



BUI POWER AUTHORITY

FINANCIAL STATEMENTS  
31 DECEMBER 2017

FINANCIAL STATEMENTS  
31 DECEMBER 2017

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FINANCIAL STATEMENTS  
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GENERAL  
INFORMATION

<b>GOVERNING BOARD</b>	Amb. Afare Apeadu Donkor Mr. Fred Oware Alhaji Abubakari Abdul-Rahman Mrs. Sylvia Maria Asare Hon. Gabriel Osei Dr. Adams Sulemana Achanson Mr. Kwaku Bowiansa Abrefa Hon. J. Asiedu-Nketia Mr. J. Amisah Arthur Mrs. Theresa Nyarko Fofie Hon. Joseph Akati Saaka Mr. Kwame Twum Boafo Hon. Kwasi A. Gyan-Tutu Dr. Kofi Nketsia Afful	Chairman- appointed 29 September 2019 CEO (Member) appointed 3 March 2017 Member - appointed 29 September 2019 Member- appointed 29 September 2019 Member- appointed 29 September 2019 Member- appointed 29 September 2019 Member- appointed 29 September 2019 Member- appointed 29 September 2019 Chairman - Resigned 7 January 2017 CEO (Member) - Resigned 7 January 2017 Member- Resigned 7 January 2017 Member- Resigned 7 January 2017 Member- Resigned 7 January 2017 Member- Resigned 7 January 2017 Member- Resigned 7 January 2017
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<b>REGISTERED OFFICE</b>	No. 11 Dodi Link Airport Residential Area, Accra Ghana
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<b>AUDITOR</b>	Ernst & Young Chartered Accountants G15, White Avenue Airport Residential Area P. O. Box KA 16009 Airport, Accra, Ghana
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<b>SOLICITORS</b>	Yeboah Lex Co. Ltd P. O. Box CF 2648 Cantonments Accra
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<b>BANKERS</b>	Zenith Bank Ghana Limited Ecobank Ghana Limited Agriculture Development Bank Ghana Commercial Bank
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FINANCIAL STATEMENTS  
31 DECEMBER 2017

REPORT OF THE GOVERNING BOARD  
TO THE MEMBERS OF BUI POWER AUTHORITY

The Governing Board present the audited financial statements of the Authority for the year ended 31 December 2017.

**Governing Board's responsibility statement**

The Authority's Governing Board is responsible for the preparation of financial statements that give a true and fair view of Bui Power Authority, comprising the statement of financial position at 31 December 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Bui Power Authority Act, 2007 (Act 740) Section 21. In addition, the Authority's Governing Board is responsible for the preparation of the financial statements.

The Authority's Governing Board is also responsible for such internal control as the Authority's Governing Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Authority's Governing Board have made an assessment of the ability of the Authority to continue as a going concern and have no reason to believe that the business be a going concern in the year ahead.

The Auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

The results for the year are as set out in the attached financial statements.

**Nature of business**

The main activities of the Authority is to plan, execute and manage the Bui Hydroelectric Project so as to augment power supply of Ghana.

FINANCIAL STATEMENTS  
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REPORT OF THE GOVERNING BOARD  
TO THE MEMBERS OF BUI POWER AUTHORITY (CONTINUED)

State of affairs of the Authority


The Governing Board consider the state of affairs of the Authority to be satisfactory and have made an assessment of the Authority's ability to continue as a going concern and have no reason to believe the Authority will not be a going concern in the year ahead.

Approval of the financial statements

The financial statements were approved by the Governing Board on and are signed on its behalf by:

  
Member

Date: 05/03/2020

  
Member

Date: 05/03/2020



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Airport Residential Area  
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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BUI POWER AUTHORITY

### Report on the financial statements

#### Opinion

We have audited the financial statements of Bui Power Authority (BPA) set out on pages 8 to 35, which comprise the statement of financial position as at 31 December 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bui Power Authority (BPA) as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), the Bui Power Authority Act, 2007, (Act 740).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Bui Power Authority. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audits of Bui Power Authority (BPA). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.





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Key Audit Matter	How the matter was addressed in the audit
<p><b>Financial Statement Close Process (FSCP)</b></p> <p>The FSCP was not timely executed following the delays in posting of adjusting entries on monthly, quarterly and half yearly basis. These adjusting entries were mainly in respect of accrual of interest earned on financial assets such as fixed deposits, and treasury bills and amortisation of prepayments</p> <p>There exist the risks that disclosures may not be complete and accurate.</p>	<p>Our audit procedures on completeness and accuracy of disclosures include;</p> <ul style="list-style-type: none"> <li>• We reviewed monthly and quarterly payment schedules.</li> <li>• We inspected the financial assets (fixed deposits and treasury bills) certificates and examined relevant information such as the date of purchase, interest due dates and maturity of the asset.</li> <li>• We verified that all late journal vouchers raised had been duly approved in accordance with internal procedures including the involvement of key personnel given the approval mandate.</li> <li>• We evaluated the sub processes of the FSCP from initiation through to reporting in the financial statements including disclosures.</li> <li>• We reviewed contracts and agreements with suppliers and other debtors to understand the nature, timing and business rational of these transactions.</li> </ul>

#### Other Information

The Governing Board is responsible for the other information. The other information comprises the Governing Board s' Report as required by the Bui Power Authority Act, 2007 (Act 740). The other information does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Those charged with governance are responsible for overseeing the Authority's financial reporting processes.





