

INDEPENDENT AUDITOR'S REPORT

To the Members of Total Petroleum Ghana Limited

Report on the Audit of the Consolidated and Separate Financial Statements

We have audited the consolidated and separate financial statements of Total Petroleum Ghana Limited ("the Group"), which comprise the statements of financial position at 31 December 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 17 to 56.

In our opinion, these financial statements give a true and fair view of the consolidated and separate financial position of Total Petroleum Ghana Limited at 31 December 2016, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Trade and other receivables GH¢166 million

Refer to Note 17 to the consolidated and separate financial statements

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
The Group has significant trade receivables with customers in the energy and natural resources industry and other dealer-owned-dealer-operated customers. The recoverability of outstanding amounts from some customers may be in doubt.	<p>Our principal audit procedures included the following:</p> <ul style="list-style-type: none"> • Tested the design and operating effectiveness of the key controls over financial reporting related to the receivables collection processes • Tested receipt of cash after the year end by reviewing the bank statements and customer accounts • Tested the adequacy of the Group's provisions against trade receivables by assessing the management's assumptions, taking account of externally available data on trade credit exposures and our own knowledge of recent bad debt experience in this industry • Reviewed the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provision • We assessed the reasonableness of impairment allowance on doubtful debt including a review of consistency of model used and accuracy of inputs. • We also assessed the adequacy of the Group's disclosures of its receivables policy and other related disclosures

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Members of Total Petroleum Ghana Limited

Revenue GH¢1,662 million

Refer to Note 6 to the consolidated and separate financial statements

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
The Group has multiple streams of revenue from sale of petroleum products. These products are sold to customers based on negotiated prices. Thus, same products are sold to different customers at different prices. Revenue is recognised for each transaction based on the negotiated price which may not be appropriately applied.	<p>Our principal audit procedures included the following:</p> <ul style="list-style-type: none"> • Tested the Group's controls over revenue recognition and key manual and systems-based controls in recording sales, including reconciliations between financial information in accounting system and the general ledger • Evaluated revenue at significant component, which included analysis of interest and other income month on month, corroborating movements compared with expectations and inspection of contracts with customers • Searched for fictitious customers by assessing the reliability and integrity of customer master data • We also assessed the adequacy of the Group's disclosures of its revenue recognition policy and other related disclosures • Assessed whether sales transactions either side of the balance sheet date as well as credit notes issued after year end are recognised in the correct period • Searched for fictitious sales by using KPMG Automated Audit Procedures to match sales invoices to related orders and dispatch notes at the transaction level and investigated unmatched transactions • Assessed whether appropriate revenue recognition policies are applied through comparison with accounting standards

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report which include the Chairman's Statement and the Directors' Report as required by the Companies Act, 1963 (Act 179) but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 consolidated and separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation of consolidated and separate 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, 1963 (Act 179), 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 consolidated and separate financial statements, the Directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Members of Total Petroleum Ghana Limited

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Group'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 consolidated and separate 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

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

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 133 of the Companies Act, 1963 (Act 179)

We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purpose of our audit.

In our opinion, proper books of account have been kept, and the consolidated and separate statements of financial position and profit or loss and other comprehensive income are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is **Anthony K. Sarpong (ICAG/P/1369)**.



For and on behalf of: **KPMG: (ICAG/F/2017/038)**

CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELINKPE
P. O. BOX GP 242
ACCRA

