts:** The fair values of financial assets and liabilities, together with carrying amounts shown in the balance sheet are as follows;

	31 December 2011		31 December 2010	
	Carrying Amount GH¢	Fair Value GH¢	Carrying Amount GH¢	Fair Value GH¢
<b>Loans and Receivables</b>				
Trade and Other Receivables	65,302,612	65,302,612	57,673,927	57,673,927
Cash and Cash Equivalents	6,465,964	6,465,964	6,759,053	6,759,053
Short Term Investment	2,000,000	2,000,000	0	0
	<u>73,768,576</u>	<u>73,768,576</u>	<u>64,432,980</u>	<u>64,432,980</u>
<b>Available for Sale Financial Instrument</b>				
Long Term Investment	5,180,089	5,180,089	4,197,089	4,197,089
<b>Other Financial Liabilities</b>				
Secured Bank Loan	3,816,100	3,816,100	5,043,641	5,043,641
Trade and Other Payables	72,841,345	72,841,345	60,055,551	60,055,551
Bank Overdraft	2,009,604	2,009,604	3,982,610	3,982,610
	<u>78,667,049</u>	<u>78,667,049</u>	<u>69,081,802</u>	<u>69,081,802</u>

### 23. CAPITAL COMMITMENTS

There were no commitments for capital expenditure at the balance sheet date and at 31 December 2011.

### 24. EMPLOYEE BENEFITS

#### Deferred Contribution Plans

##### Social Security

Under a National Deferred Benefit Pension Scheme, the company contributes 13% of employee basic salary to the Social Security and National Insurance Trust (SSNIT) for employee pension. The company's obligation is limited to the relevant contribution, which were settled on due dates. The pension liabilities and obligations however, rest with SSNIT.

##### Provident Fund

The company has a provident fund schemes for the staff under which the company contribute a total of 10% of staff basic salary. The obligation under the plan is limited to the relevant contribution and these are settled on the dates to the fund manager.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

### 25. TWENTY LARGEST SHAREHOLDERS

Shareholders	Number of Shares	Percentage Holding (%)
1. GOVERNMENT OF GHANA	107,408,019	51.10
2. SOCIAL SECURITY & NATIONAL INSURANCE TRUST	38,916,529	18.52
3. GOIL EMPLOYEE SHARE OWNERSHIP PLAN	9,259,312	4.41
4. THE QUANTUM GROUP LIMITED	4,562,354	2.17
5. SCBN/CITI BANK LONDON REBECO AFRIKA	2,861,300	1.36
6. SCBN/STANCHART MAURITIUS RE	2,099,075	1.00
7. MR. DANIEL OFORI	989,282	0.47
8. COCOBOD END OF SERVICE	897,022	0.43
9. SCBN/BARCLAYS MAURITIUS RE KAS	700,300	0.33
10. SCBN/ELAC POLICY HOLDERS	579,651	0.28
11. ESL MAIN	569,146	0.27
12. SCBN/DATABANK BALANCE FUND LTD.	559,200	0.27
13. SIC LIFE BUSINESS	367,877	0.18
14. GOLD FUND UNIT TRUST SCHEME	356,773	0.17
15. DONEWELL LIFE COMPANY LIMITED	320,156	0.15
16. ZHAO HAIJUN	307,276	0.15
17. STD NOMS TVL PTY/DATABANK ARK FUND	271,000	0.13
18. GHANA COCOA BOARD	250,351	0.12
19. SIC GENERAL BUSINESS	250,351	0.12
20. OPARE-SEM DANIEL KWADWO MR.	227,100	0.11
<b>TOTALS OF TWENTY LARGEST SHAREHOLDERS</b>	<b>171,752,074</b>	<b>81.71</b>
<b>TOTALS OF OTHERS</b>	<b>38,434,166</b>	<b>18.29</b>
<b>GRAND TOTALS</b>	<b>210,186,240</b>	<b>100.00</b>