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### Responsibilities of the Governing Board for the financial statements

The Governing Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and also in the manner required by the Bui Power Authority Act, 2007 (Act 740) and for such internal control as the governing board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Authority's financial reporting processes.

### Auditor's responsibilities for the audit of the financial statements

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

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

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





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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

*Ernst + Young*

Signed by Kwadwo Mpeani Brantuo (ICAG/F/1152)  
For and on behalf of Ernst & Young (ICAG/F/2020/126)  
Chartered Accountants  
Accra, Ghana

Date: *5 march 2020*

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 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	2016
		US\$'000	US\$'000
	Notes		
Revenue	4	58,781	95,724
Cost of generation	5	<u>(18,863)</u>	<u>(17,983)</u>
<b>Gross profit</b>		<b>39,918</b>	<b>77,741</b>
Other operating income	6	767	192
Administrative expenses	7	(8,710)	(14,386)
Other operating expenses	8	<u>(159)</u>	<u>(91)</u>
<b>Operating profit</b>		<b>31,816</b>	<b>63,456</b>
Finance costs	9	<u>(21,751)</u>	<u>(23,543)</u>
Profit before tax		10,065	39,913
Income tax expenses	10	<u>(32)</u>	<u>-</u>
Profit for the year		10,033	39,913
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<b>10,033</b>	<b>39,913</b>


Notes 1 to 29 form an integral part of these financial statements.

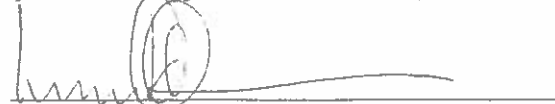
BUI POWER AUTHORITY

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017

	Notes	2017 US\$'000	2016 US\$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	830,486	842,418
Intangible assets	12	255	389
<b>Total non-current assets</b>		<b>830,741</b>	<b>842,807</b>
<b>Current assets</b>			
Inventory	13	1,760	167
Trade and other accounts receivable	14	227,911	203,630
Other financial assets	15	4,489	1,335
Restricted cash	16	1,038	2,696
Cash and bank balances	17	4,974	8,864
<b>Total current assets</b>		<b>240,172</b>	<b>216,692</b>
<b>Total assets</b>		<b>1,070,913</b>	<b>1,059,499</b>
<b>Equity</b>			
Accumulated Fund	18	76,514	76,514
Retained earnings		284,227	274,194
<b>Total equity</b>		<b>360,741</b>	<b>350,708</b>
<b>Non-current liabilities</b>			
Loans and borrowings	19d	665,366	680,717
Deferred Income	20	264	-
<b>Total non-current liabilities</b>		<b>665,630</b>	<b>680,717</b>
<b>Current liabilities</b>			
Interest bearing loans and borrowings	19d	43,138	26,301
Trade and other accounts payable	21	1,190	1,515
Employee benefits obligation	22	214	258
<b>Total current liabilities</b>		<b>44,542</b>	<b>28,074</b>
<b>Total liabilities</b>		<b>710,172</b>	<b>708,791</b>
<b>Total equity and liabilities</b>		<b>1,070,913</b>	<b>1,059,499</b>

The financial statements were approved by the Governing Board and signed on its behalf by:

  
Member  
Date: 05/03/2020

  
Member  
Date: 05/03/2020

Notes 1 to 29 form an integral part of these financial statements.



STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017

	Accumulated fund	Retained earnings	Total
	US\$'000	US\$'000	US\$'000
As at 1 January 2017	76,514	274,194	350,708
Profit for the year	-	10,033	10,033
As at 31 December 2017	76,514	284,227	360,741
As at 1 January 2016	76,514	234,281	310,795
Profit for the year	-	39,913	39,913
As at 31 December 2016	76,514	274,194	350,708

Notes 1 to 29 form an integral part of these financial statements.

