



GHANA WATER COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2019



Ghana Water Company Limited
Annual Report and Financial Statements
For the year ended 31 December 2019

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CORPORATE INFORMATION

DIRECTORS:

Hon. Alexander Afenyo-Markin - Chairman
Ing. Dr. Clifford A. Braimah - Managing Director
Hon. Kwame Amporfo Twumasi
Mr. Michael Ayesu
Mr. Noah Tumfo
Prof. Forster Kum-Ankamah Sarpong
Ms. Maria Aba Lovelace-Johnson
Naba Sigri Bewong
Mr. Clement Alosebuno Kaba
Mrs. Serena Kwakye-Mintah

SECRETARY:

Mrs. Jemimah Toseafa

PRINCIPAL PLACE OF BUSINESS:

28th February Road
Near Independence Square
P. O. Box M194
Accra – Ghana

AUDITORS:

CereSys Associates
P. O. Box CT6403
Cantonments
Accra

BANKERS:

GCB Bank
Societe Generale Bank
ADB
NIB
Cal Bank Limited
Ecobank Ghana Limited

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REPORT OF THE GOVERNING BOARD

The Governing Board has the pleasure in submitting the annual report of Ghana Water Company Limited for the year ended 31 December, 2019.

RESPONSIBILITY OF THE GOVERNING BOARD (DIRECTORS)

The Directors are responsible for the preparation of the financial statements for each financial year, which gives a true and fair view of the state of affairs of the Company and of the income and expenditure and Cash Flows for that period. In preparing these financial statements, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are reasonable and prudent and followed accrual basis of International Financial Reporting Standards (IFRS) and the requirements of the Public Financial Management Act, 2016 (Act 921), Public Financial Management Regulations 2019, L.I. 2378, Income Tax Act, 2015 (Act 896) as amended, Value Added Tax Act 2013 (Act 870) as amended, Public Procurement Act 2003 (Act 663) as amended and the instrument of incorporation or other enactment under which the Company exist and any other relevant regulations.

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

NATURE OF BUSINESS

The Company's principal business activities include planning and development of portable water systems, supply and sale of treated water in urban communities in Ghana.

OWNERSHIP STRUCTURE

The Ghana Water Company Limited is a utility company wholly owned by the Government of Ghana.

DIRECTORS' INTEREST

None of the Directors had any interest in the ownership of the Company during the year. None of the Directors had a material interest in any contract of significance (except a contract of service with the Managing Director).

CORPORATE SOCIAL RESPONSIBILITY

The Company did not undertake any significant Corporate Social Responsibility (CSR) programmes during the year.

CAPACITY BUILDING OF DIRECTORS TO DISCHARGE THEIR DUTIES

On appointment to the Board, Directors are provided with full, formal and tailored programmes of induction, to enable them gain in-depth knowledge about the Company's business, the risks and challenges faced, the economic knowledge and the legal and regulatory environment in which the Company operates. Programmes of strategic and other reviews, together with the other training programmes provided during the year, ensure that Directors continually update their skills, knowledge and familiarity with the Company's businesses. This further provides insights about the industry and other developments to enable them to effectively fulfil their role on the Board and committees of the Board.

AUDITOR

CereSys Associates, has indicated their willingness, to continue in office pursuant to Section 134(5) of the Companies Act 2019, (Act 992).

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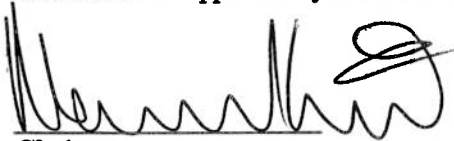
EVENTS AFTER THE REPORTING PERIOD

Events after the reporting date are reflected only to the extent that they relate to the financial statements and when their effect is material. No such events have occurred.

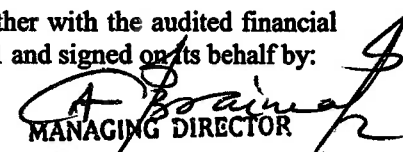
The outbreak of a novel coronavirus (COVID-19) since January 2020 has disrupted commercial and economic activities in Ghana and countries around the world. The COVID-19 pandemic may have a negative impact on the revenues and financial assets of the Company in the first quarter of 2020 but will not have a substantial impact on the Company's ability to continue as a going concern.

APPROVAL OF THE REPORT OF THE GOVERNING BOARD

The report of the Governing Board of Ghana Water Company Limited together with the audited financial statements was approved by the Governing Board on 20th August, 2021 and signed on its behalf by:


Chairman

20/08/2021
Date


MANAGING DIRECTOR
GHANA WATER COMPANY LTD.
Managing Director
ACOSA, GHANA

20/08/2021
Date

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COMPANY OVERVIEW

VISION, MISSION AND CORE VALUES

Mission

GWCL is committed to meet the increasing demand for better service delivery through efficient and effective management of our core business of production, transmission, distribution of water and customer management in the urban areas of Ghana.

Vision

To be a world class utility company.

Core Values

- Quality and excellent customer service
- Speed and urgency in service delivery
- Continuous improvement and innovation
- Health and safety of stakeholders
- High ethical and professional standards
- Commitment and dedication to operations

PROFILE GHANA WATER COMPANY LTD

The urban water sector in Ghana has over the last two decades gone through a couple of evolutions. The major ones included the management contract between Aqua Vitens Rand Ltd (AVRL) of Vitens International, Netherlands and Rand Water Services of South Africa in June 2006. This contract expired in May 2011.

After the exit of AVRL a special purpose vehicle, Ghana Urban Water Ltd (GUWL), a subsidiary of Ghana Water Company Ltd (GWCL) was established by the Government of Ghana to continue managing the operations till a long-term decision was taken.

In August of 2014, a new policy direction for the water sector was announced by the Government; the dissolution of GUWL and GWCL absorbing the operational activities which was previously performed by GUWL. GUWL, the Operator and GWCL, the asset holder have now merged to form the new Ghana Water Company Ltd which has responsibilities of both operations and asset management.

GWCL is the sole government owned water utility company. It is responsible for the production, transmission and distribution of water in urban areas in Ghana.

The Company as of 2019 managed 90 water systems. Thirty-five (35) of these systems are bore-hole and fifty-four (54) are surface whilst one (1) has both surface and bore-hole water facilities. These systems serve about 11.0 million people nation-wide. It operates in 15 Regional offices and 90 district offices. The Company has 4 special business units.

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OPERATIONAL REVIEW

1.0 OPERATIONAL REVIEW

1.1 KEY FIGURES

Summary of Key Figures		unit	2019 Target	2018	2019	%Var (Target-19)
Customers						
Number of customers as at 31 Dec	x 1,000		693	675.8	708.803	2.3%
Average water tariff	Gh		6.27	6.132	6.017	-4.0%
Operations						
Raw water abstracted	M m ³		342.5	338.5	322.6	-5.8%
Water produced	M m ³		326.203	319.4	304.3	-6.7%
Water Sold	M m ³		163.981	149.2	149.9	-8.6%
process loss	%		5.00	5.7	5.7	0.7
Average daily production	1000		894.2	875.0	833.8	-6.7%
Daily capacity utilization	%		65.0		62.1	-34.6%
Financial						
Total Income	M GH ¢		1031.2	934.0	925.8	-11.1%
Water revenue	M GH ¢		1027.5	914.7	902.0	-12.2%
Total collection	M GH ¢		976.2	718.9	747.32	-23.4%
Collection ratio(govt+private)	%		94.0	78.12	81.6	-14.2%
Private Collection Ratio	%		87.0	90.0	96.0	-1.0%
Non-revenue water	%		15.7	53.3	49.98	0.5%
Depreciation	M GH ¢		793.7	758.7	790.22	0.4%
Operating cost	M GH ¢		1201.5	1233.9	1268.0	25.9%
Electricity cost	M GH ¢		235.7	270.1	316.5	-28.8%
Chemical cost	M GH ¢		15.2	43.2	43.1	-0.1%
Operating cost/water produced	GH ¢/m ³		3.72	3.864	4.167	-20.5%
operating cost/authorised consumption	GH ¢/m ³		4.03	8.272	8.460	-18.9%
Electricity cost/m3	GH ¢/m ³		0.753	0.846	1.040	38.1%
Chemical cost/m3	GH ¢/m ³		0.047	0.135	0.142	7.3%
operating ratio	%		126.7	132.1	137.0	-16.6%
Gross Profit/(loss)	M GH ¢		(24.75)	(319.2)	(366.1)	-49.6%
Operating surplus /(deficit)	M GH ¢		(93.7)	(642.57)	(2,549.73)	-189.7%
Net Surplus/(deficit)	M GH ¢		(366.1)	(667.93)	(2,620.35)	-202.4%
Employment						
Staff as at 31 December	fte		4510	4328.0	4622.0	2.7%
Labour productivity	Gh ¢		215,400	215,804	200,306	-13.4%
Staff/1000 connections	#		6.5	6.4	6.5	0.4%

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OPERATIONAL REVIEW

1.2 WATER PRODUCTION

The company recorded a total volume of 304.3mm³ for the year 2019 showing a decrease of 5.0% (15.10mm³) over 2018 production. The production performance is 6.71% (21.90mm³) lower than the target for the year. The following factors contributed to the reduction in water production for 2019;

- The recalibration and validation of water meters in the ATMA production region showed that estimated figures used were over 15% captured. The estimates were however, reviewed and a lower figure used. This made the volumes for distributions appeared to have been reduced.

In addition to the above, the following challenges were also encountered:

- *In ATMA*
The raw water flow meters at the Tahal and China Gezhouba Plants in Kpong were faulty for most part of the year. The Weija Treatment plant encountered prevalent power outages.
- *In Upper East Region*
The Agric Quarters borehole was down for most part of the year due to the water level being below safe yield point. The region also experienced severe power outages for some months of the year. There were frequent bursts on the raw water pipe (250mm AC) which interrupted pumping at Vea/Gowrie for most parts of the year.
- *In the Northern Region*
 - The newly installed Euromag meters did not give reliable results thus the old magnetic meters were used.
 - The raw water meter at the Dalun Plant also developed faults.
 - In Yendi, the surface plant was non-operational for about four months leaving the town to be served by or run on 2No boreholes as a result of the drying of the Daka river.
 - In addition, there were frequent shutdowns in Dalun due to major maintenance work on suction lines of No.1 & 3 high lift pump and repair work on the 450mm suction line of pump No.3 at Dalun high lift station.
- *In the Volta Region*
The Denu bore-hole malfunctioned for two months during the year.

The details of the production report are in the table 1 below:

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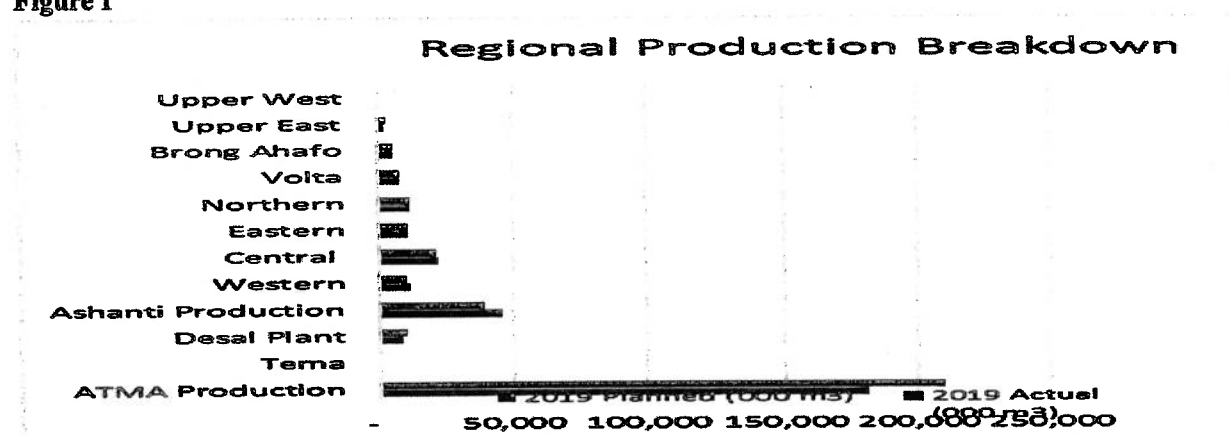
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OPERATIONAL REVIEW

Table 1

Region	Production				
	2019 Actual (000 m ³)	2018 Actual (000 m ³)	2019 Planned (000 m ³)	Variance (000 m ³)	Relative Contribution
ATMA Production	181,291	212,809	209,718	(28,427)	59.6%
Tema	-	-	-	-	-
Desal Plant	8,202	-	9,500	(1,298)	2.7%
Ashanti Production	45,654	39,963	39,163	6,491	15.0%
Western	10,987	10,588	9,730	1,257	3.6%
Central	21,645	22,001	21,017	628	7.1%
Eastern	10,484	7,975	10,193	291	3.4%
Northern	11,143	10,991	10,970	173	3.7%
Volta	7,206	7,247	7,460	(254)	2.4%
Brong Ahafo	4,708	4,941	5,269	(562)	1.5%
Upper East	2,216	2,221	2,358	(142)	0.7%
Upper West	791	625	825	(34)	0.3%
TOTAL	304,325	319,361	326,203	(21,878)	100.0%

Figure 1



ATMA Production recorded the highest water production of 59.6% followed by Ashanti (15.0%). Thus, ATMA and Ashanti contributed over 74.6% of the total water produced.

