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E.S.L.A. PLC

Report and Financial Statements
31 December 2018

CLASSIFICATION: CONFIDENTIAL

E.S.L.A. PLC

ANNUAL REPORTS AND FINANCIAL STATEMENTS

INDEX

E.S.L.A. PLC
CORPORATE INFORMATION

BOARD OF DIRECTORS	Simon Dornoo - *Chairman* Frederick Dennis - *Administrator* James Demitrus Samuel Danquah Arkhurst Alhassan Sulemana Tampuli
SECRETARY	Trustee Services Limited 4 Momotse Avenue, Adabraka P. O. Box GP 1632 Accra
ADMINISTRATORS	KPMG Marlin House, 13 Yiyiwa Drive, Abelenkpe P. O. Box GP 242 Accra.
SOLICITORS	Bentsi-Enchill, Letsa & Ankomah (BELA) 4 Momotse Avenue, Adabraka P. O. Box GP 1632 Accra
PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE	Ocean House 13 Yiyiwa Drive, Abelenkpke P. O. Box GP 242 Accra
AUDITOR	Deloitte & Touche Chartered Accountants The Deloitte Place 71 Off George Walker Bush Highway, Dzorwulu P. O. Box GP 453 Accra
BANKERS	Fidelity Bank Ghana Limited Standard Chartered Bank Ghana Limited

REPORT OF THE DIRECTORS
TO THE MEMBERS OF
E.S.L.A. PLC

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of financial statements that give a true and fair view of E.S.L.A. Plc, comprising the statement of financial position as at 31 December 2018, and the statements of profit and loss and other comprehensive income, changes in equity and cash flows for the 15 month period then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179). In addition, the Directors are responsible for the preparation of the Report of the Directors.

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

The Directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not 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.

FINANCIAL STATEMENTS AND DIVIDEND

The financial results of the Company for the period ended 31 December 2018 are set out in the accompanying financial statements.

The Directors do not recommend the payment of dividend.

NATURE OF BUSINESS

The Company is set up as a special purpose vehicle to, among others, issue debt securities for the purpose of refinancing the Energy Sector Debt. Pursuant to that, it has issued debt securities backed by receivables collected under the Energy Sector Levies Act, assigned to the Company by the Government of Ghana acting through the Ministry of Finance for the purpose of servicing the debt securities and related expenses.

HOLDING COMPANY

NTHC Limited is the appointed nominee shareholder and holds all the shares in the Company.

RELATED PARTY TRANSACTIONS

Information regarding Directors' interests in ordinary shares of the company and remuneration is disclosed in the notes to the financial statements. No director has any other interest in any shares or loan stock of the company.

The company is not aware of any conflicts, or any potential conflicts, between the duties of the Directors to the company and their private interests or other duties.

REPORT OF THE DIRECTORS
TO THE MEMBERS OF
E.S.L.A. PLC (CONT'D)

BOARD OF DIRECTORS

Profile

Non-executive	Qualification	Outside board and management position
Simon Dornoo	MBA, ICA (Ghana)	Director, Private Clinics Limited
Samuel Danquah Arkhurst	B.A. Economics, M.A. Economic Policy Management, LLB	Director, Debt Management, Ministry of Finance
James Demitrus	Bsc.Administration, MSc. Economics, ACCA	Head, Revenue Monitoring Unit, Ministry of Energy
Alhassan Sulemana Tampuli	Bsc.Administration, LLB, LLM	CEO, National Petroleum authority Director, Hay & Partners Director, Tizaa Rural Bank Director, Eastbridge & Associates
Executive	**Qualification**	**Outside board and management position**
Frederick Dennis	BA. Administration, FCCA, ICA (Ghana)	Partner, KPMG

Biographical information of Directors

Age category	Number of Directors
41 – 60 years	5

ROLE OF THE BOARD

The Directors are collectively responsible for the direction and strategic control of E.S.L.A. Plc, driving its activities towards the achievements of the entity's vision, whilst enhancing the value of its shareholders and meeting the interests of other stakeholders. The Board is ultimately accountable to the nominee shareholder for the performance of the business. In view of the above responsibility, the Board has assumed a number of activities including monitoring performance, risk management, internal controls and compliance as well as delegating its authority to the administrators of the company to oversee the performance of key activities.