BUI POWER AUTHORITY

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 US\$'000	2016 US\$'000
<b>Operating activities</b>			
Profit before tax		10,065	39,913
Adjustments to reconcile profit before tax to net cash flows:			
Adjustment		(64)	-
Depreciation charge		18,439	16,947
Amortisation charge		72	88
Gains on disposal		15	-
Unrealized exchange loss		1,586	8,722
Interest income		(382)	(94)
Interest expense		<u>21,751</u>	<u>23,543</u>
Operating profit before working capital changes		51,482	89,119
<b>Working capital adjustments:</b>			
(increase) in Inventory		(1,593)	(50)
Decrease in restricted cash		27,123	46,925
(increase)/ decrease in other financial assets		(3,154)	1,813
increase in trade and other receivables		(22,377)	(73,927)
(Decrease) in trade and other accounts payable		(323)	(606)
Increase in deferred Income		264	-
Increase in employee benefit obligations		<u>(47)</u>	<u>(228)</u>
Cash generated from operations		51,375	63,046
Interest received		192	94
Interest paid		<u>(21,299)</u>	<u>(21,571)</u>
Net cash flows generated from operating activities		<u>30,268</u>	<u>41,569</u>
<b>Investing activities</b>			
Purchase of property, plant and equipment	11	(6,507)	(18,284)
Purchase of intangible assets	12	(1)	(3)
Proceeds from disposal		<u>15</u>	<u>-</u>
Net cash flows used in investing activities		<u>(6,493)</u>	<u>(18,287)</u>
<b>Financing activities</b>			
Increase/(decrease) in non-current loans and borrowings:			
Repayment of borrowings		<u>(24,512)</u>	<u>(16,542)</u>
Net cash flows used in financing activities		<u>(24,512)</u>	<u>(16,542)</u>
Net (decrease)/increase in cash and cash equivalents		(737)	6,740
Cash and cash equivalents as at 1 January	17b	<u>10,200</u>	<u>3,460</u>
Cash and cash equivalents as at 31 December	17b	<u>9,463</u>	<u>10,200</u>

Notes 1 to 29 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2017

1. Corporate Information

The Authority was established by an Act of Parliament, Bui Power Authority Act, 2007 (Act 740) and it is domiciled in Ghana. The Authority's registered office is at No 11 Dodi Link, Airport Residential Area, Accra, Ghana and it is domiciled in Ghana. The Authority is primarily involved in planning, executing and managing the Bui Hydroelectric Project.

2. Basis of preparation

The financial statements of Bui Power Authority have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on a historical cost basis and are presented in United States of American Dollars (US\$) and are rounded to the nearest thousand (US\$'000), except when otherwise indicated.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosures of contingent assets and liabilities at the reporting date and the reported amount of revenue and expenses during the period. However, actual outcome could differ from those estimates. Significant estimates and assumptions are included in Note 3.15.

Bui Power Authority has presented its financial statements in United States Dollars which is also its functional currency.

3. Significant accounting policies

3.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, taking account of contractually defined terms of payment and excluding taxes or duty. The Authority has concluded that it is the principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognised:

Revenue from services rendered

The amount of revenue arising on a transaction is usually determined by agreement between the Authority and the buyer or user of the service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Authority. Revenue is recognised upon delivery of electricity to the Electricity Company of Ghana (ECG) and charged in accordance with rates approved by the Public Utilities Regulatory Commission (PURC) as per the Power Purchase Agreement.



NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2017

3. Significant accounting policies (continued)

3.2 Current versus non-current classification

Bui Power Authority presents assets and liabilities in its statement of financial position based on current/non-current classification. An asset is current when it is:

- ▶ Expected to be realised or intended to be sold or consumed in normal operating cycle.
- ▶ Expected to be realised within twelve months after the reporting period.

Or

- ▶ Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- ▶ It is expected to be settled in normal operating cycle.
- ▶ It is held primarily for the purpose of trading.
- ▶ It is due to be settled within twelve months after the reporting period.

Or

- ▶ There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Bui Power Authority classifies all other liabilities as non-current.

3.3 Inventory

Inventories are valued at the lower of cost and net realizable value. Cost comprises expenditure incurred during the normal course of business. Net Realisable Value (NRV) is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less estimated costs necessary to make the sale. Provision is made for obsolete, slow moving and defective stocks as and when determined.

3.4 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as 'cash and cash equivalent'.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

*Restricted cash flows*

Amounts held in the Bui Power Authority's account with China Export and Import Bank (CEXIM) are not considered to be a part of the Authority's cash and cash equivalents balance. Rather, they are considered separately due to their materiality and nature of restriction.

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2017

3. Significant accounting policies (continued)

3.5 Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All borrowing costs in relation to construction of the dam and other civil works have been capitalized. Other borrowing costs are expensed in the period in which they occur.

3.6 Provisions

General

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.7 Taxation

Current income tax

The Authority asserts that as a Government Agency established by an Act of Parliament they are exempt from the payment of corporate taxes.