1.3 QUALITY OF WATER PRODUCED

Water Quality Assessment and Chemicals Usage Report

Results of water quality assessment of the raw water, treated water, distributed water and consumption of water treatment chemicals for 2019 are summarized below.

1.3.1 WATER TREATMENT CHEMICALS CONSUMPTION

The consumption and cost of water treatment chemicals applied to ensure delivery of safe drinking water during the period under review are summarized in tables 2, 3 and 4 below. The usage of the major water treatment chemicals is high due to the onset of the minor rainy season and the illegal mining activities.

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Total quantity of 9,146,158.30kg of Aluminum Sulphate, 1,182,822.98kg of Hydrated Lime, 691,065.14kg of Chlorine Gas, 331,043.30kg of Calcium Hypochlorite, 9,668.15kg of Potassium Permanganate, 2,520kg of Soda Ash, 960.0kg of Activated Carbon and 1,250,984.44kg of Polyelectrolytes were used to treat water during the period under review translating into a total cost of GH¢43,098,521.24. Details can be found in Table 2 and Table 3 below.

TABLE 2: TOTAL CONSUMPTION OF WATER TREATMENT CHEMICALS FOR 2019

National Annual Water Treatment Chemicals Consumption for 2019									
Region	Aluminium Sulphate (kg)	Lime (kg)	Gas (kg)	Hypochlorite (kg)	Tablets (kg)	Soda (kg)	KMnO (kg)	AC (kg)	Polymer (kg)
Weija	3,620,660.30	213,050.00	188,100.00	26,955.00	0.00	0.00	0.00	0.00	0.00
Kpong	28,050.00	145,825.00	217,617.00	32,355.00	0.00	0.00	0.00	0.00	0.00
Ashanti	47,749.00	40,873.00	90,935.55	19,210.61	0.00	0.00	374.08	960.00	1,250,984.44
Western	1,261,300.00	281,775.00	46,288.38	31,018.75	0.00	1,020.00	0.00	0.00	0.00
Central	2,195,378.00	275,756.00	85,741.86	81,415.23	0.00	1,500.00	9,244.07	0.00	0.00
Eastern	585,510.00	49,621.98	21,826.67	69,925.30	0.00	0.00	0.00	0.00	0.00
Northern	780,268.00	60,475.00	10,086.00	18,337.00	0.00	0.00	0.00	0.00	0.00
Volta	92,800.00	17,055.00	26,452.68	14,623.50	0.00	0.00	0.00	0.00	0.00
Brong Ahafo	377,172.00	44,587.00	0.00	29,534.71	0.00	0.00	0.00	0.00	0.00
Upper West	72,876.00	20,950.00	0.00	7,668.20	0.00	0.00	0.00	0.00	0.00
Upper East	84,395.00	32,855.00	4,017.00	0.00	0.00	0.00	0.00	0.00	0.00
Total (kg)	9,146,158.30	1,182,822.98	691,065.14	331,043.30	0.00	2,520.00	9,618.15	960.00	1,250,984.44

The total Water Treatment Chemical cost for the 2019 operational year was Forty-Three Million Ninety-Eight Thousand Five Hundred and Twenty-One Cedis, Twenty-Four Pesewas (GH¢ 43,098,521.24). The total volume of water production for the same period was 296, 400, 617.18m³

1.3.2 RAW WATER QUALITY

Table 3 shows summary of raw water sampling targets and achievements. Most of our source waters were treatable during the period under review. However, there were significant deterioration in raw water quality (high values recorded for turbidity and colour) as a result of the mining activities and rains within the second and third quarters of the year. The most affected systems were Osino and Bunso in the Eastern Region; Odaso and in the Ashanti Region and Daboase in the Western, and Sekyere Hemang in the Central Region.

In some of the regions, sampling targets for raw water were missed due to reagents and plant control test kits for process control monitoring for some of the Water Treatment Systems, down times due to operational challenges. The Average Sampling Compliance target achieved was 77.25%. This was 17.75 % short of the 95% target.

TABLE 3: NATIONAL ANNUAL SUMMARY OF WEIGHTED RAW WATER SAMPLING COMPLIANCE FOR 2019

Operational parameters	Sampling target (No. of samples)	Actual number of samples analyzed	Compliance target > 95%
pH [6.5-8.5]	56,418	44,547	78.96
Colour [15 HU]	55,758	43,193	77.47
Turbidity [5NTU]	54,796	41,283	75.34
Average Target Achieved	55,657	43,008	77.25

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1.3.3 TREATED WATER QUALITY ANALYSIS

Table 4 shows the five key operational indicators (core parameters) for the various regions, the nationwide sampling frequencies and the weighted percentage compliance targets of treated water quality during the period under review. The compliance indices are the product of the percentage of samples collected and analyzed and the percentage of samples that met the requirements of the Ghana Drinking Water Quality Standards.

All the regions were not able to meet the treated water sampling targets within the period under review due to several operational challenges such as power outages, prolonged down times, lack plant control test kits and reagents in some of the systems, inadequate human resources and other operational challenges. The sampling Compliance Index achieved was only 0.69 due to the challenges enumerated above. However, all the five key operational indicators (core parameters) for water quality compliance targets from all the regions were satisfactory at 98% (See Table 3). The most challenging issues for most of our treatment plants were pH adjustment and post chlorination because most of the lime and chlorine dozers were not functioning properly.

TABLE 4: NATIONAL ANNUAL SUMMARY OF WEIGHTED TREATED WATER QUALITY SAMPLING COMPLIANCE FOR 2019

Operational parameters	Target number	Actual analyzed	Number of samples complying	Compliance target 95%	Sampling compliance index (0.95)
pH [6.5-8.5]	75,432	55,164	53,949	98	0.72
Colour [15 HU]	75,411	55,221	54,638	99	0.72
Turbidity [5NTU]	74,951	51,377	50,330	98	0.67
R-Chlorine [0.5mg/L]	75,322	51,928	50,493	97	0.67
E-Coli [0CFU/100mL]	15,977	10,265	10,458	100	0.65
National Average	63,419	44,791	43,974	98	0.69

1.3.4 DISTRIBUTION WATER QUALITY ANALYSIS

Tables 5 shows the summary of five key operational indicators (core parameters) for the regions and the nationwide showing the sampling frequencies and the weighted percentage compliance targets of Distribution Water Quality for the period under review. The compliance indices are the product of the percentage of samples collected and analyzed from the distribution systems and the percentage of samples that met the requirements of the Ghana Drinking Water Quality Standards. The performance indicators express the relationship between the mandated sampling frequencies and the results of the water quality analysis.

The sampling Compliance Index achieved was only 0.74 due to lack of adequate staffing, power outages, high down times, and other operational challenges such as poor laboratory set-ups, equipment, transportation, and consumables. The high short fall in the distribution sampling was as result of the ATMA Production Region meeting only 32% of their quarterly target. Reasons attributed for the low achievement of their sampling target was frequent breakdown of the monitoring vehicle.

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However, all the five key operational indicators (core parameters) for water quality compliance targets from all the regions were satisfactory. All the key operational indicators (core parameters) for distribution sampling met quality compliance targets except residual chlorine (91%). The overall Water Quality Compliance Target achieved was also 96%, one percent (1%) higher than the 95% set target.

The most challenging issues for some of treatment plants were improvised means of post chlorination and malfunctioning chlorine dozers and some of the distribution networks being fed with water from borehole systems without infection practices. Others include lack of frequent flushing and infatuating flushing point with the networks.

TABLE 5: AVERAGE NATIONAL ANNAUL DISTRIBUTION WATER QUALITY SAMPLING COMPLIANCE FOR 2019

Operational Parameters	Target number	Actually Analysed	Number complying	Compliance Target = 95%	Sampling compliance index (0.95)
pH [6.5-8.5]	10872	8039	7825	97	0.72
Colour[15 HU]	10872	8039	7811	97	0.72
Turbidity [5NTU]	10872	8039	7760	97	0.71
R-Chlorine [0.5mg/L]	10872	8039	7717	96	0.71
E-Coli [0 cfu/100mL]	10872	8039	8039	100	0.74
National Average	10872	8039	7830	97	0.72

1.3.5 ANNUAL AVERAGES FOR NATIONAL WEIGHTED DISTRIBUTION WATER QUALITY COMPLIANCE FOR 2019

Table 6 shows the five critical operational water quality indicators and percentage compliance for both treated water at the stations and distributed water quality with respect to the Ghana Drinking Water Quality Standards as well as the set targets for sampling frequency per region. Results indicated that the quality of treated and distributed water was generally satisfactory. Bacteriological results recorded 100% compliance both of the treatment plants and distribution networks.

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TABLE 6: NATIONAL ANNUAL SUMMARY OF THE TREATED AND DISTRIBUTED WATER QUALITY COMPLIANCE PER REGION FOR COMPLIANCE FOR 2019

National Summary of Treated Water Compliance per region for first quarter, 2019					
Region	pH [6.5-8.5]	Colour [5 HU]	Turbidity [NTU]	R-Chlorine [0.5mg/L]	E-Coli[0 cfu/100mL]
R01 ATMA	100%	98%	98%	98%	100%
R02 Ashanti	98%	98%	100%	100%	100%
R03 Western	96%	97%	96%	95%	100%
R04 Central	98%	97%	96%	95%	100%
R05 Eastern	98%	98%	97%	98%	100%
R06 Northern	96%	99%	96%	94%	100%
R07 Volta	99%	98%	98%	98%	100%
R08 Brong Ahafo	92%	95%	96%	92%	100%
R09 Upper East	96%	96%	99%	96%	100%
R10 Upper West	96%	99%	96%	100%	100%

National Summary of Distributed Water Compliance per region for first quarter, 2019					
Region	pH [6.5-8.5]	Colour [5 HU]	Turbidity [NTU]	R-Chlorine [0.1 mg/L]	E-Coli [0 cfu/100mL]
R01 ATMA	99%	99%	99%	98%	100%
R02 Ashanti	97%	96%	95%	96%	100%
R03 Western	95%	96%	95%	95%	100%
R04 Central	97%	98%	95%	95%	100%
R05 Eastern	95%	95%	95%	95%	100%
R06 Northern	96%	94%	95%	95%	100%
R07 Volta	95%	96%	96%	95%	100%
R08 Brong Ahafo	98%	98%	96%	94%	100%
R09 Upper East	95%	94%	96%	90%	100%
R10 Upper West	100%	100%	98%	96%	100%

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OPERATIONAL REVIEW

1.3.6 OTHER KEY PROGRAMS/ACTIVITIES

TABLE 7

ITEM	PROGRAMME/ACT	OBJECTIVE	TARGET	ARCHIVED	REMARKS
	Development of Policy and Operational Document on Water Safety Plan (WSP) for GWCL with assistance from the MSWR, UNICEF, WHO and IWA	To Develop WSP policy and operational document to be implemented for all GWCL Water Supply System for safe and efficient drinking water services delivery.	Expected to be completed by March, 2020 1. First phase of implementation: Third quarter 2020	1. About 60% completed. Several drafts have been submitted for review. 2. Pilot is ongoing in the Kwanyako Water Supply System in the Central Region 3. Final document expected in the of first Quarter, 2020.	There was In-Country visit by the Australian Consultants scheduled for mid-October, 2019. In country visit report submitted to GWCL
	Construction of New Standard Regional Laboratories for GWCL and a reference laboratory	To Construct a New Standard Regional Laboratories in all regions to ensure best practices and efficient service delivery.	To Construct Standard and well-equipped Regional Laboratories for all GWCL Operational Regions by 2021	Procurement processes on-going: 1. ETC's approved and contracted awarded for Architectural designs to begin.	
	Development of Standards Operating Procedures (SOPs)	To develop Standards Operating Procedures (SOPs) for all aspects of WQA Operations.	Expected to be completed by December, 2019	Drafts from all the regions submitted for review.	
	Implementation of Quality Management Systems (QMS) by GWCL	To implement of Quality Management Systems (QMS) for all components operations within GWCL to	Training, installation and piloting to commerce by First Quarter, 2020.	Procurement processes on going to engage a consultant.	