28 March 2017

STATEMENTS OF FINANCIAL POSITION

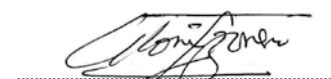
AT 31 DECEMBER 2016

	Note	Group 2016 GH¢'000	Group 2015 GH¢'000	Company 2016 GH¢'000	Company 2015 GH¢'000
Assets					
Property, plant and equipment	12	260,113	202,007	189,892	131,653
Intangible assets and goodwill	13	13,364	13,423	13,254	13,423
Investment in associates	(15.a)	2,115	1,711	12	12
Leasehold prepayment	14	212	259	212	259
Deferred tax asset	11	82	1,670	82	1,670
Long term leases	26	28,648	25,098	28,648	25,098
Investment in subsidiary	(15.b)	-	-	6,274	6,274
Total non-current assets		304,534	244,168	238,374	178,389
Inventories	16	69,588	84,683	69,236	84,683
Current tax asset	10(ii)	9,462	6,006	9,462	6,006
Trade and other receivables	17	165,549	158,911	162,868	158,555
Amounts due from related companies	25	2,356	14	7,853	1,634
Cash and cash equivalents	18	12,436	6,922	11,739	5,387
Total current assets		259,391	256,536	261,158	256,265
Total assets		563,925	500,704	499,532	434,654
Equity					
Stated capital	19	51,222	51,222	51,222	51,222
Retained earnings		98,116	90,807	103,017	87,708
Non-controlling interest		(596)	6,279	-	-
Total equity		148,742	148,308	154,239	138,930
Liabilities					
Bank overdraft	18	44,880	57,238	44,880	57,238
Loans and borrowings	22	3,558	4,246	-	-
Trade and other payables	21	265,508	202,607	259,297	202,325
Amount due to related companies	25	40,343	30,062	36,863	29,353
Total current liabilities		354,289	294,153	341,040	288,916
Loans and borrowings	22	56,641	51,435	-	-
Provisions	23	4,253	6,808	4,253	6,808
Total non-current liabilities		60,894	58,243	4,253	6,808
Total liabilities		415,183	352,396	345,293	295,724
Total liabilities and equity		563,925	500,704	499,532	434,654

These financial statements were approved by the Board of Directors on 28 March 2017 and signed on their behalf by:



.....
DIRECTOR



.....
DIRECTOR

The notes on page 21 to 56 form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 GH¢'000	Group 2015 GH¢'000	Company 2016 GH¢'000	Company 2015 GH¢'000
Revenue	6	1,661,615	1,793,752	1,652,250	1,793,752
Cost of sales	8	(1,499,083)	(1,635,731)	(1,491,717)	(1,635,731)
Gross profit		162,532	158,021	160,533	158,021
Other income	7	12,111	14,057	12,111	13,451
General, administrative and selling expense	8	(114,108)	(103,397)	(107,544)	(101,861)
Operating profit before financing costs/ income		60,535	68,681	65,100	69,611
Finance income	32	114	386	114	386
Finance costs	32	(23,770)	(10,407)	(13,056)	(10,407)
Share of profit from associate, net of tax		404	1,699	-	-
Profit before taxation	8	37,283	60,359	52,158	59,590
Income tax expense	10(i)	(13,881)	(13,641)	(13,881)	(14,378)
Profit for the year		23,402	46,718	38,277	45,212
Other comprehensive income		-	-	-	-
Total comprehensive income		23,402	46,718	38,277	45,212
Profit/total comprehensive income attributed to:					
Owners of the Company		30,277	46,805	-	-
Non-controlling interest		(6,875)	(87)	-	-
Basic earnings per share (Ghana cedi per share)	20	0.2706	0.4184	0.3421	0.4041
Diluted earnings per share (Ghana cedi per share)	20	0.2706	0.4184	0.3421	0.4041

The notes on page 21 to 56 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

Group	Stated Capital GH¢'000	Retained Earnings GH¢'000	Non Controlling Interest GH¢'000	Total Equity GH¢'000
Balance at 1 January 2016	51,222	90,807	6,279	148,308
Total comprehensive income for the year	-	-	-	-
Profit for the year	-	30,277	(6,875)	23,402
Total comprehensive income for the year	-	30,277	(6,875)	23,402
Transaction with equity holders				
Dividend paid	-	(22,968)	-	(22,968)
Total transactions with equity holders	-	(22,968)	-	(22,968)
Balance at 31 December 2016	51,222	98,116	(596)	148,742
Balance at 1 January 2015	51,222	65,101	6,366	122,689
Total comprehensive income for the year				
Profit for the year	-	46,805	(87)	46,718
Total comprehensive income for the year		46,805	(87)	46,718
Transaction with equity holders				
Dividend paid	-	(21,099)	-	(21,099)
Total transactions with equity holders	-	(21,099)	-	(21,099)
Balance at 31 December 2015	51,222	90,807	6,279	148,308