Other taxes

Revenues, expenses and assets are recognised net of the amount of VAT except where the value added tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of value added tax recoverable from, or payable to, the Ghana Revenue Authority is included as part of accounts receivable or payable in the statement of financial position.

3.8 Foreign exchange transactions

The financial statements are presented in United States of America Dollars, which is also the functional currency of the Authority. Unless otherwise indicated all amounts are presented to the nearest US dollar.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Authority at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2017

3. Significant accounting policies (continued)

3.9 Biological assets

Consumable biological assets are measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except in the event that the fair value of the asset cannot be measured reliably. A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell shall be included in profit or loss for the period in which it arises.

Bearer biological assets and public welfare biological assets are measured at cost less accumulated depreciation and any accumulated impairment losses as they are considered as items of property, plant and equipment. Agricultural produce from bearer biological assets are however, measured at fair value less costs to sell, except where fair values cannot be measured reliably.

3.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the statement of profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

3.11 Employee benefit provisions

A provision is recognized for end of service benefit entitlements of management. Amounts are accrued for each completed year of service. An expense is recognized and a corresponding provision accrued each reporting year end.

End of service benefits

Provision has been made for end of service benefits of the Chief Executive Officer of the Authority as well as the Governing Boards' members of the Authority. This has been calculated using the simplified projected unit credit method as stipulated by IAS 19 Employee Benefits on other long-term employee benefits.

3. Significant accounting policies (continued)

3.12 Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, the borrowing costs. The purchase price or construction cost is the aggregate of the amount paid and the fair value of any other consideration given to acquire the asset.



NOTES TO THE FINANCIAL STATEMENTS  
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The straight-line method is adopted to depreciate the cost of items of property, plant and equipment less any estimated residual value of the assets over their expected useful lives. Bui Power Authority estimates the useful lives of other assets in line with their beneficial periods. Where parts of an item of property, plant and equipment have different useful lives and is significant to the total cost, the cost of that item is allocated on a component basis among the parts and each part is depreciated separately.

Land dam powerhouse	25 - 100 years
Generating plant and machinery	15 - 40 years
Power distribution network	15 - 25 years
Motor vehicles	2 - 5 years
Marine equipment	10 years
Office equipment	1 - 5 years
IT and communication equipment	1 - 5 years
Office furniture and fittings	1 - 5 years
Household equipment	1 - 5 years
Household fixtures and fittings	1 - 5 years
Miscellaneous equipment	3 - 20 years
Buildings	15 - 50 years

Residual values, useful lives and the depreciation method are reviewed and, adjusted if appropriate at each reporting date. Changes are accounted for prospectively.

The cost of assets built by the Authority includes the cost of material and direct labour as well as any other costs directly attributable to bringing the asset to a working condition as intended by management. Once the assets are available for use, depreciation commences.

Expenditure on major maintenance or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off or is replaced and it is probable that future economic benefits associated with the item will flow to the Authority, the replacement expenditure is capitalized. Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off. All other maintenance costs are expensed as incurred.

The carrying amount of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of profit or loss in the period in which the item is derecognized.

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2017

3. Significant accounting policies (continued)

3.13 Impairment of non-financial assets

Property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable Cash Generating Units (CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGUs). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Authority evaluates impairment losses for potential reversals when events or circumstances may indicate such consideration is appropriate. The increased carrying amount of an asset shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

3.14 Financial Instruments:

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

All financial instruments are classified into one of the following categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities.

Financial instruments classified as held-to-maturity investments, loans and receivables or other financial liabilities are measured at fair value upon initial recognition and subsequently measured at their amortised cost using the effective interest method.

Transaction costs on financial instruments are expensed when incurred. Purchases and sales of financial assets are accounted for at trade dates.

Financial instruments include disclosures on their liquidity risk and the inputs to fair value measurement, including their classification within a hierarchy that prioritizes those inputs.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Authority.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS  
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3. Significant accounting policies (continued)

3.14 Financial Instruments:

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the statement of financial position) when:

The rights to receive cash flows from the asset have expired.

Or

It has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either:

- (a) the Authority has transferred substantially all the risks and rewards of the asset, or
- (b) the Authority has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Authority continues to recognise the transferred asset to the extent of the Authority's continuing involvement. In that case, the Authority also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Authority has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Authority could be required to repay.

3.15 Significant accounting judgments, estimates and assumptions

The preparation of the Authority's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

**Estimates and assumptions**

In the process of applying the Authority's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the financial statements have been discussed in the individual notes of the related financial statements line items.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Authority based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Authority. Such changes are reflected in the assumptions when they occur.



NOTES TO THE FINANCIAL STATEMENTS  
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3. Significant accounting policies (continued)

3.16 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Authority's financial statements are disclosed below. The Authority intends to adopt these standards, if applicable, when they become effective.