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OPERATIONAL REVIEW

ITEM	PROGRAMME/ACTIVITY	OBJECTIVE	TARGET	ARCHIVED	REMARKS
		ensure operations and quality of service delivery enhancement.			
	Development of Laboratory Quality Assurance Manual for GWCL	To Dissemination of Laboratory Assurance Manual for GWCL	Development and operationalisation of Laboratory Assurance Manual for GWCL by end of 2018	Laboratory QA Manual Developed and Disseminated to all regions.	Laboratory QA Manual launched in October, 2019 by the Managing Director.

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OPERATIONAL REVIEW

1.3.7 CHALLENGES

The following operational challenges were identified to have impacted negatively on the performance during the period under review;

- The mining activities within the catchments of river Birim, Oda, Pra and the White Volta are still ongoing leading to severe raw water quality deterioration. These led to an extremely high water treatment chemicals consumption and other associated operational challenges from systems abstracting these source waters for treatment.
- Weak and aged distribution networks in some part of the regions leads to frequent pipes burst. This poses a serious threat to maintenance of water quality in the distribution networks.
- Lack of real time and continuous monitoring facilities for water quality for the treatment processes for all Water Treatment Plants.
- Limited Critical Control Points along the entire water supply chain for all systems is compromising water quality, performance of the system and loss of important data.
- Lack of adequate system laboratories for some water treatment plants for effective process control monitoring. Important data is always lost and the situation needs to be addressed.
- Poor set-ups for most of systems and regional laboratories and inadequate logistics for operations.
- Delay in procurement and limited budgetary allocation for Water Quality Operations in most of the regions.
- Lack of effective means of transportation for WQA department operations in some of the regions.

1.4 Distribution Operations

Water distribution improved satisfactorily. The increase in production made more water available for distribution. GWCL continued to ration water in areas where water demand exceeded supply to ensure a more equitable distribution.

Improvement in distribution efficiency was also made possible through stocking the districts with the needed materials to facilitate prompt response to faults.

1.5 Energy Consumption

For the year 2019, the cost of power is GHS319.8 million which is an equivalent of 372.9 million kilowatts hour. The cost of electricity constituted about 24.5% (without depreciation) of the total operating cost, a decrease of 1.9% compared to 2018 as a result of the increased total cost.

Ghana Water Company Limited

Annual Report and Financial Statements

For the year ended 31 December 2019

OPERATIONAL REVIEW

FIGURE 2

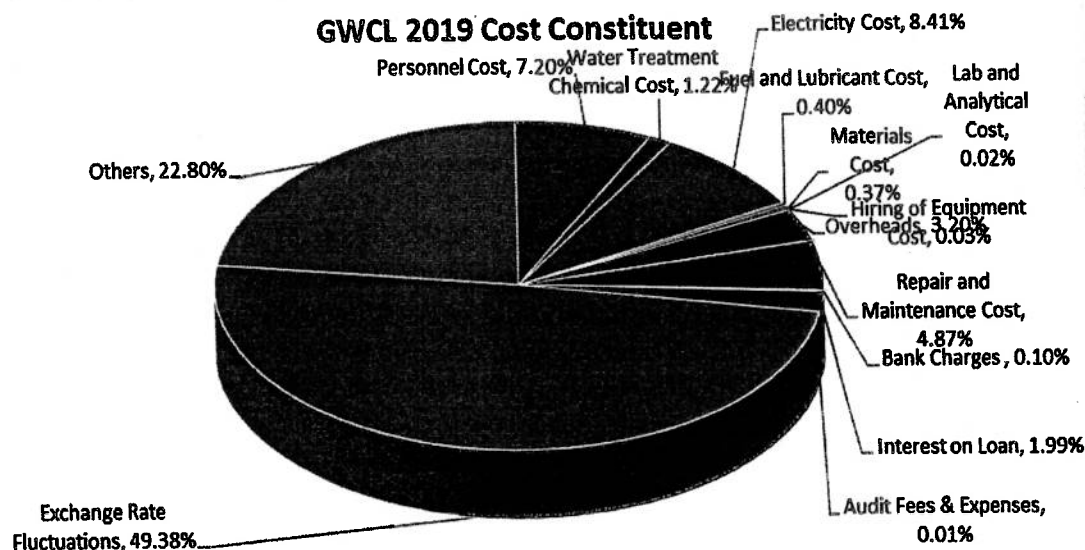


Table 8

Years	Water produced (Mm ³)	Energy consumed (Mkwh)	Energy consumed per m ³ produced (kwh/m ³)	Energy Cost (M/GHS)	Energy cost per m ³ (GHS/m ³)
2012	254.99	180.40	0.7075	54.90	0.2153
2013	250.10	189.40	0.7573	64.80	0.2591
2014	248.04	171.40	0.6910	114.60	0.4620
2015	297.00	275.60	0.9279	178.60	0.6013
2016	285.60	302.63	1.0596	310.48	1.0871
2017	314.79	345.05	1.0961	326.75	1.0380
2018	319.36	321.48	1.0066	270.09	0.8457
2019	304.60	372.86	1.2241	319.79	1.0499

The overall performance in terms of energy use for the last seven years is shown in the charts (Figure 3 and 4) below. It can be seen that the energy use efficiency has dropped over the years and 2019 is no exception. The increase in energy cost is a combination of the desalination coming on board for about seven months in 2019 as compared to a complete shut down in 2018, an increase in energy tariff and ageing electro-mechanical equipment with low power factors.

Ghana Water Company Limited

Annual Report and Financial Statements

For the year ended 31 December 2019

OPERATIONAL REVIEW

Figure 3

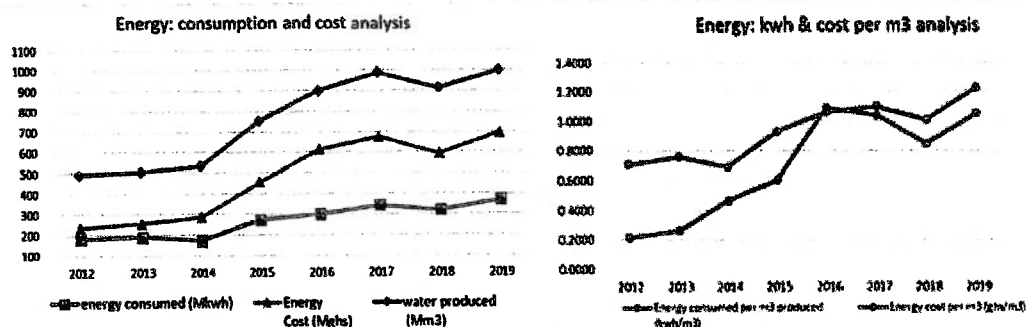
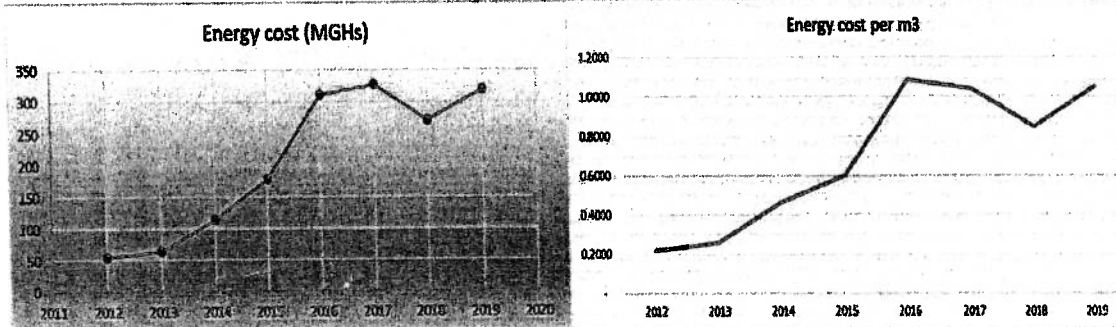


FIGURE 4



1.5.1 Regional Energy Analysis

The average cost of electricity per cubic meter of water produced in 2019 was highest in the Upper West Region with 3.1514 GHC/m³ followed by Volta region with 1.4849 GHC/m³.

For the Upper West Region this is attributed to the huge new plant installed at Jambusi whose operation is not optimised due to limited distribution capacity. A process of massive pipeline extension has started and it is envisaged that more water will be supplied in subsequent years.

On the whole, apart from the Upper West Region, most regions over the years have seen an improvement in energy use. See tables 11,12 and figure 3 below for details.

Ghana Water Company Limited

Annual Report and Financial Statements

For the year ended 31 December 2019

OPERATIONAL REVIEW

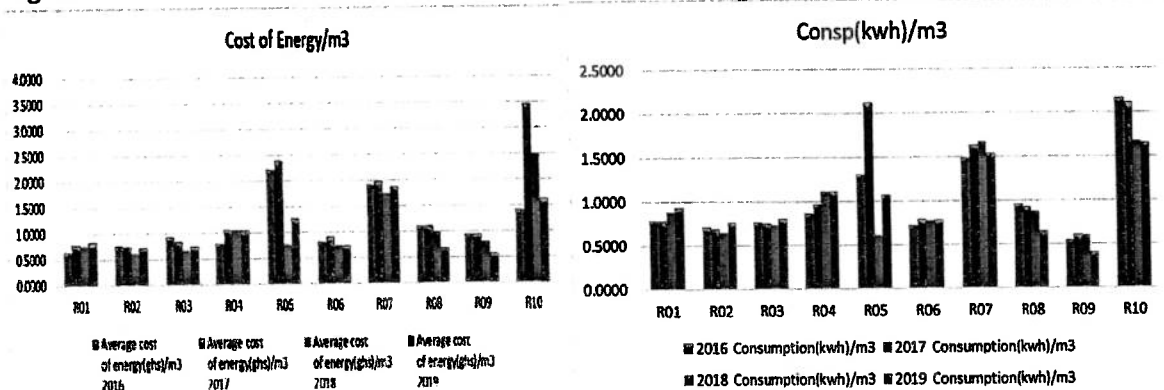
Table 9
Regional Energy Consumption

Region	Capacity Utilization 2020 (%)	2016 Energy Consumption (KWh)	2017 Energy Consumption (KWh)	2018 Energy Consumption (KWh)	2019 Energy Consumption (KWh)	2016 Consumption (kwh)/m ³	2017 Consumption (kwh)/m ³	2018 Consumption (kwh)/m ³	2019 Consumption (kwh)/m ³
R01	71.66	138,241.10	165,395.40	159,653.69	177,653.96	0.79	0.78	0.88	0.94
R02	63.45	27,505.03	27,615.47	29,830.13	34,953.52	0.71	0.69	0.65	0.77
R03	48.16	8,090.08	8,002.93	8,074.56	8,794.05	0.76	0.76	0.73	0.80
R04	46.5	15,828.66	21,194.08	24,018.64	23,898.87	0.87	0.96	1.11	1.10
R05	35.11	9,892.30	16,866.00	6,405.21	11,202.67	1.31	2.11	0.61	1.07
R06	64.04	7,921.91	8,684.68	8,593.32	8,727.06	0.72	0.79	0.77	0.78
R07	53.4	10,119.51	11,771.79	12,033.17	11,082.20	1.48	1.62	1.67	1.54
R08	39.26	4,588.98	4,588.98	4,101.06	3,033.38	0.96	0.93	0.87	0.64
R09	53.44	1,343.63	1,343.63	1,313.83	896.54	0.55	0.60	0.59	0.40
R10	18.83	1,321.50	1,321.50	1,316.84	1,301.72	2.16	2.11	1.67	1.65