INTERNAL CONTROL SYSTEMS

The Directors have overall responsibility for the company's internal control systems and review their effectiveness, including a review of financial, operational, compliance and risk management controls. The implementation and maintenance of the risk management and internal control systems are the responsibility of the administrators. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss. The Directors have reviewed the effectiveness of the internal control systems, including controls related to financial, operational and reputational risks identified by the company as at the reporting date and no significant failings or weaknesses were identified.

REPORT OF THE DIRECTORS
TO THE MEMBERS OF
E.S.L.A. PLC (CONT'D)

CONFLICTS OF INTEREST

During the period, no actual or potential conflicts arose and no authorisations for conflicts were sought.

BOARD BALANCE AND INDEPENDENCE

The composition of the board of directors and its Committees is reviewed to ensure that the balance and mix of skills, independence, knowledge and experience is maintained.

The code of ethics is available for all board members. All board members are required to comply with the requirements of the provision of the code. There are no exceptions to the adherence of the requirement of the code.

DIRECTORS REMUNERATION

Directors' remunerations are determined upon appointment. There have been no variations in remuneration to date.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company as identified above do not contain untrue statements, misleading facts or omit material facts to the best of our knowledge. They were approved by the Board of Directors on ....8 March 2015. and signed on their behalf by:

....
DIRECTOR

....
DIRECTOR

Deloitte.

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Accra
Ghana

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Independent Auditors' Report

To the Shareholders of E.S.L.A. PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of E.S.L.A. PLC which comprise of the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the period then ended, the notes to the financial statements including a summary of significant policies and other national disclosures.

In our opinion, the financial statements give a true and fair view of the financial position of E.S.L.A. PLC as at 31 December 2018 and the financial performance and cash flows for the period then ended in accordance with the International Financial Reporting Standards, and in the manner required by the Companies Act, 1963 (Act 179).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the requirement of the International Federation of Accountants Code of Ethics for Professional Accountants (IFAC Code) as adopted by the Institute of Chartered Accountants Ghana (ICAG) and we fulfilled our other ethical responsibilities in accordance with IFAC Code. 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.

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Independent Auditors' Report

To the Shareholders of E.S.L.A. PLC

Key audit matter (Refer to Note 5 of the financial statements)	**How our audit addressed the key audit matter**
Impairment on financial assets	
The Company carries out an impairment of its financial assets in compliance with IAS 39 – Financial Instruments: Recognition and Measurement, which requires the amount of loss to be measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.	We evaluated and tested the design, implementation and operating effectiveness of the key controls over the determination of impairment losses. In performing the tests of controls, we considered the appropriateness of the control considering the nature and significance of the risk, competence and authority of person(s) performing the
The Company reviews its financial assets for impairment at the end of each reporting period. Due to the significant judgements that are applied by management in determining whether an impairment loss has occurred we considered this to be a key audit risk. The disclosures relating to impairment of financial assets which are included in notes to the financial statements are considered important to the users of the financial statements given the level of judgement and estimation involved.	control, frequency and consistency with which the control is performed. We performed an evaluation of management's key assumptions over the impairment assessment, including the determination of whether an objective evidence of impairment has occurred. We have assessed such determination as reasonable and considered the disclosure of impairment to be appropriate and adequate. Our audit did not reveal any material exceptions and the result of our test was satisfactory.

Other Information

The directors are responsible for the other information. The other information comprises the Statement of Directors' Responsibility and the Report of the Directors. The other information does not include the financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

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

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

Auditor's Responsibilities for the Audit of Financial Statements
Our objective are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but in 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 on the basis of these financial statements.

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

- Identify and asses 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 directors.
- Conclude on the appropriateness of management'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.
- 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.

