



Gambia National Petroleum Corporation (GNPC)



Annual Report | Financial Statements | Management letter

2019

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This report details the operational highlights and financial performance of GNPC in 2019.

2. VISION, MISSION STATEMENTS

VISION

To be a World Class Oil Corporation with high regard for the Environment and a culture of Corporate Social Responsibility.

MISSION

To be the market leader in the petroleum industry in The Gambia delivering quality services in an efficient, reliable and professional manner to our esteemed customers in a friendly and safe environment with highly competent and dedicated staff.

CORE VALUES

a. Highly Trained and Skilled Staff

GNPC has highly trained and skilled technical staff with a wealth of experience and always ready to carry out their functions in an effective and efficient manner to ensure customer satisfaction.

b. Flexibility

Employees exercise great flexibility in the execution of their duties and are responsive to customer demands. They are always ready and willing to satisfy customers' needs.

3. STAFF COMPLEMENT

3.1 Staff Count

Currently, GNPC has a total of two hundred and eighty-seven (287) staff active on the payroll.

3.2 Departmental Count

There are thirteen (13) departments in the Corporation namely: Upstream; Downstream; Administration and Human Resource; Finance; Audit; Legal Affairs; Strategic Planning, Research and Business Development; Operations; Procurement; Health Safety Security and Environment; Marketing; Corporate and Bulk Supply and Information Communication and Technology.

3.3 Internal Medical Scheme

The Internal Medical policy was formulated following a management directive and the creation of a committee. Since its inception, GNPC has relied on private insurance firms for its medical scheme and the well-being of its staff. This has proven to be cumbersome and in some cases inconvenient as some medical centers/institutions fail to recognize some of the insurance companies and their related schemes. This has led to continuous change of insurance company partners over the years. Management therefore deemed it necessary to come up with an In-House Medical Scheme to alleviate the concerns of staff with regards to health service provision.

The policy was formulated in comparison with other existing policies in various institutions and covers all aspects of medical, health and emergencies covered in

4 BUSINESS ENVIRONMENT

4.1 Upstream

Following the signing of the BP A1 License, different conditions were to be met to make the License effective within 90 days. Key amongst these was the transfer of government's ten percent (10%) Participating Interest to GNPC (carried) and the subsequent signing of the Joint Operating Agreement between GNPC and BP.

Upon completion of the review of BP's draft JOA and its Accounting Procedures by sub-committees composed of SMT members which was constituted by the office of the Managing Director, the JOA was signed in July 2019 by BP and GNPC.

The Participating interest held by GNPC to which the government carry obligation applies shall not exceed ten percent (10%) during the exploration period. Upon commercial discovery and the approval of the Development Plan, the Government can acquire an additional 5% Participating Interest during the development and production period.

The Corporation, MOPE and the Commission of Petroleum participated in a meeting on the 4th September 2019 to review the amended 2019 A2 and A5 work program and budget from the JV partners FAR & PETRONAS. The purpose of the work program and budget revision was to affirm that the submission was in line with the JV's license obligations.

Following the signature of the revised A2 and A5 licenses, a technical update meeting was organized by JV partners, FAR and Petronas, on the 2nd October 2019. The agenda of the meeting was to discuss the JV's plan for new 3D seismic survey on

4.2 Downstream

GNPC is committed to quality service delivery and aims to ensure that it provides services countrywide irrespective of the low economic activities or gains. With this strategic intent, the Corporation continues to enhance its downstream sector by developing an expansion strategy which aims at building at least two service stations annually at strategic locations.

4.2.1 *Competitors and Market Share*

The Gambia currently has five (5) main Oil Marketing Companies (OMCs) and numerous smaller ones, making the fuel retail market quite competitive. The Corporation's major competitors are Atlas, Petrogas, Jah Oil and Castle and its market share on average for 2019 was 10%.

4.2.2 *Network Expansion of Service Stations*

The contract for the construction of a new Service Station at Brusubi Project has been awarded to the most responsive bidder (Pinnacle) after due procurement process and construction started in mid-October 2019.