TABLE 10
Regional Energy Cost

Region	Capacity Utilization 2020 (%)	Energy Cost 2016 (GHC)	Energy Cost 2017 (GHC)	Energy Cost 2018 (GHC)	Energy Cost 2019 (GHC)	Average cost of energy (GHC)/m ³ 2016	Average cost of energy (GHC)/m ³ 2017	Average cost of energy (GHC)/m ³ 2018	Average cost of energy (GHC)/m ³ 2019
R01	71.66	136,953.99	167,676.78	140,832.76	160,241.92	0.64	0.79	0.78	0.85
R02	63.45	31,002.36	29,827.48	27,617.66	33,039.25	0.78	0.75	0.60	0.72
R03	48.16	9,842.86	8,785.70	7,351.49	8,223.13	0.93	0.83	0.67	0.75
R04	46.5	17,606.04	23,498.39	22,906.97	22,762.40	0.80	1.07	1.06	1.05
R05	35.11	17,667.54	19,040.14	8,042.11	13,361.30	2.22	2.39	0.77	1.27
R06	64.04	8,996.82	10,022.96	8,234.96	8,243.32	0.82	0.91	0.74	0.74
R07	53.4	13,844.18	14,360.12	12,616.00	13,486.85	1.91	1.98	1.75	1.87
R08	39.26	5,401.82	5,431.88	4,668.51	3,150.17	1.09	1.10	0.99	0.67
R09	53.44	2,082.87	2,088.80	1,763.90	1,227.73	0.94	0.94	0.80	0.55
R10	18.83	876.71	2,159.74	1,970.16	1,270.88	1.40	3.45	2.49	1.61

Figure 5



Ghana Water Company Limited

Annual Report and Financial Statements

For the year ended 31 December 2019

OPERATIONAL REVIEW

2.0 COMMERCIAL ACTIVITIES

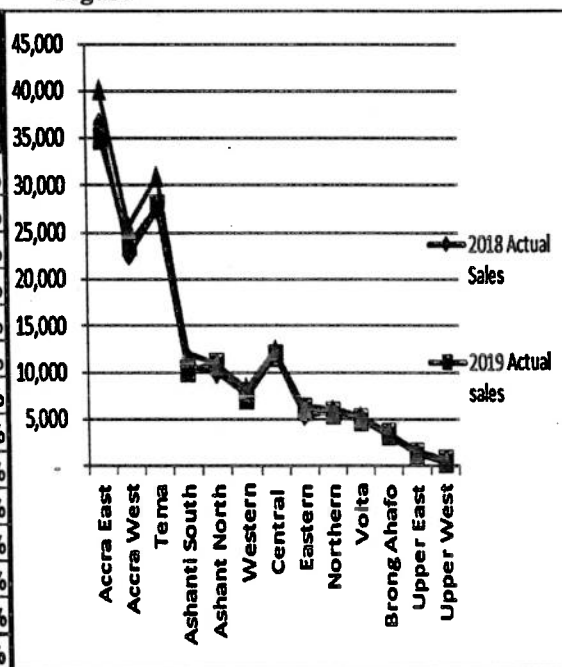
2.1 WATER SALES PERFORMANCE

A total volume of 149.9 mm³ was sold in the year 2019. This is 8.5% (13.99 mm³) below the target for the year and 0.74% (1.1 Mm³) higher than that of 2018. The major reason for the non-achievement of the sales target was partly due to numerous customer meters being inefficient due to over age, over 30% of customers being on estimated rates, frequent leakages and burst especially in the ATMA regions preventing the treated water from reaching the customers and finally customers becoming more conscious of their consumption. The details of the sales performance are shown in table 13 and figure 6 below.

Table 11

Region	2018 Actual Sales	2019 Actual Sales	2019 Target Sales	Variance %
Accra East	36,489	35,069	40,053	-12.4%
Accra West	22,670	23,793	25,575	-7.0%
Tema	27,316	27,882	31,000	-10.1%
Ashanti South	10,754	10,208	12,015	-15.0%
Ashanti North	9,994	11,039	10,881	1.5%
Western	7,699	7,409	8,359	-11.4%
Central	12,011	11,879	12,388	-4.1%
Eastern	5,431	6,153	6,387	-3.7%
Northern	5,953	5,772	6,049	-4.6%
Volta	5,142	5,067	5,382	-5.9%
Brong Ahafo	3,349	3,549	3,518	0.9%
Upper East	1,428	1,450	1,595	-9.1%
Upper West	565	624	676	-7.6%
Total	148,800	149,893	163,877	-8.5%

Figure 6



2.2 BILLING PERFORMANCE

The total water revenue was GH¢902.00 million for 2019, a decrease of 11% above that of 2018 (GH¢923.9 million), and short of the target by 8.7%. The main reasons for the decrease in billing as against the previous year sales and the 2019 sales target has been explained in section 2.1 above

Ghana Water Company Limited

Annual Report and Financial Statements

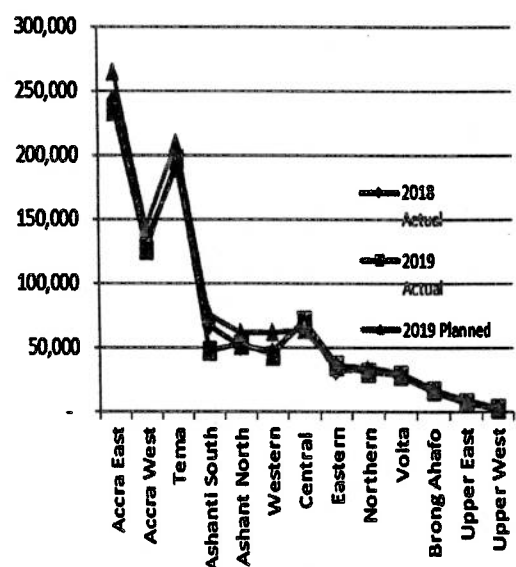
For the year ended 31 December 2019

OPERATIONAL REVIEW

Table 12

Region	2018 Actual	2019 Actual	2019 Planned	Variance 19 Actual 19 Plan
Accra East	243,570	234,650	265,122	-11.5%
Accra West	133,743	126,688	143,641	-11.8%
Tema	189,864	196,916	210,424	-6.4%
Ashanti South	67,255	47,932	76,486	-37.3%
Ashanti North	51,180	53,304	62,267	-14.4%
Western	47,496	44,678	62,267	-28.2%
Central	69,465	71,533	63,953	11.9%
Eastern	32,599	37,314	36,916	1.1%
Northern	33,390	31,437	34,223	-8.1%
Volta	28,566	29,686	30,601	-3.0%
Brong Ahafo	16,110	16,915	17,698	-4.4%
Upper East	7,765	7,761	8,987	-13.6%
Upper West	2,890	3,144	3,622	-13.2%
Total	923,893	901,958	1,016,207	

Figure 7



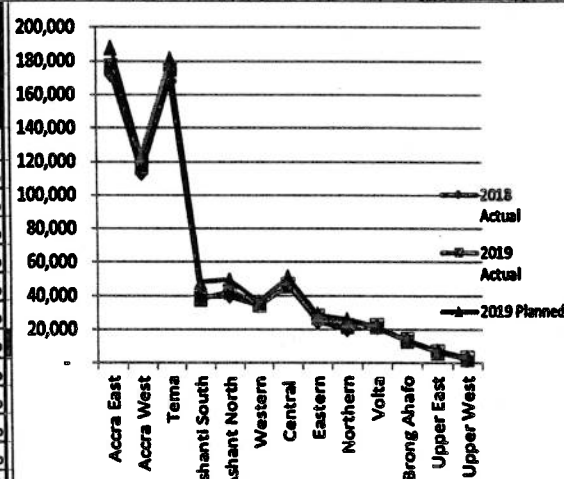
2.3 COLLECTION PERFORMANCE

Private collection for 2019 was GH¢725.2 million. The collection shows an increase of 3.7% when compared to that of 2018 and a decrease of 6.7% when compared to the 2019 target. Table 15 and figure 8 below shows the private collection performance.

Table 13

Region	2018 Actual	2019 Actual	2019 Planned	Variance 19 Actual 19 Plan
Accra East	171,916	176,724	188,114	-6.1%
Accra West	112,989	117,726	124,045	-5.1%
Tema	167,889	175,485	180,916	-3.0%
Ashanti South	39,681	37,803	48,148	-21.5%
Ashanti North	39,790	42,579	49,314	-13.7%
Western	34,200	34,892	36,341	-4.0%
Central	45,874	45,867	50,867	-9.8%
Eastern	24,093	27,497	28,395	-3.2%
Northern	20,179	22,100	25,835	-14.5%
Volta	20,974	21,725	21,721	0.0%
Brong Ahafo	13,141	13,770	13,437	2.5%
Upper East	6,653	6,493	7,097	-8.5%
Upper West	2,228	2,524	3,134	-19.5%
Total	699,607	725,186	777,366	-6.7%

Figure 8



Ghana Water Company Limited

Annual Report and Financial Statements

For the year ended 31 December 2019

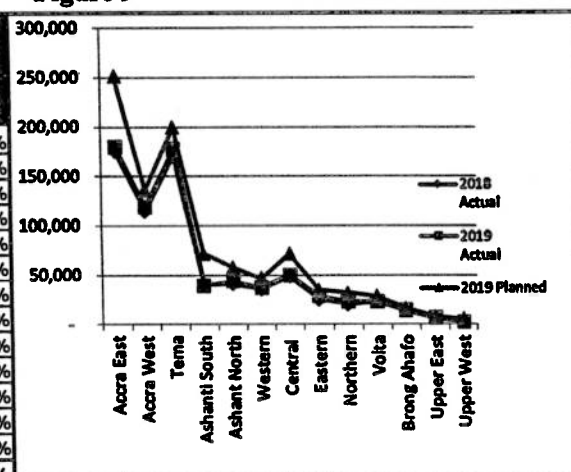
OPERATIONAL REVIEW

The total collection for 2019 was GH¢ 747.3 million. The total collection shows an increase of 3.95% when compared to that of 2018 and a decrease of 22.3% when compared to the 2019 target. Table 16 below shows the total collection performance.

Table 14

Region	2018 Actual	2019 Actual	2019 Target	Variance
Accra East	175,128	180,084	251,866	-28.5%
Accra West	114,324	118,979	135,794	-12.4%
Tema	170,287	178,137	199,451	-10.7%
Ashanti South	40,854	39,567	71,955	-45.0%
Ashanti North	40,949	43,628	57,552	-24.2%
Western	35,815	37,472	46,519	-19.4%
Central	48,672	50,020	71,519	-30.1%
Eastern	25,396	28,747	34,738	-17.2%
Northern	20,755	23,231	32,108	-27.6%
Volta	23,017	23,482	28,602	-17.9%
Brong Ahafo	14,320	14,588	16,761	-13.0%
Upper East	7,005	6,780	8,448	-19.8%
Upper West	2,365	2,604	6,066	-57.1%
Total	718,888	747,318	961,380	-22.3%

Figure 9



The reason for the non-achievement of the total collection target is due to the non-achievement of the sales target and non-payment of MDA bills.

2.4 COLLECTION RATIO

The Private Collection Ratio (without MDAs) was 96.0% which is 4.4% higher than that of same period of 2018. The total collection ratio for year ending 2019 was 81.6% as against 78.1% achieved in 2018. The total collection ratio has always been low because the cross debt facility which allows for 100% MDA collection has been abolished. MDAs now pay for their own bills but this is not working well. The task force put in place to sensitize MDAs to promptly pay their bills is gradually yielding positive results. Table 17 below shows how the regions performed.

Table 15

Total Collection Ratio				Private Collection Ratio			
Region		2018	2019	Region		2018	2019
R01B	Accra East	72.4%	78.1%	R01B	Accra East	91.3%	91.3%
R01C	Accra West	86.0%	90.4%	R01C	Accra West	91.5%	97.0%
R01D	Tema	89.9%	90.7%	R01D	Tema	95.2%	95.4%
R02A	Ashanti South	61.0%	63.1%	R02A	Ashanti South	87.7%	91.6%
R02B	Ashanti North	80.6%	81.2%	R02B	Ashanti North	88.8%	93.9%
R03	Western Region	76.1%	85.0%	R03A	Western Region	92.0%	98.1%
R04	Central Region	71.0%	70.1%	R04A	Central Region	91.9%	89.2%
R05	Eastern Region	78.2%	78.1%	R05	Eastern Region	91.6%	92.0%
R06	Northern Region	64.0%	72.5%	R06	Northern Region	79.9%	87.6%
R07	Volta Region	80.8%	84.0%	R07	Volta Region	96.7%	97.2%
R08	Brong Ahafo Region	90.5%	86.5%	R08	Brong Ahafo Region	99.5%	96.0%
R09	Upper East Region	92.4%	87.5%	R09	Upper East Region	101.1%	97.4%
R10	Upper West Region	82.4%	83.8%	R10	Upper West Region	94.5%	95.7%
Total		78.1%	81.6%	Total		91.6%	96.0%

Ghana Water Company Limited

Annual Report and Financial Statements

For the year ended 31 December 2019

OPERATIONAL REVIEW

2.5 CUSTOMER ACCOUNTS RECEIVABLE

The Company continued in its effort to bring accounts receivable to 25% of the annual billed amount. Action taken to achieve this feat included embarking upon sensitization/awareness campaign, implementing the procedure for disconnection and follow up, formation of teams to disconnect defaulters, implementation of alternative collection methods for rural areas, use of e-billing and e-collection, use of third parties as customer pay points, and court action (only as a last resort).