Report on Other Legal and Regulatory Requirements

The Companies Act, 1963 (Act 179) requires that in carrying out our audit work we consider and report on the following matters. We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.

We confirm that:

i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
ii) The Company has kept proper books of accounts, so far as appears from our examination of those books.
iii) The Company's financial position and its statements for profit or loss and other comprehensive income are in agreement with the books of accounts and returns.

The engagement partner on the audit resulting in this independent auditor's report is **Daniel Owusu (ICAG/P/1327)**

Deloitte & Touche

For and behalf of Deloitte & Touché (ICAG/F/2019/129)
Chartered Accountants
The Deloitte Place, Plot No.71
Off George Walker Bush Highway
Accra Ghana

12th March, ... **2019**

E.S.L.A. PLC

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	GH¢'000
Assets		
Non-current assets		
E.S.L.A. receivables	5	3,776,059
Current assets		
Cash and cash equivalents	6	558,430
E.S.L.A. receivables	5	1,306,751
Other receivables	7	6,788
Total current assets		**1,871,969**
Total assets		**5,648,028**
Liabilities		
Non-current liabilities		
Bonds payable	8	5,384,967
Total non-current liabilities		**5,384,967**
Current liabilities		
Bond interest payable	10	195,691
Other payable	11	1,048
Deposits towards expenses	12	1,403
Deferred income (bond premium)	13	20,831
Current Tax payable	9	11,019
Total current liabilities		**229,992**
Total liabilities		**5,614,959**
Equity		
Stated capital	14	10
Retained earnings	14	33,059
Total equity		**33,069**
Total equity and liabilities		**5,648,028**

These financial statements were approved by the board of directors on 8 March 2019 and are signed on their behalf by:

....

DIRECTOR **DIRECTOR**

The notes on pages 14 to 28 form an integral part of these condensed financial statements.

E.S.L.A. PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2018

	Note	GH¢'000
E.S.L.A. receipts applied towards interest expense		1,243,131
E.S.L.A. receipts applied towards administrative expenses		6,765
Total E.S.L.A. receipts applied		**1,249,896**
Interest expense	15	(1,243,131)
Administrative expenses	16	(6,765)
Operating results		-
Other income	17	44,105
Other expenses		(27)
		44,078
Income tax expense	9	(11,019)
Results after tax		**33,059**
Other comprehensive income		-
Total comprehensive income		**33,059**
Earnings per share (GH¢)	18	33.06

The notes on pages 14 to 28 form an integral part of these condensed financial statements.

E.S.L.A. PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2018

	Stated Capital GH¢'000	Retained Earnings GH¢'000	Total Equity GH¢'000
Balance at the beginning	-	-	-
Total comprehensive income for the period			
Results for the period	-	33,059	33,059
Total comprehensive income for the period	-	33,059	33,059
Transactions with owners of the Company			
Proceeds from the issue of shares	10	-	10
	10	-	10
Balance at 31 December 2018	10	33,059	33,069

The notes on pages 14 to 28 form an integral part of these condensed financial statements.

E.S.L.A. PLC

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2018

	Note	GH¢'000
Cash flows from operating activities		
Results after tax		33,059
Adjustment:		
Income tax expense	9	11,019
Interest income		(14,191)
Amortisation of cash premium		(2,697)
		27,190
Administration expenses paid		(5,716)
Interest paid		(1,043,334)
Withholding taxes paid	7	(2,495)
Net cash used in operating activities		(1,024,355)
Cash flows from investing activities		
Interest received		9,898
Net cash from investing activities		9,898
Cash flows from financing activities		
Proceeds from the issue of shares	14	10
Cash proceeds from bonds issued		1,745,050
ESLA levies collected	5	1,633,439
Novated loans repaid		(1,533,513)
Bond buy back		(230,034)
Bond issuing costs	8	(65,593)
Bond premium	8	23,528
Net cash from financing activities		1,572,887
Net increase in cash and cash equivalents		558,430
Cash and cash equivalents at beginning		-
Cash and cash equivalents at 31 December 2018	6	558,430

The notes on pages 14 to 28 form an integral part of these condensed financial statements.