Company	Stated Capital GH¢'000	Retained Earnings GH¢'000	Total Equity GH¢'000
Balance at 1 January 2016	51,222	87,708	138,930
Total comprehensive income for the year			
Profit for the year	-	38,277	38,277
Total comprehensive income for the year	-	38,277	38,277
Transaction with equity holders			
Dividend paid	-	(22,968)	(22,968)
Total transactions with equity holders	-	(22,968)	(22,968)
Balance at 31 December 2016	51,222	103,017	154,239
Balance at 1 January 2015	51,222	63,595	114,817
Total comprehensive income for the year			
Profit for the year	-	45,212	45,212
Total comprehensive income for the year	-	45,212	45,212
Transaction with equity holders			
Dividend paid	-	(21,099)	(21,099)
Total transactions with equity holders	-	(21,099)	(21,099)
Balance at 31 December 2015	51,222	87,708	138,930

The notes on page 21 to 56 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Group 2016 GH¢'000	Group 2015 GH¢'000	Company 2016 GH¢'000	Company 2015 GH¢'000
Cash flows from operating activities				
Profit after taxation	23,402	46,718	38,277	45,212
Adjustments for:				
Foreign exchange loss/(gains)	3,035	(941)	3,035	(941)
Depreciation charges	21,419	12,753	15,358	12,744
Amortisation of leasehold prepayment	47	53	47	53
Amortisation of intangible assets	197	163	169	163
Amortisation of long term lease	2,175	1,644	2,175	1,644
Interest income	(114)	(386)	(114)	(386)
Provision	(2,555)	788	(2,555)	788
Interest expense	23,770	10,407	13,056	10,407
Tax expense	13,881	13,641	13,881	14,378
Profit on disposal of plant and equipment	(1,467)	(201)	(1,467)	(201)
Share of profit from associate	(404)	(1,699)	-	-
	83,386	82,940	81,862	83,861
Change in inventories	15,095	(15,760)	15,447	(15,760)
Change in trade and other receivables	(4,424)	4,348	(2,099)	4,630
Change in trade and other payables	59,268	593	53,339	1,410
Change in related party balances	5,455	9,927	(1,193)	7,598
Cash generated from operations	158,780	82,048	147,356	81,739
Interest received	114	386	114	386
Interest paid	(23,770)	(10,407)	(13,056)	(10,407)
Income taxes paid	(15,749)	(17,270)	(15,749)	(17,270)
Net cash flow from operating activities	119,375	54,757	118,665	54,448
Cash flows from investing activities				
Purchase of property, plant and equipment	(84,286)	(83,759)	(78,358)	(39,756)
Purchase of software	(138)	(72)	-	(72)
Proceeds from sale of plant and equipment	6,228	5,666	6,228	5,666
Principal payment for leases contracted	(5,725)	(15,978)	(5,725)	(15,978)
Net cash flow used in investing activities	(83,921)	(94,143)	(77,855)	(50,140)
Cash flows used in financing activities				
Dividend paid	(22,968)	(21,099)	(22,968)	(21,099)
Proceeds from new loans	4,518	41,905	-	-
Net cash flow used in financing activities	(18,450)	20,806	(22,968)	(21,099)
Net increase/(decrease) in cash and cash equivalents	17,004	(18,580)	17,842	(16,791)
Analysis of changes in cash and cash equivalents during the year				
Balance at 1 January (Note 18)	(50,316)	(33,110)	(51,851)	(36,434)
Net increase/(decrease) in cash and cash equivalents	17,004	(18,580)	17,842	(16,791)
Effect of foreign exchange fluctuation on cash held	868	1,374	868	1,374
Balance at 31 December	(32,444)	(50,316)	(33,141)	(51,851)
Analysis of balances of cash and cash equivalents as shown in the balance sheet				
Cash and bank balances (Note 18)	(32,444)	(50,316)	(33,141)	(51,851)

The notes on page 21 to 56 form an integral part of these financial statements.