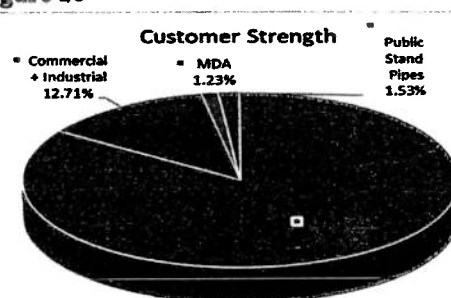
2.6 CUSTOMER STRENGTH

The customer strength increased from 675,761 at the end of 2018 to 708,803 by end of 2019. This represents an increase of 4.9% over the year. Domestic customers share increased marginally from 84.0% to 84.5%. The commercial and industrial component reduced from 12.9% to 12.7% whilst the MDA and Public Stand-pipes connections decreased from 1.5% and 1.2% to 1.2% and 1.5% respectively for the year under review.

Table 16

Customers	2018	2019	% Contribution 2019	% Var 2018-2019
Domestic	566,018	599,154	84.5	5.85
Commercial + Industrial	87,243	90,081	12.7	3.25
MDA	9,911	8,699	1.2	(12.23)
Public Stand Pipes	10,571	10,869	1.5	2.82
Total	673,743	708,803		5.20

Figure 10



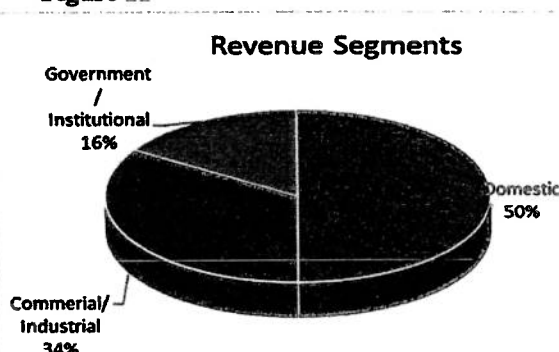
2.6.1 Contribution to revenue

In 2019 the domestic consumers (having about 84.5% of customer strength) contributed 51.0% to the revenue as against 44.1% of last year, whilst the commercial and industrial customers, who constitute about 12.5% of the total number of customers, contributed about 33.4%, as against 31.2% in 2018 (a 2.2% increase). The MDAs making up 1.2% contributed about 15.6% instead of the 24.7% of (2018) of the total revenue.

Table 17

BILLING (GHC)	2018	2019	% Contribution 2019	% Var 2018-2019
Domestic	454,939,585.99	451,234,706.02	50.0	(0.81)
Commercial/Industrial	310,310,419.88	307,213,298.82	34.1	(1.00)
Government/Institutional	158,560,744.04	143,509,008.16	15.9	(9.49)
Other Revenue				
Grand Total	923,810,749.91	901,957,013.00		

Figure 11



Ghana Water Company Limited

Annual Report and Financial Statements

For the year ended 31 December 2019

OPERATIONAL REVIEW

3.0 KEY PERFORMANCE INDICATORS

To optimize our financial and operational performances, we monitor key performance indicators (KPIs) as highlighted below:

3.1 FINANCIAL KPIS

	2019	2018	%
	GHS	GHS	Change
Revenue	901,957,013	914,660,494	(1.4%)
Profit/(deficit) before interest	(2,549,734,186)	(642,567,862)	(296.8%)
Profit/(deficit) for the year	(2,620,348,039)	(667,931,738)	(292.3%)
Cost of operations	1,268,022,140	1,233,880,268	2.8%
Gearing (debt to equity ratio)	68%	10%	

3.2 FINANCIAL HIGHLIGHTS

**Increase in loss
before finance cost:**

By GHS1,907,166,324

**Upturn in results for
the year**

Loss of
GHS2,549,734,186

296.8% increase in
loss from prior year

**Healthy
Gearing ratio
of:**

68%

Ghana Water Company Limited
Independent Auditor's Report
For the year ended 31 December 2019

Opinion

We have audited the financial statements of Ghana Water Company Limited for the year ended 31 December 2019, which comprise the statement of financial position as of 31 December 2019, statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements gives a true and fair view of the financial position of Ghana Water Company Limited as of 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2019 (Act 992).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. 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 (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Ghana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Ghana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matter is that matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. We have determined that there are no key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprise the Directors' Report as required by the Companies Act, 2019 (Act 992) and the operational review report, which we obtained prior to the date of this auditor's report but does not include the financial statements and 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 in 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.

Ghana Water Company Limited

Independent Auditor's Report

For the year ended 31 December 2019

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2019 (Act 992), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Ghana Water Company Limited
Independent Auditor's Report
For the year ended 31 December 2019

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

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

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

Report on other legal and regulatory requirements

The Companies Act, 2019 (Act 992) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

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

The engagement partner on the audit resulting in this independent auditor's report is Kofi Burah Asomaning. (ICAG/P/1060).

CereSys Associates

For and on behalf of CereSys Associates (ICAG/F/2021/199)

Chartered Accountants

Accra, Ghana

Date: 23/08/2021

CereSys
Associates

Ghana Water Company Limited
Statement of comprehensive income
For the year ended 31 December 2019
(All amounts are in Ghana Cedis)

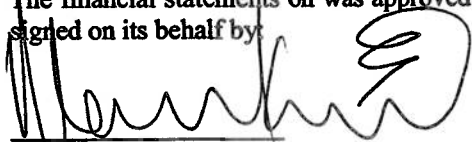
	Notes	2019	2018
Revenue	3	901,957,013	914,660,494
Cost of operations:	4		
Production cost	4a	(667,469,366)	(656,221,508)
Transmission/boosting cost	4b	(39,629,840)	(46,675,861)
Distribution cost	4c	(392,416,861)	(366,520,852)
Commercial/marketing cost	4d	<u>(168,506,074)</u>	<u>(164,462,047)</u>
Total cost of operations		<u>(1,268,022,141)</u>	<u>(1,233,880,268)</u>
Gross/operating profit/(loss)		(366,065,128)	(319,219,774)
Other income	5	23,859,607	19,366,996
General administration and other cost	6	<u>(2,207,528,665)</u>	<u>(342,715,084)</u>
Profit/(loss) before finance cost		(2,549,734,186)	(642,567,862)
Finance cost	7	<u>(70,613,853)</u>	<u>(25,363,876)</u>
Profit/(loss) for the year		(2,620,348,039)	(667,931,738)
Other comprehensive income		-	-
Transfer from revaluation surplus		<u>735,181,824</u>	<u>703,698,259</u>
Total comprehensive income/(loss) for the year		<u>(1,885,166,215)</u>	<u>35,766,521</u>

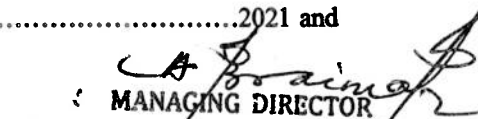
The notes on pages 30 to 57 form an integral part of these financial statements.

Ghana Water Company Limited
Statement of financial position
As of 31 December 2019
(All amounts are in Ghana Cedis)

	Notes	2019	2018
Non-Current Assets			
Property, plant and equipment	8	11,878,426,013	12,508,884,016
Investment property	9	<u>463,697</u>	<u>477,639</u>
Total non-current assets		<u>11,878,889,710</u>	<u>12,509,361,655</u>
Current Assets			
Inventories	10	180,860,628	141,630,424
Accounts receivable	11	540,784,041	926,631,311
Investments	12	1,220,140	1,066,721
Bank and cash balances	13	<u>20,707,050</u>	<u>56,597,929</u>
Total current assets		<u>743,571,859</u>	<u>1,125,926,385</u>
Total Assets		<u>12,622,461,569</u>	<u>13,635,288,040</u>
Equity, Liabilities and Reserves			
Equity and Reserves			
Stated capital	14	1,250,000	1,250,000
Government deposit for shares	15	193,226,221	193,226,221
Development financing	16	21,683,571	1,772,403,020
Capital surplus	17	8,742,698,627	9,477,880,451
Retained earnings		<u>(1,833,207,932)</u>	<u>(3,443,902)</u>
Total equity, liabilities and reserves		<u>7,125,650,487</u>	<u>11,441,315,790</u>
Long Term Liabilities			
Long term loans	18	3,929,479,416	914,336,728
Provision for defined benefit obligations	19	<u>20,163,823</u>	<u>20,163,823</u>
Total long-term liabilities		<u>3,949,643,239</u>	<u>934,500,551</u>
Current Liabilities			
Current portion of long-term loans	18	914,543,725	212,801,959
Accounts payable	20	<u>632,624,118</u>	<u>1,046,669,740</u>
Total current liabilities		<u>1,547,167,843</u>	<u>1,259,471,699</u>
Total Liabilities		<u>5,496,811,082</u>	<u>2,193,972,250</u>
Total Equity, Liabilities and Reserves		<u>12,622,461,569</u>	<u>13,635,288,040</u>

The financial statements on was approved by the Governing Board on2021 and signed on its behalf by


Chairman


MANAGING DIRECTOR
GHANA WATER COMPANY LTD.
Managing Director
ACCRA GHANA

The notes on pages 30 to 57 form an integral part of these financial statements.

Ghana Water Company Limited
Statement of cash flows
For the year ended 31 December 2019
(All amounts are in Ghana Cedis)

	2019	2018
OPERATING ACTIVITIES		
Operating profit/(loss)	(2,549,734,186)	(667,931,738)
Adjustments for non-cash items:		
Provision for long service awards	-	4,115,217
Depreciation charges-PPE	790,206,109	758,708,211
Depreciation charges-investment property	13,942	13,942
Exchange loss on borrowing	1,751,080,444	24,319,601
Prior year adjustment	<u>55,402,185</u>	<u>11,928,552</u>
Operating cashflow before movements in working capital	<u>46,968,494</u>	<u>131,153,785</u>
Movement in working capital		
Increase in inventories	(39,230,204)	(46,137,803)
Decrease in receivable	385,847,268	173,569,742)
(Decrease)/increase in accounts payable	<u>(295,626,044)</u>	<u>229,168,911</u>
Net cash flow from operating activities	<u>97,959,514</u>	<u>140,615,151</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(159,750,870)	(332,096,247)
Proceeds from sale of property, plant and equipment	<u>2,766</u>	<u>180,673,011</u>
Net cashflow used in investing activities	<u>(159,748,104)</u>	<u>(151,423,236)</u>
FINANCING ACTIVITIES		
Staff provident company loan repayment	(5,214,318)	(37,362,324)
Loan received (Staff provident fund company)	-	36,087,399
Societe Generale - medium term loan	31,265,447	(676,508)
Other long-term loan (Wa Jambusi)	-	267,097,804
Development financing received from Government of Ghana	-	<u>(239,546,568)</u>
Net cash flow from financing activities	<u>26,051,129</u>	<u>25,599,803</u>
Net change in cash and cash equivalents	<u>(35,737,460)</u>	<u>14,791,718</u>
Cash and cash equivalents as of 1 January 2019	<u>57,664,650</u>	<u>42,872,932</u>
Cash and cash equivalents as of 31 December 2019	<u>21,927,190</u>	<u>57,664,650</u>
Analysis of cash and cash equivalents		
Cash and bank balances	20,707,050	56,597,929
Short term investments	<u>1,220,140</u>	<u>1,066,721</u>
	<u>21,927,190</u>	<u>57,664,650</u>

The notes on pages 30 to 57 form an integral part of these financial statements.