6 HEALTH, SAFETY, SECURITY & ENVIRONMENT

6.1 Emergency Drill Conducted at Petroleum House

Emergency drills play a very important role in workplace safety and health. In August 2019, emergency drill was conducted. During the drill, toolbox talk was organized for staff of GNPC and tenants of Petroleum House to be aware of emergency procedures and the location of an assembly point or safe haven.

The purpose of this exercise is to ensure that GNPC staff are aware of the emergency procedures in case of fire outbreak or other emergencies and adhere to the safety guidelines in order to avert injuries.



Training on the Prevention and mitigation of fire incidents with Gambia Fire and Rescue Services

6.2 Environmental Audit Report for all the Nine Service Stations

Environmental Audit of GNPC Service Stations has been prepared to meet the requirements of National Environment Agency (NEA) for the renewal of environmental approval of each station.



GNPC delegation with Office National des Produits Pétroliers (ONAP)'s Senior Management (Mali)

9 MEMORANDUMS OF UNDERSTANDING

Considering the fact that GNPC is relatively new in the Petroleum industry with little knowledge in the upstream activities, the Corporation decided to form strategic partnerships with other National Oil Companies (NOCs) in order to build capacity and acquire technical competences for migration of best practices. In this light, letters of intent were sent to the following institutions; PETRONAS, Qatar Petroleum, Saudi Aramco and Kuwait Oil Company to establish a partnership with them.

10 RECOVERY EFFORTS

The following processes below were adopted by the Corporation to avoid the risk of irrecoverable debts;

11 CHALLENGES AND WAY FORWARD

11.1 Gambia Public Procurement Authority (GPPA) procurement processes

As an SOE, GNPC is subjected to GPPA regulations even when procuring Light Fuel Oil (LFO) which is a trading product. Our competitors such as Atlas, Jah Oil and Petrogas are not subjected to GPPA regulation and could finalize LFO procurement contracts within days whilst it takes GNPC about three (3) months to conclude any procurement deal. This creates an unlevelled playing field and makes GNPC uncompetitive and difficult to win corporate tenders and customers.

11.3 Liabilities to Our LFO Suppliers/Service Providers

On NAWEC's HFO supplies, Management continues to honor the D5million per week transfer from NAWEC's weekly payment to service the EAGL/GNPC HFO outstanding balance. However, NAWEC stopped paying their weekly payments of D3 million following a change in their Management. The last payment received from them was in August 2019. This is alarming given that their debt alone accounts for more than 75% of the Corporation's total debt. Letters were sent and meetings held between the Senior Management of NAWEC and GNPC to resolve this issue.



Gambia National Petroleum Corporation (GNPC)

Annual Report and Financial Statements
for year ended 31 December 2019



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Arab Gambian Islamic Bank
5 Liberation Ave, Banjul

MegaBank
Kairaba Avenue, Fajara M Section

Auditors

DT Associates
Audit, Tax, Advisory
1 Paradise Beach Place
Bertil Harding Highway, KSMD
Banjul, The Gambia

Solicitor

Solie Law Chambers
2nd Street East
Fajara M Section
Kanifing Municipality
P.O Box 1983

Registered Office

Petroleum House, Brusubi Roundabout
West Coast Region, The Gambia



Directors' report (continued)

Auditors

The National Audit Office is mandated to appoint the Corporation's auditors.

By Order of the Board of Directors


Company Secretary

Date 24th February 2021



Independent Auditor's Report (continued)

Emphasis of Matter – funds from data sales and block rental licenses

We draw attention to Note 13 of the financial statements relating to Cash and Bank which included D236 million relating to monies received from data sales and rental licenses. As stated in Note 13a, the Corporation receives funds from data marketing companies as data sales (investment funds) on behalf of the Government of The Gambia and training and resources received from International Oil companies levied on the block license agreements to facilitate the technical capacity building and resources needed for the industry. These monies are under the custody of the Gambia National Petroleum Corporation; however, the usage is primarily dictated by the Ministry of Petroleum & Energy. These funds are also offset by corresponding obligations recorded in Note 17. According to Management, the Ministry of Petroleum & Energy dictates the primary use of this account. Furthermore, Management could not determine and account for the Corporation's share of the income from data sales and rental licenses as this was not established by the Government of The Gambia. Our Opinion is not qualified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Gambia National Petroleum Corporation Act 2014. The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with Generally Accepted Accounting Principles and the requirements of the Gambia National Petroleum Corporation Act 2014, 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 Corporation'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 Corporation or to cease operations, or have no realistic alternative but to do so.