### 26. SHAREHOLDING DISTRIBUTION

Category	Numbers of Shareholding	Total Holding	Percentage Holding (%)
1 - 1,000	11,087	6,107,486	2.91
1,001 - 5,000	3,884	10,437,975	4.97
5,001 - 10,000	540	4,568,190	2.17
10,001 - 50,000	484	10,644,273	5.06
50,001 - 999,999,999	88	178,428,316	84.89
		<b>210,186,240</b>	<b>100.00</b>

### 27. DIRECTORS SHAREHOLDING

Name	Number Of Shares
Prof. William A. Asomaning	5,000
Nana Esuman Kwesi Yankah	4,800
Mr. Eugene Akoto-Bamfo	3,350
Mr. Thomas Kofi Manu	10,360
Mr. Chris A-Ackummey	1,775
Ms. Faustina Nelson	19,000
Mr. Kojo Bonsu	5,900
	<b>50,185</b>

### 28. NUMBER OF SHARES IN ISSUE

Earning, Dividend per share are based on 210,186,240, (2010; 210,186,240)

## NOTES





## PROXY FORM

I/We.....

Of.....being a member/members of Ghana Oil

Company Limited hereby appoint.....  
or failing him/her the Chairman as my/our proxy to vote for me/us on my/our behalf at The Annual General Meeting of the Company to be held at the College of Physicians & Surgeons, on 25th July, 2012 at 11:00 a.m. and at any adjournment thereof.

This form is to be used:

1	<u>In favour of</u> * against	The Resolution to adopt the Reports of the Directors and the Financial Statements of the Company for the year ended December 31, 2011.
2	<u>In favour of</u> * against	The Resolution to declare a dividend with respect to the Year ended December 31, 2011 as recommended by the Directors.
3	<u>In favour of</u> * against	The re-election of Hon. Nii Laryea Afotey-Agbo as a Director
4	<u>In favour of</u> * against	The re-election of Mr Thomas Kofi Manu as a Director
5	<u>In favour of</u> * against	The re-election of Nana Esuman Kwasi Yankah as a Director
6	<u>In favour of</u> * against	The resolution to approve the appointment of Mr. Patrick A.K. Akorli as a Director
7	<u>In favour of</u> * against	The Resolution to authorize the Directors to fix the remuneration of the Auditors
8	<u>In favour of</u> * against	The Resolution to fix the remuneration of the Directors

On any other business transacted at the meeting and unless otherwise instructed in Paragraphs 1 to 8 above, the resolutions to which reference is made in those paragraphs, the proxy will vote as he/she thinks fit.

\* Strike out whichever is not desired.