Ghana Water Company Limited
Statement of changes in equity
For the year ended 31 December 2019
(All amounts are in Ghana Cedis)

	Stated Capital	Government Deposit for Shares	Development Financing	Capital Surplus	Retained Earnings	Total
31 December 2019						
Opening balance	1,250,000	193,226,221	1,772,403,020	9,477,880,451	(3,443,902)	11,441,315,790
Additions/(reclassification)	-	-	(1,750,719,449)	-	-	(1,750,719,449)
Prior year adjustment	-	-	-	-	55,402,185	55,402,185
Transfer	-	-	-	(735,181,824)	735,181,824	-
Loss for the year	-	-	-	-	(2,620,348,039)	(2,620,348,039)
Closing balance	1,250,000	193,226,221	21,683,571	8,742,698,627	(1,833,207,932)	7,125,650,487

	Stated Capital	Government Deposit for Shares	Development Financing	Capital Surplus	Retained Earnings	Total
31 December 2018						
Opening balance	1,250,000	193,226,221	2,011,949,588	10,181,578,710	(51,138,975)	12,336,865,544
Additions/(reclassification)	-	-	(239,546,568)	-	-	(239,546,568)
Prior year adjustment	-	-	-	-	11,928,552	11,928,552
Transfers	-	-	-	(703,698,259)	-	(703,698,259)
Profit for the year	-	-	-	-	35,766,521	35,766,521
Closing balance	1,250,000	193,226,221	1,772,403,020	9,477,880,451	(3,443,902)	11,441,315,790

The notes on pages 30 to 57 form an integral part of these financial statements.

Ghana Water Company Limited
Notes to the financial statements
For the year ended 31 December 2019
(All amounts are in Ghana Cedis)

1 CORPORATE INFORMATION

Ghana Water Company Limited (GWCL) was established on 1 July 1999 as a state-owned limited liability company under the Statutory Corporations (Conversion to Companies) Act 461 of 1993 as amended by LI 1648. The address of its registered office and principal place of business is 28th February Road, Accra.

GWCL is principally responsible for the planning and development of water systems and sale of water in urban communities in the country.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Additional information required by the Companies Act, 2019, (Act 992) is included where appropriate.

The financial statements have been prepared on a historical cost basis, except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The financial statements are presented in Ghana Cedi (GHS).

2.2 Significant accounting judgement, estimates and assumptions

The preparation of the financial statements requires management to exercise judgement and to make estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets and liabilities and disclosures. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods. Those areas affect mainly provisions and contingencies, intangible assets with indefinite useful life impairment tests, employee benefits, allowance for doubtful receivables and taxes. Areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

Ghana Water Company Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019
(All amounts are in Ghana Cedis)

2. Summary of significant accounting policies (continued)

a. Contingencies

Judgement of management is required for estimating the possible outflow of resources, if any, in respect of contingencies/claim/litigations against the Company as it is not possible to predict the outcome of pending matters with accuracy.

b. Allowance for uncollected account receivable and advances

Trade receivable do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated trade irrecoverable amounts. Portions of the total trade receivables amount are written off when management deems them uncollectible. The loss allowances for amount owed by customers are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions.

c. Defined benefit plan

The cost of defined benefit plan and other post-employment benefits and the present value of such obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in future. These include the determination of the discount rate, future salary increments, mortality rates and attrition rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

d. Fair value measurement of financial instruments

When the fair value of financial assets and liabilities rounded in the balance sheet cannot be measured based on quoted prices in active markets, their value is measured using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

e. Provision

General provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, and 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. Where the company expects some or all provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Ghana Water Company Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019
(All amounts are in Ghana Cedis)

2. Summary of significant accounting policies (continued)

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the expected economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it.

2.3 Revenue recognition

Revenue represents the fair value of the income receivable in the ordinary course of business for goods and services provided. Where relevant, this includes an estimate of the sales value of units of water supplied to customers between the date of the last meter reading and the period end, exclusive of value added tax.

The company recognizes revenue generally at the time of delivery and when collection of the resulting receivable is reasonably assured. Should the company consider that the criteria for revenue recognition are not met for a transaction, revenue recognition would be delayed until such time as the transaction becomes fully earned or collectability is reasonably assured. Payments received in advance of revenue recognition are recorded as deferred income.

2.4 Employee benefits

The Company has applied IAS 19 *Employee Benefits* (as revised in 2011) and the related consequential amendments. IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets.

The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate 'the corridor' approach permitted under the previous version of IAS 19 and accelerate the recognition of past service costs.

All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

Specific transitional provisions are applicable to first time application of IAS 19 (as revised in 2011). The Company has applied relevant transitional provisions and restated the comparative amounts on a retrospective basis.

Ghana Water Company Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019
(All amounts are in Ghana Cedis)

2. Summary of significant accounting policies (continued)

2.5 Property, plant and equipment

Structures, machinery and equipment and motor vehicles, after initial recognition as property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment. Cost is defined as the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, when applicable, the amount attributed to that asset when initially recognized.

The cost of the asset usually remains unchanged until it is derecognized unless an expenditure incurred on the asset meets the recognition criteria. If the recognition criteria are met, the expenditure should be added to the carrying amount of the property, plant and equipment. If the recognition criteria are not met, the expenditure should be expensed when incurred.

Depreciation of property, plant and equipment is allocated to the appropriate headings of expenses by function in the income statement. The current annual depreciation rates for each class of property, plant and equipment are as follows:

Structures	-	1.3% - 2.5%
Machinery and equipment	-	3.3% - 20%
Motor vehicles	-	12.5% - 20%

Useful lives of property, plant and equipment

Useful lives, components and residual amounts are reviewed annually. Such a review takes into consideration the nature of the assets, their intended use including but not limited to the closure of facilities and the evolution of technology and competitive pressures that may lead to a technical obsolescence. During the current year, the useful life policy for the previous year was maintained.

Components

IFRS has a specific requirement for "components" depreciation as described in IAS 16, Property, Plant and Equipment. Each significant part of an item of property, plant and equipment is depreciated separately. Significant parts of an asset that have similar useful lives and patterns of consumption can be grouped together.

All components are depreciated to their recoverable amount over their useful lives, which may differ among components. The remaining carrying amount of the component is derecognised on replacement and cost of the replacement part is capitalised.

Ghana Water Company Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019
(All amounts are in Ghana Cedis)

2. Summary of significant accounting policies (continued)

2.6 Impairment of non-financial assets

The carrying values of property, plant and equipment are reviewed for indications of impairment annually, or when events or changes in circumstances indicate the carrying value may not be recoverable. The impairment test is performed once an impairment indicator has been identified.

Impairment indicators are varied and may include external and internal factors or triggers. External impairment indicators relevant for a utility industry may include falling retail prices, rising fuel cost, over capacity and increased or adverse regulation or tax changes. Internal indicators may also include damage to an asset, obsolescence and performance of an asset or cash-generating unit (CGU) that is below expectation by management.

For assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the assets recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Such reversal is recognised in the income statement unless the asset is carried at revalue amount, in which case the reversal is treated as a revaluation increase.

De-minimis policy

Upon the recommendation of the consultant, GWCL has adopted a lower minimum threshold value for its assets of US\$500 or GHC3,000. Consequently, only assets with values over US\$500 were revalued.

Replacement parts

Costs incurred on a replacement part for property, plant and equipment are recognised in the carrying amount of the affected item of property, plant and equipment when the costs are incurred and if the recognition criteria is met.

If the cost of the replacement part is recognised in the carrying amount of an asset, the carrying amount of what was replaced should be derecognised (regardless of whether it had been identified as a component and depreciated separately), so that the replacement and the replaced item are not both carried as assets. When it is not practicable to determine the carrying amount of the replaced part, the cost of the replacement may be used as an indication of what the cost of the replaced part was at the time it was acquired or constructed.

Ghana Water Company Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019
(All amounts are in Ghana Cedis)

2. Summary of significant accounting policies (continued)

Intangible assets

An intangible asset is recognized when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Intangible assets are initially recognized at the cost incurred in acquiring and to bring it use. Intangible assets are carried at cost less any accumulated amortization and any impairment losses. The amortization period and the amortization method for intangible assets are reviewed every period-end.

Amortization is provided to write down computer software, on a straight line basis, to their residual values at the rate of 20%.

2.7 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation and are not occupied or used by the Company. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the Company measures its investment properties using the cost model as set out in IAS 16 Property, Plant and Equipment – cost less accumulated depreciation and less accumulated impairment losses. Currently, investment property has been stated using the revalued cost.

An investment property is derecognized upon the disposal or when the investment property is permanently withdrawn from use and no future economic benefit are expected from the disposal. Any gain or loss arising from derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognized.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. All inventories are valued using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.9 Foreign currencies

The functional currency of the Company is the currency of its primary economic environment.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at year-end rates. Any resulting exchange differences are taken to the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Differences arising from these translations are recognized in general administration expenses or other comprehensive income.

Ghana Water Company Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019
(All amounts are in Ghana Cedis)

2. Summary of significant accounting policies (continued)

Foreign currency translation

The Company's financial statements are presented in Ghana Cedis (GHS) which is also the Company's functional currency. Items included in the financial statements of the Company are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.10 Financial instruments

(a) Financial assets

Classification and measurement

IFRS 9, 'Financial instruments' published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, as well as new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

From a classification and measurement perspective, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories were replaced by: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through Other Comprehensive Income (OCI) instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

Ghana Water Company Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019
(All amounts are in Ghana Cedis)

2. Summary of significant accounting policies (continued)

The accounting for financial liabilities is largely the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to the profit or loss unless an accounting mismatch in profit or loss would arise. Having completed its initial assessment for classification and measurement under IFRS 9, the Company has concluded that there was no change in the measurement basis of these financial assets and liabilities.

On initial recognition, financial assets are classified as: financial assets at amortised cost, financial assets at fair value through other comprehensive income (FVOCI) or financial assets at fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI)

Derecognition of financial assets

Financial assets are derecognised if the rights to receive cash flows from the asset have expired, the Company 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 Company has transferred substantially all the risks and rewards of the asset, or
- (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Ghana Water Company Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019
(All amounts are in Ghana Cedis)

2. Summary of significant accounting policies (continued)

Impairment

The Company recognises loss allowances for ECL on the following instruments that are not measured at FVTPL. No impairment loss is recognised on equity investments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Write-off

Financial assets are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

i. Trade receivables

Trade receivables are amounts due from customers for water sold in the ordinary course of business. These amounts are expected to be collected in one year or less, they are thus classified as current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. The impairment provision is determined using the expected credit loss model by considering cash short falls in various default scenarios.

Ghana Water Company Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019
(All amounts are in Ghana Cedis)

2. Summary of significant accounting policies (continued)

ii. Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand, short-term fixed deposits with an original maturity of three months or less and bank overdrafts which are repayable on demand. All the component of the cash and cash equivalent form an integral part of the Company's cash management. Cash and cash equivalents are measured subsequently at amortised cost.

(b) Financial liabilities

Financial liabilities include accounts and other payables, borrowings and other non-current liabilities. All financial liabilities are subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the obligation specified in the contracts are discharged, cancelled or expire.

The Company's holding in financial liabilities represents mainly loans taken from banks and other financial institutions and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using effective interest rate method.

Derecognition of financial liability

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 the statement of profit or loss and other comprehensive income.

(i) Trade accounts payable

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

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

(ii) Borrowings

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

Ghana Water Company Limited
Notes to the financial statements (continued)
For the year ended 31 December 2019
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2. Summary of significant accounting policies (continued)

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in income statement in the period in which they are incurred.

2.11 Going concern

The management of the Company has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the required resources to continue in business for the foreseeable future. Furthermore, the Company's management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Consequently, the financial statements continue to be prepared on the going concern basis.

2.12 New and amended standards

a. New and amended standards adopted by the Company

The following amendments and International Financial Reporting Interpretation Committee (IFRIC) interpretations were adopted by the Company for the first time for the financial year beginning on or after 1 January 2019 although it has a minimal impact on the Company's financial statements.

Standard/Interpretation		Effective date periods beginning on or after
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
Amendments to IFRS 9	Prepayment features with negative Compensation	1 January 2019

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2. Summary of significant accounting policies (continued)

i. IFRS 16 - Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.

The Company does not have any significant lease properties hence there is no potential impact of IFRS 16 on the financial statements.

ii. IFRIC 23 Uncertainty over income tax treatments

IFRIC 23 clarifies the accounting for income tax treatments that are yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgments made;
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected.

The company has been exempted from payment of corporate income tax hence this standard does not have any potential impact on the financial statements.

iii. Prepayment features with negative compensation (Amendments to IFRS 9)

The amendments clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The Company is yet to assess the potential impact on the financial statements.

The amendments apply for annual periods beginning on or after 1 January 2019 with retrospective application. Early adoption is also permitted.

b. New and amended standards not yet adopted by the Company

A number of new standards, amendments to standards and interpretations are effective for annual periods on or after 31 December 2019 and have not been applied in preparing these financial statements. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated.