E.S.L.A. PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2018

1. REPORTING ENTITY

E.S.L.A. Plc is a public limited liability company incorporated and domiciled in Ghana. The address of its registered office is Ocean House, 13 Yiyiwa Drive Abelenkpe, Accra. The company was established to among others issue debt securities to refinance Ghana's energy sector debt.

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

2. BASIS OF PREPARATION

a. Statement of compliance

The financial statements of E.S.L.A. Plc have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 1963 (Act 179).

No comparatives have been presented as this is the company's first period of operation. These financial statements have been prepared for the fifteen month period ending 31 December 2018.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis.

c. Functional and presentation currency

The financial statements are presented in Ghana cedis (GH¢) which is the company's functional currency. Except otherwise indicated, the financial information presented has been rounded to the nearest thousand.

d. Use of judgement and estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions 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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 20.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements by the company.

(a) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency (GH¢) of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rates prevailing on the reporting date.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are generally recognised in profit or loss and are reported on a net basis under selling, general and administrative expenses or other income.

(b) Financial Instruments

The Company classifies non-derivative financial assets as loans and receivables.

The Company classifies non-derivative financial liabilities into the following categories: other financial liabilities.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

Non-derivative financial instruments comprise cash and cash equivalents, E.S.L.A. Receivables, and other receivables, bonds payable, interest payable and other payables.

The Company initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

Non-derivative financial assets are recognised initially at fair value plus, for instrument not at fair value through profit and loss, any directly attributable transaction cost. Non-derivative financial liabilities are initially recognized at fair values less any directly attributable transaction costs.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risk and rewards of ownership and does not retain control over the transferred asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognized in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability. Any interest in such derecognized financial asset that is created or retained by the Company is recognized as a separate asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Non-derivative financial instruments are categorised and measured as follows:

- Loans and receivables – these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprises cash and cash equivalents, E.S.L.A. Receivables, and other receivables.

- Financial liabilities measured at amortised cost - this relates to all other liabilities that are not designated at fair value through profit or loss. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise bonds payable, interest payable and other payables.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously

Impairment

(i) Financial assets

(a) Assets carried at amortised costs

Financial assets are assessed at each reporting date to determine whether there is objective evidence that it is impaired.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers and economic conditions that correlate with defaults.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of estimated future cash flows discounted at the original effective interest rate.

The Company considers evidence of impairment of these assets both on an individual and collective basis. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and make adjustments if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested historical trends.

All impairment losses are recognised in profit or loss and reflected in an allowance account. Interest on the impaired asset continues to be recognised. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts 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 asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and risks specific to the asset.

A previously recognised impairment loss is reversed where there has been a change in circumstances or in the basis of estimation used to determine the recoverable value, but only to the extent that the asset's net carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

(c) Revenue

The company's funds are derived from taxes levied on the sale of petrol, diesel, marine gas oil, residual fuel oil, liquefied petroleum gas, kerosene, and electricity. The collections from ESLA funds are used to reduce ESLA receivables arising from settlement of legacy debts that were novated to ESLA Plc. The assignment of ESLA funds to settle future interest costs incurred on the ESLA Bonds issued and administrative expenses is considered as a government grant in accordance with IAS 20 Government Grants.

Revenue is recognized on:

i the assignment of ESLA funds towards the payment of interest accrued on the bonds issued and administrative expenses incurred;

ii. Interest Income from investments

Revenue from ESLA funds is recognised in the period interest accrues on the ESLA Bond and when administrative expenses are incurred. Any outstanding collections to cover future costs is recognised as an ESLA receivable. Excess collections above costs accrued is recognised as deferred revenue and transferred to revenue when interest accrues in subsequent periods.

(d) Interest income and expense

Interest income comprises interest income on funds invested. Interest expense comprise interest expense on bonds issued. Interest income and expense for all interest-bearing/earning financial instruments are recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payment 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 (for example, prepayment options) but does not consider future credit losses.