**IFRS 16 Leases**

The IASB has developed a new Leases Standard, IFRS 16, which supersedes IAS 17 Leases. The IASB worked jointly with the FASB on this project. The FASB expects to publish its new Leases Standard in early 2016. The Authority is required to apply IFRS 16 from 1 January 2019.

IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment.

If lease payments are made over time, the Authority also recognises a financial liability representing its obligation to make future lease payments.

The Authority is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

**IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Authority's financial assets, but no impact on the classification and measurement of the Authority's financial liabilities.

The Authority is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Authority is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS  
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3. Significant accounting policies (continued)

3.16 Standards issued but not yet effective

Amendments to IAS 7 Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities liquidity positions.

Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements). The amendment is effective from 1 January 2017. The Authority is currently evaluating the impact of the amendment.

NOTES TO THE FINANCIAL STATEMENTS  
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## 4. Revenue

	Revenue from sale of electricity	generated Kilowatt in thousand
	US\$'000	
2017	<u>58,781</u>	<u>574,000</u>
2016	<u>95,724</u>	<u>934,800</u>

Bui Power Authority sells electricity generated by its hydroelectric plant to the Electricity Company of Ghana (ECG). Per the power purchase agreement between the Ministry of Energy, (on behalf of Bui Power Authority) and the Electricity Company of Ghana, power is sold to ECG using prices as determined by the Public Utility Regulatory Commission (PURC).

## 5. Cost of generation

	2017 US\$'000	2016 US\$'000
Direct labour costs	1,719	1,545
Direct consumable expenses	45	176
Direct operational and maintenance expenses	31	13
Depreciation charge (COS)	<u>17,068</u>	<u>16,249</u>
	<u>18,863</u>	<u>17,983</u>

These costs are directly attributable to the generation of hydroelectric power by the Bui Power Authority.

## 6. Other operating income

	2017 US\$'000	2016 US\$'000
Gain on disposal of assets	15	-
Rent Income	204	-
Income from sale of lumber	166	98
Interest on accounts	<u>382</u>	<u>94</u>
	<u>767</u>	<u>192</u>

Income from sale of lumber resulted from sale of trees in the catchment area upon clearing of the land for the purposes of constructing the dam. Miscellaneous income, on the other hand relates to catering income and rentals of space to some organisations at the Bui Dam's site. Interest on accounts refers to interest accruing on Bui Power Authority fixed deposits and bank accounts held with Ghana Commercial Bank and other financial institutions.

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NOTES TO THE FINANCIAL STATEMENTS  
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7. Administrative expenses

	2017 US\$'000	2016 US\$'000
Audit fees	75	75
Bank charges	290	241
Board expenses	52	66
Communication costs	45	42
Depreciation and amortization - Indirect	1,442	786
Environmental expenses	40	61
Fisheries development	-	10
Fuel costs	211	111
Insurance expenses	204	77
Land administration costs	2	469
Licenses and permits	54	15
Office expenses	18	20
Operations and maintenance expenses	217	167
Other consumables	293	166
Personnel expenses- Indirect costs	3,229	2,713
PR and marketing costs	36	14
Professional fees	536	317
Rent and rates	57	97
Training and development costs	131	90
Travel and transportation expenses	106	114
Unrealized exchange differences	1,582	8,722
Utilities	90	13
	<u>8,710</u>	<u>14,386</u>

Professional fees are largely made up of legal consultancy and engineering services.

7a. Personnel expenses

	2017 US\$'000	2016 US\$'000
Included in cost of sales:		
Salaries and wages	<u>1,719</u>	<u>1,545</u>
Included in administrative expenses:		
Salaries and wages	926	860
Allowances	1,312	891
Other long-term employee benefits	102	-
SSNIT and Provident Fund contribution	507	394
Bonus to staff	274	198
Other staff costs	<u>108</u>	<u>370</u>
	<u>3,229</u>	<u>2,713</u>
<b>Total personnel expenses</b>	<u>4,948</u>	<u>4,258</u>



NOTES TO THE FINANCIAL STATEMENTS  
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## 7b. Depreciation and amortisation

	2017 US\$'000	2016 US\$'000
Included in cost of sales		
Depreciation charge	17,068	16,249
Included in administrative expenses		
Depreciation charge	<u>1,371</u>	<u>698</u>
Total depreciation charged for the year (Note 11a)	<u>18,439</u>	<u>16,947</u>
Amortisation charge	<u>72</u>	<u>88</u>
Total depreciation and amortisation charge for the year	18,511	17,035

Depreciation charged to cost of sales are attributable to items of property, plant and equipment that are used in the direct operations of the Bui Hydroelectric Power Dam.