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3 REVENUE	2019	2018
Sale of water to private customers	724,378,453	733,668,451
Sale of water to Government institutions	<u>177,578,560</u>	<u>180,992,043</u>
	<u>901,957,013</u>	<u>914,660,494</u>

4 COST OF OPERATIONS	2019	2018
4(a) Production cost	667,469,366	656,221,508
4(b) Transmission/Booster Stations cost	39,629,840	46,675,861
4(c) Distribution costs	392,416,861	366,520,852
4(c) Commercial/marketing	<u>168,506,074</u>	<u>164,462,047</u>
Total	<u>1,268,022,141</u>	<u>1,233,880,268</u>

4(a) Production cost	2019	2018
Personnel cost	48,124,173	44,304,461
Water treatment chemical cost	42,994,616	35,515,085
Electricity	271,286,084	203,452,194
Fuel and lubricant	2,153,542	1,919,277
Material Cost	24,899	650,567
Laboratory analytical chemicals and reagents	126,134	177,214
Hiring of equipment	151,198	107,449
Overheads	6,283,022	5,708,299
Repairs and maintenance	113,254,186	101,681,722
Depreciation	<u>183,071,512</u>	<u>262,705,240</u>
Sub -total	<u>667,469,366</u>	<u>656,221,508</u>

4(b) Transmission/Booster Stations cost	2019	2018
Personnel cost	5,021,560	4,024,004
Water treatment chemical cost	102,805	83,675
Electricity	22,994,160	18,925,882
Fuel and lubricant	181,018	168,441
Material cost	594	47,412
Laboratory analytical chemicals and reagents	54,556	23,767

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Hiring of equipment	22,550	70,000
Overheads	407,615	409,991
Repairs and maintenance	1,636,444	517,436
Depreciation	<u>9,208,538</u>	<u>22,405,253</u>
Sub -total	<u>39,629,840</u>	<u>46,675,861</u>

4(c) Distribution costs	2019	2018
Personnel cost	50,754,253	45,409,855
Electricity	646,418	629,555
Fuel and lubricant	3,973,930	3,712,715
Material cost	12,317,405	28,621,926
Hiring of equipment	747,676	667,672
Overheads	7,882,492	5,746,965
Repairs and maintenance	43,038,032	20,526,167
Depreciation	<u>273,056,655</u>	<u>261,205,997</u>
Sub -total	<u>392,416,861</u>	<u>366,520,852</u>

4(d) Commercial/marketing	2019	2018
Personnel cost	73,963,618	63,463,846
Electricity	248,739	201,748
Fuel and lubricant	2,381,444	1,823,626
Material cost	113,658	263,029
Hiring of equipment	4,500	8,750
Overheads	30,699,196	32,069,989
Repairs and maintenance	1,739,086	1,625,087
Depreciation	<u>59,355,833</u>	<u>65,005,972</u>
Sub -total	<u>168,506,074</u>	<u>164,462,047</u>

5 OTHER INCOME	2019	2018
Bank interest	699,337	1,261,750
Drilling	665,157	628,430
Base and Central Workshop	846,946	2,034,175
Central Stores	6,550	5,910
New service connection	2,846,656	3,011,006
Reconnection fees	213,063	297,011

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Meter rent	3,125	11,833
Guest House rent	1,070,358	594,857
Transport hire	471,538	217,930
Investment income	153,419	202,477
Sundry income	<u>16,883,458</u>	<u>11,101,617</u>
	<u>23,859,607</u>	<u>19,366,996</u>

Sundry income

This is mainly made up of receipts from the sale of obsolete stocks, tender documents and laboratory services performed for other companies.

6. GENERAL ADMINISTRATION AND OTHER COST	2019	2018
Personnel cost	77,560,341	75,570,683
Water treatment chemical cost	1,100	6,645
Electricity	3,130,336	2,607,795
Fuel and lubricant	5,418,559	4,996,647
Operating materials	656,172	1,073,411
Laboratory analytical chemicals and reagents	602,095	658,186
Hiring of equipment	57,381	85,445
Overheads	68,186,807	56,749,472
Repairs and maintenance	13,011,386	9,703,931
Depreciation	265,527,035	147,400,083
Levies and charges	18,476,428	13,277,016
Bank charges	3,448,666	1,626,952
Audit fees	371,915	524,000
Exchange loss	1,751,080,444	24,319,601
Employee benefits expenses	-	4,115,217
	<u>2,207,528,665</u>	<u>342,715,084</u>
7 FINANCE COST	2019	2018
Interest on loans	<u>70,613,853</u>	<u>25,363,876</u>

Ghana Water Company Limited
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8. PROPERTY, PLANT AND EQUIPMENT

31 DECEMBER 2019

	Structures	Machinery and Equipment	Motor Vehicle	Work-in- Progress	TOTAL
Cost					
Opening balance	16,642,302,305	836,736,873	177,181,181	1,512,027,307	19,168,247,666
Additions	38,954,340	100,239,130	14,231,193	6,326,209	159,750,872
Disposals/transfer	682,183,816	(4,150)	(4,493,939)	(682,183,816)	(4,498,089)
Closing balance	17,363,440,461	936,971,853	186,918,435	836,169,700	19,323,500,449
Depreciation					
Opening balance	6,203,282,285	306,365,317	149,716,048	-	6,659,363,650
Charge for the year	728,253,543	48,902,791	13,049,775	-	790,206,109
Disposals/transfer	-	(1,384)	(4,493,939)	-	(4,495,323)
Closing balance	6,931,535,828	355,266,724	158,271,884	-	7,445,074,436
Net Book Value	10,431,904,633	581,705,129	28,646,551	836,169,699	11,878,426,013

31 DECEMBER 2018

	Structures	Machinery and Equipment	Motor Vehicles	Work-in- Progress	TOTAL
Cost					
Opening balance	16,408,113,040	742,596,772	177,486,572	1,691,793,078	19,019,989,462
Additions	234,192,877	96,126,074	1,777,689	1,921	332,098,561
Disposals/transfers	(3,612)	(1,985,973)	(2,083,080)	(179,767,692)	(183,840,357)
Closing balance	16,642,302,305	836,736,873	177,181,181	1,512,027,307	19,168,247,666
Depreciation					
Opening balance	5,500,321,079	265,092,692	138,406,701	-	5,903,820,472
Charge for the year	702,961,206	41,272,625	14,474,773	-	758,708,604
Disposals/transfers	-	-	(3,165,426)	-	(3,165,426)
Closing balance	6,203,282,285	306,365,317	149,716,048	-	6,659,363,650
Net Book value	10,439,020,020	530,371,556	27,465,133	1,512,027,307	12,508,884,016

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9 INVESTMENT PROPERTY	2019	2018
Opening balance	557,669	557,669
Accumulated depreciation	(80,030)	(66,088)
Depreciation charge for the year	<u>(13,942)</u>	<u>(13,942)</u>
Net book value	<u>463,697</u>	<u>477,639</u>

Investment properties are properties held to earn rentals and/or for capital appreciation and are not occupied by the company. Investment properties are measured initially at cost, including transaction cost. Subsequent to initial recognition, the company measures its investment properties using the cost model as set out in IAS 16 Property, Plant and Equipment.

10 INVENTORY	2019	2018
Closing balance	<u>180,860,628</u>	<u>141,630,424</u>

Inventories comprise of chemicals, pipes and accessories, fuel and lubricants, stationery, spare parts and general stores. No inventory was written off during the year.

11 ACCOUNTS RECEIVABLE	2019	2018
Trade receivables - private customers	454,148,642	427,196,936
Provision for doubtful debts	<u>(155,463,232)</u>	<u>(154,142,531)</u>
	298,685,410	273,054,405
Trade receivables - Government	207,397,596	632,335,395
Staff loans and advances	26,338,410	9,684,760
Other debtors and prepayment	<u>8,362,625</u>	<u>11,556,751</u>
	<u>540,784,041</u>	<u>926,631,311</u>

The company makes a provision for doubtful debts of 30% and 40% on city and rural private customers respectively. The Company does not charge specific provisions. The provision rates are based on the recoverability trends of these customers; No provision is made for debt in respect of Government customers.

12 INVESTMENT	2019	2018
Investment in treasury bills and fixed deposits	<u>1,220,140</u>	<u>1,066,721</u>

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13 BANK AND CASH	2019	2018
Cash in hand	323,132	297,004
Cash at bank	<u>20,383,918</u>	<u>56,300,925</u>
	<u>20,707,050</u>	<u>56,597,929</u>

14 STATED CAPITAL

- a) The number of authorised shares is 200,000,000,000 ordinary shares of no par value.
b) Stated capital is made up as follows:-

	No. of Shares	Amount
Issued for cash and fully paid	<u>12,500,000</u>	<u>1,250,000</u>

15 GOVERNMENT DEPOSIT FOR SHARES	2019	2018
Government deposit for shares	<u>193,226,221</u>	<u>193,226,221</u>

This represents loans forgiven by the Government under the HIPC initiative and will be converted to equity in due course.

16 DEVELOPMENT FINANCING	2019	2018
Balance as of 1 January	1,772,403,020	2,011,949,588
Additions during the year	-	-
Transfers	<u>(1,750,719,449)</u>	<u>(239,546,568)</u>
Balance as of 31 December	<u>21,683,571</u>	<u>1,772,403,020</u>

The Development Financing represent drawdowns from foreign donors for execution of various water supply projects and are contracted and paid through the Ministry of Finance. These financing arrangements have been reclassified to their respective accounts.

17 CAPITAL SURPLUS	2019	2018
Opening balance	9,477,880,451	10,181,578,710
Transfer to income surplus	<u>(735,181,824)</u>	<u>(703,698,259)</u>
	<u>8,742,698,627</u>	<u>9,477,880,451</u>

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18 LONG TERM LOAN						
	Balance at 01/01/19	Additions	Repayments	Transfers	Interest	Exchange Difference
						Balance at 31/12/19
IDA 160 GH	1,239,796	-	-	-	-	286,142
IDA 499 GH	6,491,679	-	-	-	-	1,498,265
ADB ICS GH/PU/74/002						
SL	2,907,685	-	-	-	-	671,088
ADB ICS GH/PU/74/002	1,783,342	-	-	-	-	411,592
Italian Government	4,725,952	-	-	-	-	1,090,740
CFD 52/241/02	2,391,756	-	-	-	-	394,953
OECF NO GH 7	170,079,878	-	-	-	-	45,432,296
Austrian Government	67,734,116	-	-	-	-	11,185,034
Nordic Company No. 106	27,198,382	-	-	-	-	5,353,044
ADF/GHA WSR	25,487,594	-	-	-	-	5,537,875
Bank of Hapoalim	-	-	-	672,123,632	35,655,867	476,564,174
ING BANK LOAN	-	-	-	63,389,993	3,362,812	44,946,195
Ministry of Finance (Various Loans)	-	-	-	381,618,226	20,244,681	270,583,515
Kpong WS Expansion Project	539,860,771	-	-	-	-	729,755,171
Wa WS Expansion Project (Jambusi)	267,097,804	-	-	-	-	40,405,495
Akim Oda, Akwatia and Winneba WSP	-	-	-	752,007,177	-	116,964,865
Staff Provident Company	10,139,932	-	(5,214,318)	-	2,640,940	7,566,554
Societe Generale	-	55,350,000	(24,084,553)	-	8,709,553	39,975,000
	1,127,138,687	55,350,000	(29,298,871)	1,869,139,028	70,613,853	1,751,080,444
						4,844,023,141
Current portion	212,801,959					914,543,725
Long term portion	914,336,728					3,929,479,416

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IDA 160 GH

This loan facility with effective date of 28/08/1969 was procured to improve and expand Water Supply Systems of Accra and construction of Sewerage Systems in Accra representing USD 1,881,212,000.00 secured from International Development Agency (IDA 160 GH). This debt is for a period of 20 years. Interest rate is at 6.5% p.a.

IDA 499 GH

This loan facility with effective date of July 1974 was procured for further expansion and development of the Water Supply System in and adjacent ATMA representing USD 7,745,634.00 secured from International Development Agency (IDA 499 GH). This debt is for a period of 20 years with semi-annual repayment. Interest rate is at 7.5% p.a.

ADB ICS GH/PU/74/002 SL

This loan facility representing USD 2,437,013.00 secured from Africa Development Bank. Interest Rate is at 6%.