The calculation includes all transaction costs, fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

E.S.L.A. PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(e) Taxation

Tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on taxable incomes or losses for the period and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realised simultaneously.

(f) Post balance sheet events

Events subsequent to the reporting date are reflected in the financial statements only to the extent that they relate to the period under consideration and the effect is material.

(g) Earnings per share

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

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, from the date of acquisition that are subject to an insignificant risk of changes in their fair values and are used in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(i) Share capital

Proceeds from issue of ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

(j) New Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements. These include the following Standards and Interpretations that may have an impact on future financial statements:

Standard/Interpretation		Effective date
IFRS 9	*Financial Instruments*	Annual periods beginning on or after 1 January 2018
IFRS 15	*Revenue from Contracts with Customers*	Annual periods beginning on or after 1 January 2018

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard will have a significant impact on the Company, which will include changes in the measurement bases of the Company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Company.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The company is currently in the process of performing a more detailed assessment of the impact of this standard and will provide more information in the year ended 31 December 2019 financial statements.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

4. DETERMINATION OF FAIR VALUES

A number of the company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

E.S.L.A. PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(i) E.S.L.A. receivables and other receivables

The fair value of E.S.L.A. receivables and other receivables is estimated as the present value of future cash flows, discounted at the current market rate of instruments with similar credit risk profile and maturity at the reporting date. Receivables due within 6-month period are not discounted as their carrying values approximate their fair values.

(ii) Cash and cash equivalents

The fair value of cash and cash equivalent approximate their carrying values.

(iii) Bond and other payables

The fair value of bonds and other payables is estimated as the present value of future cash flows, discounted at the current market rate of instruments with similar credit risk profile and maturity at the reporting date. Payables due within 6-month period are not discounted as their carrying values approximate their fair values.

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

5. E.S.L.A. RECEIVABLES

These are levies expected to be collected under the energy sector levy act to refinance the energy sector debt. The E.S.L.A receivables is to support the payment of debt securities and its related expenses as and when they fall due.

	2018 **GH¢'000**
Net assigned E.S.LA. receivables on novated debt	5,437,373
Collections during the period	(1,633,439)
Interest expense accrued/paid	1,270,709
Collections transferred to deposit towards expenses	8,167
	5,082,810
Current	1,306,751
Non-current	3,776,059
	5,082,810

E.S.L.A. PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. CASH AND CASH EQUIVALENTS

	2018 GH¢'000
Cash at bank	466,359
Investment in treasury bills	92,071
	558,430

In accordance with the company's policies which have also been documented in the bond issuance prospectus, the company transferred levy collections in excess of coupon payments made to its lockbox account, which was set up for the purpose of funding any early redemption of bonds and for liability management. The balance currently outstanding on the lock box account including investments and accrued interest is GH¢302,606,821.

7. OTHER RECEIVABLES

	2018 GH¢'000
Accrued interest on lockbox investments	4,293
Withholding tax deductions **	2,495
	6,788

**This represents withholding tax deducted from the company for which tax credit certificates had not been received from the Ghana Revenue Authority at 31 December 2018. They will be credited to the company's tax account in the 2019 financial year.

8. BONDS PAYABLE

(a) Face Value of Securities issued

Between November 2017 and August 2018, the company issued the following bonds to refinance Ghana's energy sector debts.

	2018 GH¢'000
7-year bond - November 2017/2024	2,408,626
10-year bond - November 2017/2027	2,375,348
10 year bond retap - January 2018/2027	615,948
10 year bond retap – August 2018/2027	264,799
	5,664,721

E.S.L.A. PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(b) Amortised Cost of Securities issued

	2018 GH¢'000
Total bonds issued	5,664,721
Issuance cost on bonds	(65,593)
Amortised issuance cost	4,171
Bond buy-backs	(218,267)
Amortised cost on buybacks	(65)
	5,384,967

Bond holders paid 'premiums' totaling GH¢23,527,895 on the bonds issued in January and August 2018. This has been recognized in the statement of financial position and is being amortised over the life of the bonds.