## 8. Other operating expenses

	2017 US\$'000	2016 US\$'000
Legal fees	5	11
Subscriptions	12	11
Recruitment expenses	1	3
Protocol	25	-
Programs and special events	11	34
Corporate social responsibility	68	29
Seminars, workshops and conferences	<u>37</u>	<u>3</u>
	159	91

The Write-off relates to an amount initially recognised as work in progress (WIP) based on the information available at initial recognition. Current information suggests that future economic benefit will be nil hence the write off.

## 9. Finance costs

	2017 US\$'000	2016 US\$'000
Effective Interest on borrowings	<u>21,751</u>	<u>23,543</u>

## 10. Withholding taxes expenses

The Authority is exempt from corporation taxes but not withholding taxes.

The Authority asserts that, as a Government Agency established by an Act of Parliament they are exempt from the corporate taxes. Hence, neither tax expenses nor deferred taxes has been assessed for the reporting years.

Withholding taxes held on leasehold income has been separately presented on the statements on profit or loss and other comprehensive income as withholding tax expenses.

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11a. Property, plant and equipment 2017	Dams, power house & civil works US\$'000	Transmission networks US\$'000	Land, buildings, roads, civil works US\$'000	Generation, plant and machinery US\$'000	Motor vehicles US\$'000	IT & comm. equipment US\$'000	Residential equipment, furniture & fittings US\$'000	CWIP projects US\$'000	Total US\$'000
Cost									
As at 1 January 2017	340,205	118,485	239,139	142,213	3,380	486	1,276	41,899	887,083
Additions	-	-	6	-	106	38	41	6,316	6,507
Transfers	-	-	19,528	-	-	472	2,650	(22,650)	-
As at 31 December 2017	340,205	118,485	258,673	142,213	3,486	996	3,967	25,565	893,590
Accumulated depreciation									
As at 1 January 2017	10,433	12,882	6,421	13,176	1,169	209	375	-	44,665
Charge for the year	3,949	4,880	3,032	5,002	570	206	800	-	18,439
As at 31 December 2017	14,382	17,762	9,453	18,178	1,739	415	1,175	-	63,104
Net book value									
31/12/17	325,823	100,723	249,220	124,035	1,747	581	2,792	25,565	830,486
31/12/16	329,772	105,603	232,718	129,037	2,211	277	901	41,899	842,418

The Authority's property, plant and equipment have been used as collateral for its loans and borrowings.  
No borrowing cost was capitalised during the year.

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2017

## 11b. Property, plant and equipment

The 2016	Dams, power house & civil works US\$'000	Transmission networks US\$'000	Land, buildings, roads, civil works US\$'000	Generation, plant and machinery US\$'000	Motor vehicles US\$'000	IT & comm. equipment US\$'000	Residential equipment, furniture & fittings US\$'000	CWIP projects US\$'000	Total US\$'000
As at 1 January 2016	335,957	118,485	229,693	139,406	2,330	390	565	41,547	868,373
Additions	3,822	-	6,346	2,807	996	96	455	3,762	18,284
Transfers	426	-	3,100	-	54	-	256	(3,410)	426
As at 31 December 2016	340,205	118,485	239,139	142,213	3,380	486	1,276	41,899	887,083
Accumulated depreciation									
As at 1 January 2016	6,529	8,002	3,937	8,281	672	123	174	-	27,718
Charge for the year	3,904	4,880	2,484	4,895	497	86	201	-	16,947
As at 31 December 2016	10,433	12,882	6,421	13,176	1,169	209	375	-	44,665
Net book value									
31/12/16	329,772	105,603	232,718	129,037	2,211	277	901	41,899	842,418
31/12/15	329,428	110,483	225,756	131,123	1,658	269	391	41,547	840,655

Authority's property, plant and equipment have been used as collateral for its Loans and borrowings.  
No borrowing cost was capitalised during the year.

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2017

## 12. Intangible assets

	2017 US\$'000	2016 US\$'000
<b>Computer software</b>		
<b>Cost</b>		
As at 1 January	519	516
Additions	1	3
Adjustment	<u>(64)</u>	<u>—</u>
As at 31 December	<u>456</u>	<u>519</u>
 <b>Amortisation</b>		
As at 1 January	129	42
Charge for the year	<u>72</u>	<u>88</u>
As at 31 December	<u>201</u>	<u>130</u>
 <b>Total intangible assets</b>	 <u>255</u>	 <u>389</u>

Intangible assets comprise software purchased by the Authority to aid in records keeping and inter-organizational communication. Adjustment relates to an unusable software.

## 13. Inventories

	2017 US\$'000	2016 US\$'000
Spare parts and tools -consumables	1,549	41
Stationery	63	40
Safety materials	119	81
Other inventory	<u>29</u>	<u>5</u>
	<u>1,760</u>	<u>167</u>

There have been no write offs of inventory in the period under review. (2016: nil).