ADB ICS GH/PU/74/002

This loan facility representing USD 4,019,687.00 was procured for Civil Engineering Works for the new 20m gd capacity water treatment plant at Weija secured from Africa Development Bank. This debt is for a period of 20 years. Interest Rate is at 6%.

ITALIAN GOVERNMENT

This loan facility with effective date of June 1985 was procured for Kpong, Tema and Accra Water Pipeline Project representing USD 4,900,000.00 secured from the Italian Government. This debt is for a period of 20 years with a 5-year grace period. Servicing charge for the loan is 1.5% .

CFD 52/241/02

This loan facility with effective date of 21/12/1993 was procured for ATMA Customer Management Project representing FRF 6,000,000.00 or 914,694,000.00 Euros secured from CFD. This debt is for a period of 20 years with a 5-year grace period. Interest Rate is at 2.75 p.a (semi-annually).

OECD NO GH 7

This loan facility with effective date of March 2004 was procured under the Water Sector Rehabilitation Project (WSRP) for workshop tool, communication equipment, vehicles and headworks representing 5,444,000.00 Chinese Yen secured from OECD. This debt is for a period of 20 years. Interest Rate is at 2.6 p.a (semi-annually).

AUSTRIAN GOVERNMENT

This loan facility with effective date of 16/05/1990 was procured to improve Water Sector Rehabilitation Project (WSRP) at Western and Central regions representing ATS 260,000,000.00 or 18,895,074.00 Euros secured from the Austrian Government. This debt is for a period of 20 years with a 10-year grace period. Interest Rate is at 2.5% p.a.

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NORDIC COMPANY NO. 106

This loan facility was signed on 10th September 1995 with effect from 2006. It was procured under the Water Sector Rehabilitation Project (WSRP) for Teshie-Nungua Main Extension representing SDR 5,000,000.00 secured from the Government of Finland. This debt is for a period of 20 years semi-annually with a 10-year grace period. Interest rate for 1995-2005 was 1% and 2006-2035 is 2%.

ADF/GHA WSR

This loan facility with effective date of 26th June 1989 was procured to improve Weija and Kpong Plant/Staff training/Supply of equipment and plant representing FUA 7,000,000.00 Approximately 5,994,410.00 Euros secured from ADF-F/GHA/WSR/88/9. This debt is for a period of 40 years with a 10-year grace period. Servicing charge for the loan is 0.75%.

NOTE: The above mentioned loans are legacy loans which have been standing in the books for many years and the company is in discussion with Ministry of Finance to agree on how these legacy loans should be treated.

ING BANK LOAN

This loan facility was signed on 19th September 2010. It was procured for the execution of the Cape Coast Water Supply System representing 20,000,000.00 EURO secured from the Netherlands Ministry for International Trade and Development Cooperation. This debt is for a period of 12 years including a grace period of 3 years.

KPONG WATER SUPPLY EXPANSION PROJECT

This loan facility was signed on 20th September 2010. It was procured for the Kpong Water Supply Expansion Project representing USD276,250,000 secured from the Exim Bank of China. This debt is for a period of 16 years with 1-year grace period. Interest Rate is at 2% p.a.

WA WATER SUPPLY EXPANSION PROJECT

This loan facility is an on lending agreement made between the Republic of Ghana represented by the Minister of Finance and Ghana Water Company Ltd. dated 28th August 2015. The loan agreement was signed on 25th June 2012 between GOG and MOF and the Export Import Bank of Korea representing US\$55,500,000 to be used exclusively for the "Implementation of Wa Water Supply System Development Project in Ghana".

AKIM ODA, AKWATIA AND WINNEBA WATER SUPPLY PROJECT

This loan facility is an on lending agreement made between the Republic of Ghana represented by the Minister of Finance and Ghana Water Company Ltd. dated 28th August 2015. The Loan Agreement was signed on 28th September 2012 between GOG and MOF and the Export Credit Bank of Turkey representing US\$135,964,703.17 to be used exclusively to for the "Implementation of Akim Oda, Akwatia and Winneba Water Supply Project".

GWCL STAFF PROVIDENT COMPANY-MEDIUM TERM LOAN

This loan facility with effective date of 30/04/2013 was procured for the Aboadze Thermal Plant representing GHC5,000,000.00 with an accrued interest of GHC4,914,856.87 and GHC7,500,00.00 procured for Staff One Month Salary Advance with an interest of GHC 584,693.13 secured from GWCL Staff Provident Company.

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SOCIETE GENERALE

This loan facility of GHC 55,350,000.00 to be paid in 36 months was procured to settle accrued debt in respect of the Teshie Desalination Plant to Messrs Befesa Desalination Ghana. Interest rate is at 21% p.a.

19 EMPLOYEE BENEFIT OBLIGATIONS

The Company pays its employees a long service benefit. The benefit is paid when employees reach predetermined milestones. The method of accounting and frequency of valuation are similar to that used for defined benefit schemes. Actuarial valuation to determine the liability is performed by-annually. The actuarial valuation was carried out for the year ended 2018 and will be carried out again in 2020.

The movements in the defined benefit obligation over the year is as follows:

	2019	2018
Opening balance	20,163,823	16,048,606
Undercharge for 2017	-	2,696,918
Charge for the year - 2018	-	1,418,299
Current charge	-	-
Closing balance	<u>20,163,823</u>	<u>20,163,823</u>

20 TRADE AND OTHER ACCOUNTS PAYABLE

	2019	2018
Trade payable	629,857,928	884,946,956
Other accounts payable	<u>2,766,190</u>	<u>161,722,784</u>
	<u>632,624,118</u>	<u>1,046,669,740</u>

21 FAIR VALUE OF FINANCIAL ASSETS NOT CARRIED AT FAIR VALUE

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements (i.e. held to maturity and loans and receivables).

Assets for which fair value approximate carrying values

For financial assets that have a short-term maturity (less than three months), cash and bank balances, and other assets, the carrying amounts approximate to their fair values.

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The fair values of fixed rate financial assets carried at amortised cost are estimated by comparing market interest rates when they were initially recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity.

Financial instruments not measured at fair value

The Directors consider the carrying amounts of the financial assets and liabilities below to approximate their fair values because the duration of the financial assets/liabilities are less than one year.

Financial assets	Carrying amount 2019	Carrying amount 2018	Fair value 2019	Fair value 2018
Bank and cash balances	20,707,050	56,597,929	20,707,050	56,597,929
Financial investments	1,220,140	1,066,721	1,220,140	1,066,721
Loans and advances to employees	26,338,410	9,684,760	26,338,410	9,684,760
Other assets (excluding prepayments)	506,083,007	905,389,800	506,083,007	905,389,800

Loans and advances to employees are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine the fair value. The carrying amount approximates their fair values.

Fair value of financial investments is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yielding characteristics.

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 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, The Ghana Stock Exchange).
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of Bank of Ghana's securities and other derivative contracts.

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• Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. As of 31 December 2013, the Company did not hold any level 3 financial assets and/or liabilities. This hierarchy requires the use of observable market data when available. The Company considers relevant observable market prices in its valuation where possible.

22 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICY

The Company's activities expose it to a variety of financial risks, including credit risk and the effects of changes in equity market prices. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the Finance and Audit committee of the Company. The committee identifies, evaluates but does not hedge its financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as credit risk and investing excess liquidity.

Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will default in payments when due. The product (water) which is a social commodity is sold on credit.

GWCL is exposed to credit risk when customers/consumers default on contractual obligations which could cause financial loss to the Company. To mitigate credit risk, customers are given a three (3) month credit period after which defaulters' water systems are disconnected until outstanding bills are paid in full. The Company has the right to off-set where the customer is also a supplier of the Company, as is with Electricity Corporation of Ghana (ECG) and Volta River Authority (VRA). Payments points, which operate also during weekends, are located in every vicinity. To increase payments points, GWCL also outsources to private companies. Internal audit makes regular reviews to assess the degree of compliance with the Company procedures on credit.

Price Risk

GWCL's price is approved by Public Utility Regulatory Commission (PURC). Approval is based on social and economic factors pertinent at the time. As proposed tariffs are usually reduced by PURC, the Company is in constant dialogue with them to approve an economic tariff that significantly covers operating and other costs of the Company which will ultimately improve the bottom-line.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. This implies that management must maintain sufficient cash and marketable securities and also ensures the availability of funding through an adequate amount of committed credit facilities.

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The management of the Company monitors the planned cash inflow and outflow. An important factor in the Company's liquidity risk management is an access to a wide range of funding through the sale of water to its customers and consumers and interest earned on short term investment. Management aims at maintaining flexibility in financing sources by having undrawn committed facilities available.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk;

- Liquidity risks are monitored and reviewed by management. Exposures identified are reported to the Board of Directors for action.
- Maintaining undrawn committed facilities and accessed when the need arises.

Current ratio	2019	2018
	<u>0.52</u>	<u>0.89</u>

The Company currently has a current ratio under 1 implying it would not be able to pay off its obligations if they become due.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The Company's market risk policy sets out the assessment and determination of what constitutes market risk for the Company's. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company imports raw materials i.e. water treatment chemicals, pumps, motors etc. and as such would have to pay for them in foreign currency. Hence there is a significant exposure to foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

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The Company's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The Company does not currently have any policy in place to manage gap between fixed and variable rate instruments and their maturities. All financial instruments currently bear a variable interest rate.

Operational risks

Operational risk is the risk of loss arising from system failure, power outages, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process. The presence of an internal audit function also ensures that controls are in place and processes and procedures work effectively and efficiently to address these risks.

Capital management

The Company manages its capital to ensure that it is able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of debts (long term loan) and equity of the Company (comprising stated capital and retained earnings).

The Company has a target gearing ratio of 30%; determined as the proportion of debt to equity. The gearing ratio as of 31 December 2019 was 68% and December 2018: 10%.

23 CONTINGENCIES AND COMMITMENTS

(a) Legal proceedings and regulations

There are no contingencies associated with the Company's compliance or lack of compliance with regulations.

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(b) Capital commitments

At the reporting date, the Company had the following capital commitments:

Project Name	Description	Capital Commitment (Estimated cost to completion)
Kumawu, Konongo, Kwahu Ridge Water Supply	Construction of 7.4MGD water into the Konongo and Kumawu water supply system plus the rehabilitation of the Kwahu Ridge water supply system	\$6,300,000
Cape Coast Water Supply GNWP	The interconnection of Brimsu and Sekyere Heman Water supply systems to improve water supply in Cape Coast	\$400,000
Greater Accra Metropolitan Area (GAMA) Sanitation and Water Project	Pipeline improvement works to increase access to improved water supply in GAMA with emphasis on low income communities	\$2,700,000
Sogakope-Lome Transboundary Water Project	Updating of feasibility study and ESIA and the preparation of tender documents for the project	€157,743.07

24 RELATED PARTY TRANSACTIONS

This relates to intercompany dealings and transactions with key management personnel. Details of transactions with related parties are detailed below:

The following balances were outstanding at the end of the period:

i. Amount owed to related parties

	2019	2018
Long service awards	<u>20,163,823</u>	<u>20,163,823</u>

The Government of Ghana made payments from the Energy Sector Levy Accounts (ESLA) on behalf of GWCL to settle MDA's indebtedness. GWCL benefited to the tune of GHS290,351,811.85 which was offset against GWCL's indebtedness with ECG. The amounts outstanding are unsecured and will be set-off at a later date. No expense has been recognised in the current or prior years for bad or doubtful debts in respect of the amounts owed by the related parties.

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ii. Transactions with directors and key management personnel

Directors and key management personnel refer to those personnel with authority and responsibility for planning, directing and controlling the business activities of the Company. These personnel are the Directors of the Company.

The remuneration of Directors during the year was as follows:

	2019	2018
Short-term benefits	2,178,741	1,809,516
Post -employment benefits	<u>-</u>	<u>-</u>
	<u>2,178,741</u>	<u>1,809,516</u>

The remuneration of Directors is determined by the board of directors.

iii. Transactions with board of directors

Total board allowances including monthly allowances	<u>782,908</u>	<u>255,202</u>
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25 EVENTS AFTER THE REPORTING PERIOD

The Directors confirm that no event has occurred between the year end and date of signing this report that requires disclosure or could materially affect the financial statements.

26 PRIOR YEAR ADJUSTMENTS

The additions to the retained earnings was as a result of the following:

- I) Outstanding payable balance in account without supporting schedule
- II) Correction of errors on previous years' accounts
- III) Electricity expense in respect of Befesa Desalination Plant from 2015 to 2018 was identified and incorporated.