The issuance cost associated with the bonds raised was GH¢65,592,733. The Company expects to issue the remaining GH¢0.34 billion bonds as part of its bond programme. This will have associated listing and issuance approval fees.

As part of its liability management program the company purchased some of the issued bonds on the open market during the period under review.

The debt securities are backed by receivables collected under the Energy Sector Levy Act, assigned to the Company by the Government of Ghana acting through the Ministry of Finance.

The Company measures its bonds at amortised cost using the effective interest method.

9. TAXATION

	2018 GH¢'000
(i) Income tax expense	11,019

(ii) Taxation payable

2018	Balance at 1/9/17 GH¢'000	Payments during the period GH¢'000	Charged to P/L account GH¢'000	Balance at 31/12/18 GH¢'000
Income Tax				
2018	-	-	11,019	11,019

Income tax liabilities are subject to the agreement of the tax authorities.

(iii) Deferred taxation

No provision has been made for deferred taxes.

(iv) Reconciliation of effective tax rate

		2018 GH¢'000
Profit before taxation		44,078
Income tax using the domestic tax rate (25%)		11,019
Income not taxable		-
Non-deductible expenses		
Income tax charge	-	11,019
Effective tax rate		25%

10. BOND INTEREST PAYABLE

Interest payable	195,691

11. OTHER PAYABLES

Accrued expenses and other liabilities	1,048

12. DEPOSITS TOWARDS EXPENSES

This represents the unutilised portion of the 0.5% of levy collections allocated for administrative expenses incurred in the operations of the company. These are recognized in the income statement as the expenses are incurred.

13. DEFERRED INCOME

	2018 GH¢'000
Unamortised portion of bond premium	20,831

14. STATED CAPITAL AND RESERVES

Share capital (Stated capital)

Share capital is made up of proceeds of ordinary shares.

(a) *Ordinary shares*

	No of Shares 2018	Proceeds 2018 GH¢'000
Authorised: Ordinary shares of no par value	1,000,000	10
Issued and fully paid for cash	1,000,000	10

(a) *Ordinary shares*

The holders of the ordinary shares are appointed as nominee shareholders acting on behalf of the Government of Ghana and are not entitled to any dividend. Nominee shareholders are paid for services provided to the Company.

(b) *Shares in treasury*

There are no shares in treasury and no call or instalment unpaid on any share.

(c) *Retained earnings (Income surplus account)*

This represents the residual of cumulative annual results.

15. INTEREST EXPENSE

	2018
	GH¢'000
Interest expense incurred on bonds	1,243,131

16. ADMINISTRATIVE EXPENSES

Audit fees	118
Legal and Professional expenses	4,999
VAT expenses	911
Directors fees	313
Listing fees	424
	6,765

17. OTHER INCOME

Amortised portion of bond premium	2,697
Interest on lockbox	14,190
Other income**	27,218
	44,105

** This represents income earned on bills accepted in settlement for bonds issued.

18. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the company by the weighted-average number of ordinary shares in issue.

	2018
	GH¢'000
Profit attributable to equity holders of the Company	33,059

Basic (cont'd)

	2018 GH¢'000
Number of ordinary Shares in issue	1,000,000
Basic earnings per share (expressed in GH¢ per share)	33.06

19. RELATED PARTY TRANSACTIONS

National Trustee Holding Company (NTHC) Limited has been appointed as a nominee shareholder to hold all the shares in the company. At the reporting date, there had not been any transaction between the company and NTHC Limited except for the issuance of shares and payment thereof, as well as the payment of Nominee shareholder fees which are reimbursable from ESLA levy collections assigned to the company.

There were no transactions between the company and its Directors save for the payment of directors' fees.

20. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK ASSESSMENT

(a) Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2018

	Loans and Receivables GH¢'000	Other Financial Liabilities GH¢'000	Total GH¢'000
Financial assets not measured at fair value			
E.S.L.A. receivables	5,082,810	-	5,082,810
Cash and cash equivalents	558,430	-	558,430
Other receivables**	4,293	-	4,293
	5,645,533	-	5,645,533
Financial liabilities not measured at fair value			
Bonds payable	5,384,967	-	5,384,967
Bond interest payable	195,691	-	195,691
Other payables	1,048	-	1,048
	5,581,706	-	5,581,706

(a) **Accounting classification and fair values (cont'd)**

The fair value of bonds payable which is recognized in the level 1 category of the fair value hierarchy at 31 December 2018 was GH¢5,295,066,487.

** Withholding tax component of other receivables, which are not considered as financial assets, have been excluded.

(b) **Financial Risk Management**

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks

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.

(i) **Credit risk**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

Exposure to credit risk

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

	2018 **GH¢'000**
E.S.L.A. receivables	5,082,810
Cash and cash equivalents	558,430
Other receivables**	4,293
	5,645,533

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty.

The Company establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of financial assets. 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 have not yet been identified. The collective loss allowance is determined based on historical data of payment for similar financial assets.

The company has not incurred any losses in respect of any of its financial assets and therefore no impairment loss has been raised in respect of any of its financial assets. Further details are as follows:

E.S.L.A. receivables

The company has been assigned ESLA levies for the purpose of settling the E.S.L.A. receivables. This assignment has been in operation from October 2017 and will be in existence until all receivables have been settled. The company has been receiving collections as indicated in these financial statements and therefore no impairment has been raised on this amount.

Cash and cash equivalents and other receivables

The company's bank balances are held with Standard Chartered Bank Ghana Limited and Fidelity Bank Ghana Limited. The company considers these banks to be credit worthy banks which are regulated by the Bank of Ghana. Its lockbox investments are also made only in short term government securities which are considered to be risk free and therefore no impairments have been raised on either the principal amounts or the accrued interest.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under normal conditions.

The following are contractual maturities of financial liabilities:

	Carrying amount GH¢'000	Contractual cash flows GH¢'000	6 months or less GH¢'000	Over 6 months GH¢'000
Non-derivative financial liability				
Bonds payable	5,384,967	5,446,453	-	5,446,453
Bond interest payable	195,691	164,987	164,987	-
Other payables	1,048	1,048	1,048	-
Balance as at 31 December 2018	5,581,706	5,612,488	166,035	5,446,453

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates may cause a decrease in fair values of future cash flows of financial instruments and consequently result in a financial loss for the Company.

Foreign currency risk

At the period end the company does not have balances that are denominated in a currency other than the functional currency of the Company, and therefore is not exposed to foreign currency risk.

Interest rate risk

At the reporting date, the profile of the Company's interest-bearing/earning financial instruments comprised the following financial instruments:

	Carrying amounts 2018 GH¢'000
Fixed rate instruments	
Lockbox investments	94,342
Bonds payable	(5,384,967)
	5,290,625

Interest rate risk (cont'd)

	Carrying amounts 2018 GH¢'000
Variable rate instruments	
Lockbox investments	206,243
	======

Sensitivity analysis for variable rate instruments

A 200 basis points increase in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables in particular foreign currency rates remain constant.

As of 31 December	**2018**		
in GH¢'000	% Change	Profit or loss/ equity impact: Strengthening GH¢'000	Profit or loss/ equity impact: Weakening GH¢'000
Lockbox investments	+/-2	4,124	(4,124)

Fair value sensitivity analysis for fixed rate instrument

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

21. CAPITAL COMMITMENTS

There were no capital commitments at the reporting date.

22. CONTINGENT LIABILITIES

There were no contingent liabilities at the reporting date.

23. EVENTS AFTER THE REPORTING PERIOD

Events subsequent to the reporting date are reflected in the financial statements only to the extent that they relate to the period under consideration and the effect is material. The Company had no material subsequent events that required adjustments to or disclosure in the financial statements.