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NOTES TO THE FINANCIAL STATEMENTS  
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14. Trade and other accounts receivable

	2017	2016
	US\$'000	US\$'000
Trade accounts receivable	226,113	203,306
Other accounts receivable	1,528	94
Prepayments	270	230
	<u>227,911</u>	<u>203,630</u>

All amounts are short-term. The net carrying value of trade accounts receivable is considered a reasonable approximation of fair value.

Trade accounts receivable are amounts due to Bui Power Authority by the Electricity Company of Ghana (ECG) for the sale of hydroelectric power. ECG is currently the sole customer of the Authority.

All of the trade and other accounts receivable in the comparative periods have been reviewed for indicators of impairment. No impairment has been recognised as at the year end.

15. Other financial receivables

	2017	2016
	US\$'000	US\$'000
Fixed deposits	4,489	1,335

Fixed deposits held by BPA are in the form of call accounts. Hence they are considered as cash equivalents as they are highly liquid and are being held for cash management purposes.

16. Restricted cash flows

	2017	2016
	US\$'000	US\$'000
CEXIM Escrow account	1,038	1,681
CEXIM Payment Reserve account	-	1,015
	<u>1,038</u>	<u>2,696</u>

These represent accounts held with the China Export Import Bank (CEXIM) specifically for the repayment of loan facilities and the administration of funds received drawn down.

BUI POWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2017

17a. Cash and bank balances

	2017 US\$'000	2016 US\$'000
Cash balance	4	3
Bank balances	<u>4,970</u>	<u>8,861</u>
	<u>4,974</u>	<u>8,864</u>

These amounts are payable on demand and do not attract any interest.

17b. Cash and cash equivalents

	2017 US\$'000	2016 US\$'000
Cash balance	4	3
Bank balances	4,970	8,862
Fixed deposits (Note 17)	<u>4,489</u>	<u>1,335</u>
	<u>9,463</u>	<u>10,200</u>

18. Accumulated Fund

	2017 US\$'000	2016 US\$'000
Investment from Government of Ghana	<u>76,514</u>	<u>76,514</u>

This represent the initial investment held by the Government of Ghana.

19. Loans and borrowings

	2017 US\$'000	2016 US\$'000
Government on lent facilities (Note 19a)	372,609	369,054
Buyers credit facilities (Note 19b)	235,618	264,136
Agency account- Government of Ghana (Note 19c)	<u>101,277</u>	<u>73,828</u>
	<u>709,504</u>	<u>707,018</u>

BUI POWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2017

19a.	Government on lent facilities	2017 US\$'000	2016 US\$'000
	Concessional loans	294,027	289,703
	Preferential Buyer's Credit	<u>78,582</u>	<u>79,351</u>
		<u>372,609</u>	<u>369,054</u>

Concessional loan and preferential buyer's credit facility engaged in 2008 and 2012 respectively by the Government of Ghana and the Chinese Government for the construction and operation of the Bui Hydroelectric Power Project have been on lent to the Authority.

19b.	Buyers' credit facilities	2017 US\$'000	2016 US\$'000
	Buyers' credit facilities	235,618	264,136

Buyer's credit facilities were granted by the China Export Import Bank in 2007 and 2012. The loan facilities were in US\$ and amounted to US\$293,506,062 and US\$76,206,939 in 2007 and 2012 respectively.

19c.	Agency accounts- Government of Ghana	2017 US\$'000	2016 US\$'000
	Government of Ghana Agency account	101,277	73,828

This represents amounts contributed by Ghana COCOBOD as part of a Cocoa sales agreement intended to assist in loan repayment through the sale of cocoa beans to Genertec International Corporation, a Chinese produce buying company.

19d.	Loans and borrowings	2017 US\$'000	2016 US\$'000
	Non-current portion	665,366	680,717
	Current portion	<u>43,138</u>	<u>26,301</u>
		<u>708,504</u>	<u>707,018</u>

BUI POWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2017

19d. Interest bearing loans and borrowings

Interest-bearing loans and borrowings	Interest Rate p.a.	Maturity	2017 US\$'000	2016 US\$'000
Buyers credit facility-2007	5.94475%	21/11/2025	188,847	210,435
Buyers credit facility-2012	LIBOR+4%	21/11/2025	<u>46,771</u>	<u>53,701</u>
			<u>235,618</u>	<u>264,136</u>
Concessional loan	2.75%	15/07/2037	294,027	290,471
Preferential buyers credit facility	2.75%	15/07/2037	<u>78,582</u>	<u>78,583</u>
			<u>372,609</u>	<u>369,054</u>
Government of Ghana Agency Account			<u>100,277</u>	<u>73,828</u>
Total loans and borrowings			<u>708,504</u>	<u>707,018</u>

Interest payable is interest due on Buyers Credit facilities. The 2007 Buyers Credit attracts interest at 5.94475%. The 2012 Buyers Credit facility also attracts an interest rate of LIBOR+4%.