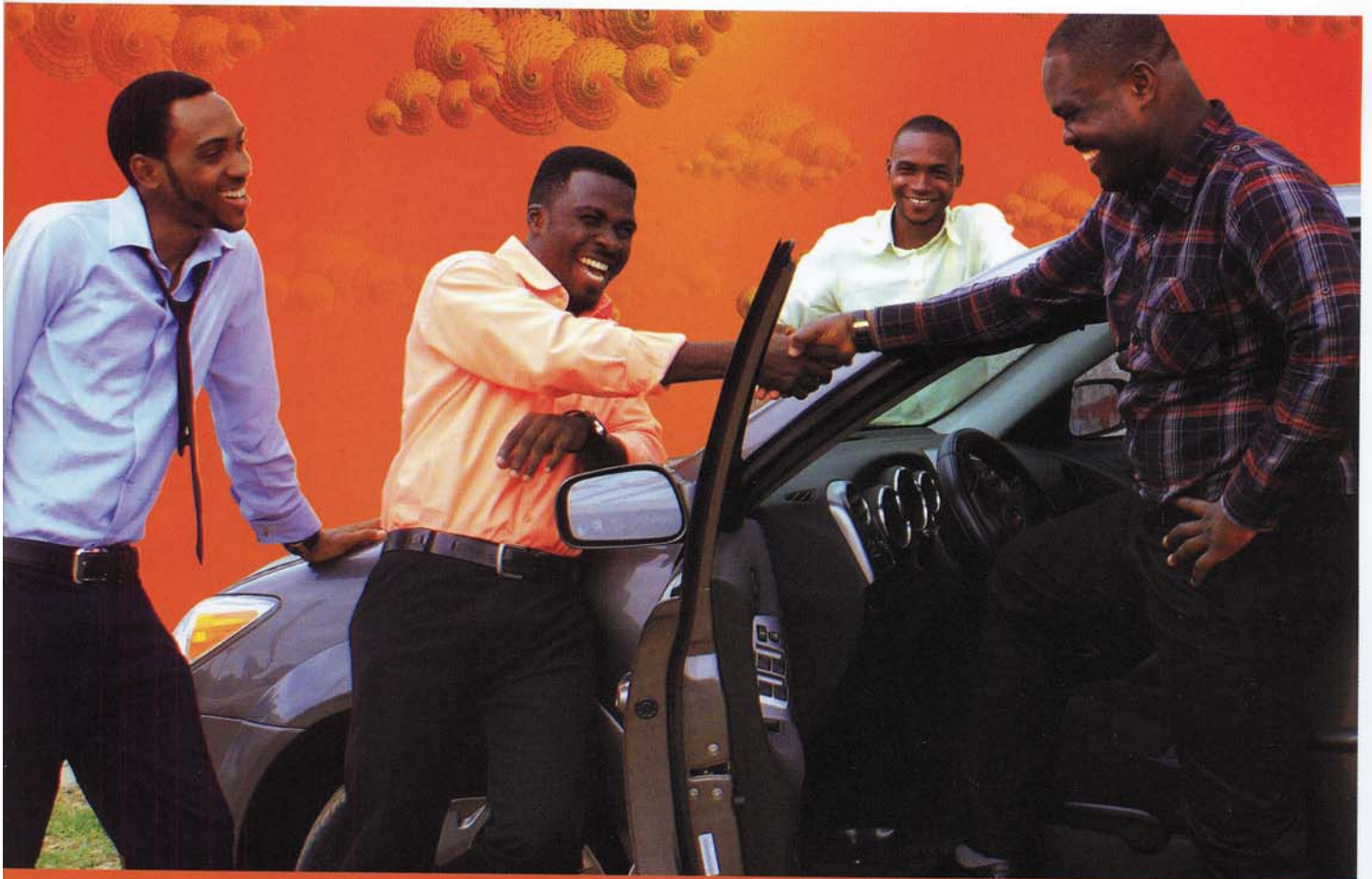
.....  
Signature of Shareholder

Signed this..... day of.....2012.

**THIS PROXY FORM SHOULD NOT BE COMPLETED AND SENT TO THE REGISTERED OFFICE IF THE MEMBER WILL BE ATTENDING THE MEETING**

1. A member (Shareholder) who is unable to attend an Annual General Meeting is allowed by law to vote by proxy. The Proxy Form has been prepared to enable you exercise your vote if you cannot personally attend.
2. Provision has been made on the Form for PROF. WILLIAM AFIAKWA ASOMANING, the Chairman of the meeting to act as your proxy but if you so wish, you may insert in the blank space the name of any person whether a member of the company or not who will attend the meeting and vote on your behalf instead PROF. WILLIAM AFIAKWA ASOMANING.
3. In case of joint holders, each joint holder must sign.
4. If executed by a Corporation, the Proxy Form must bear its Common Seal or be signed on its behalf by a Director.
5. Please sign the above Proxy Form and post it so as to reach the address shown below not later than 4.00 p.m. on Thursday, 19th July, 2012.
6. The Proxy must produce the Admission Card with the Notice of the Meeting to obtain entrance to the meeting.

**The Solicitor Secretary,  
Ghana Oil Company Limited,  
P.O. Box GP 3183,  
Accra.**



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