20. Deferred income

	2017 US\$'000	2016 US\$'000
Deferred income	264	-

This represents unearned income or advance payments Bui Power Authority received from Metso, Saiwest, Philips, & Ashfar for renting out its floor space.

BUI POWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2017

21. Trade and other accounts payable

	2017 US\$'000	2016 US\$'000
Trade accounts payable	53	8
Accrued expenses	668	770
Payroll liabilities	223	171
Other accounts payable	235	566
Withholding taxes payable	11	-
	<u>1,190</u>	<u>1,515</u>

Payroll liabilities are composed of Tier 1 and 2 pension payables, Credit Union and welfare dues and other employee payables.

22. Employee benefit obligation

	2017 US\$'000	2016 US\$'000
As at 1 January	258	486
Current service costs	98	(210)
Exchange difference	3	(18)
Payments	(145)	-
As at 31 December	214	258

Employee benefit obligation relates to BPA's award of end of service benefits to members of the Governing Board and Chief Executive Officer of the Authority. Members of the Governing Board are entitled to two (2) months of their basic salary for each completed year, upon the end of their service to the Authority. This increases to 4 months of their basic salary from the fifth (5) completed year of service. The Chief Executive Officer is, however entitled to 4 months of his/her basic salary for each completed year of service.

Net benefit expense recognised in the statement of profit or loss in relation to other long term employee benefits are as follows:

	2017 US\$'000	2016 US\$'000
Net benefit expense recognized in profit or loss		
Current service costs	98	(210)
Exchange difference	3	(18)
	<u>101</u>	<u>(228)</u>

The following are the expected future payments of the employees benefit obligation. The future payments of the employee benefits obligation are dependent on the exit or the resignation of any of the Members of the Governing Board who are entitled to these benefits.



NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2017

23. Financial risk management objectives and policies

The Authority is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Authority's risk management is managed by the Finance Director, in close cooperation with the members of the Governing Board and focuses on actively securing the Authority's short to medium-term cash flows by minimizing the exposure to volatile financial markets. Short-term financial investments are managed to generate lasting returns.

The most significant financial risks to which the Authority is exposed are described below.

**Market risk analysis**

The Authority is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk which result from both its operating and investing activities.

**Interest rate sensitivity**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Authority's exposure to the risk of changes in market interest rates relates primarily to loans and borrowings obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. With all other variables held constant, the Authority's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/ decrease in basis points	Effect on profit before tax US\$'000
2017	+100	+8,346
	-100	-8,346
2016	+100	+7,499
	-100	-7,499

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Authority's exposure to the risk of changes in foreign exchange rates relates primarily to the Authority's operating activities (when expenditure is denominated in a different currency from the Authority's functional currency).

	Changes in US\$ rates	Effect on profit before tax US\$'000
2017	+4.8%	+7.4
	-4.8%	-7.4
2016	+7.5%	+16
	-7.5%	-16

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## 23. Financial risk management objectives and policies (Continued)

## Credit risk analysis

## Trade accounts receivable

Credit risk is the risk that counterparty fails to discharge an obligation to the Authority. The Authority's main exposure for credit risk to Electricity Company of Ghana, the Authority's single customer. The Authority has no significant concentration of credit risk, since Government of Ghana has planned to avail loans for settling the outstanding accounts receivable of ECG.

## Financial instruments and cash deposits

Credit risks from customers are managed by the Authority's Finance Department in accordance with the Authority's policy.

## Liquidity risk analysis

The Authority's objective is to maintain a balance between continuity of funding and flexibility through the use of loans from the Chinese Government and other accounts payable.

The table below summarises the maturity profile of the Authority's financial liabilities based on contractual undiscounted payments (including interest payments):

Year ended 31 December 2017	On demand US\$'000	Less than 3 months US\$'000	3 to 12 months US\$'000	1 to 5 years US\$'000	>5 years US\$'000	Total US\$'000
Interest-bearing loans and borrowings					768,313	768,313
Trade and other accounts payable	1,159	-	-	-	-	1,159
	1,159	-	-	-	768,313	769,472
Year ended 31 December 2016	On demand US\$'000	Less than 3 months US\$'000	3 to 12 months US\$'000	1 to 5 years US\$'000	>5 years US\$'000	Total US\$'000
Interest-bearing loans and borrowings					756,296	756,296
Trade accounts and other payable	1,515	-	-	-	-	1,515
	1,515	-	-	-	756,296	757,811