Independent Auditor's Report (continued)

DT Associates

DT Associates

Chartered Accountants

Registered Auditors

Aji Penda Sankareh

Partner

Dated *24th February* 2021



Income Statement

for the year ended 31 December 2019

	Notes	31-Dec-19 D.000	31-Dec-18 D.000
Revenue	1.2, 2	956,599	892,055
Cost of sales	5	(812,448)	(802,367)
Gross profit		144,151	89,688
Other income			
Other Operating Income	3	16,275	12,928
Exchange gain or / (loss)	4	1,759	(1,811)
Operating profit		162,185	100,805
Administrative costs		(53,998)	(427,241)
Staff Cost	10	(57,813)	(45,222)
Finance cost	9	(1,898)	(3,557)
Depreciation Charge	1.3,11	(26,981)	(25,634)
Total expenses		(140,690)	(501,654)
Operating profit before tax		21,495	(400,849)
Taxation	1.5,7	(9,878)	(9,050)
Profit/(Loss)for the year		11,617	(409,899)

The notes form an integral part of these financial statements



Statement of Cash flow

for the year ended 31 December 2019

	Notes	31-Dec-19 D.000	31-Dec-18 D.000
Cash flows from operating activities			
Operating loss before Tax		21,495	(400,849)
Depreciation charges	11	26,981	25,634
Changes in trade and other receivables		(87,645)	388,935
Changes in inventory		(24,754)	16,175
Changes in Payables		25,468	421,061
Prior year adjustment	19.a	(19,533)	(66,228)
Dividend received	4.a	(10,500)	(10,267)
Cash generated from operations		(68,488)	374,461
Corporation tax paid	7	(15,067)	(3,103)
Net cash used by / generated from operations		(83,555)	371,358
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(20,000)	(30,173)
Dividend received		10,500	10,267
Net cash flows from investing activities		(9,500)	(19,906)
Increase in cash and cash equivalents		(93,055)	351,452
Cash and cash equivalents at the beginning of the period		564,738	213,286
Cash and cash equivalents at the end of the period	13	471,683	564,738

The notes form an integral part of these financial statements.



1.5 Taxation

Taxation is provided at 1% of turnover or 27% of taxable profits whichever is greater in accordance with the income tax laws of The Gambia.

1.6 Equity investment

Equity investments are valued at their nominal values as these investments are not publicly traded and there is no other reasonable basis to estimate their fair value. Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

1.7 Other financial assets

Other financial assets are recorded at market value which is the cost plus any interest accrued for the period.

2 Revenue

Revenue comprises:

		31-Dec-19	31-Dec-18
		D.000	D.000
Petrol		252,482	229,073
Diesel		729,033	678,826
Oil and Lubricants		112	1,016
Spare Parts		380	159
Trade discount	2.b	(25,408)	(17,019)
		956,599	892,055

2.b This relates to duty free approved by the Ministry of Finance and Economics Affairs for customers e.g NGOs and other essential projects. And also discount granted by management to ensure acquisition and retention of customers as we participate in a competitive industry.

3 Other operating income

		31-Dec-19	31-Dec-18
		D.000	D.000
Other income	3a	3,066	728
Sale of tender documents		219	423
Dividend income	3b	10,500	10,267
Rental Income		1,602	1,230
Station Rental		888	209
Other Interest income		-	71
		16,275	12,928



The tax liability included on the balance sheet comprises of:

	31-Dec-19 D.000	31-Dec-18 D.000
Balance at beginning of the year	102,760	96,813
<i>Less:</i>		
amounts paid during the year	(15,067)	(3,103)
<i>Add:</i>		
tax charge in the income statement	9,878	9,050
Balance at the end of the year	97,571	102,760

8 Employees

The total number of persons (including executive directors) employed by the corporation during the year were as follows:

	31-Dec-19	31-Dec-18
Directors	3	3
General staff	284	269
	287	272

9 Finance cost

	31-Dec-19 D.000	31-Dec-18 D.000
Bank charges	1,898	3,557
	1,898	3,557

10 Staff Cost

The total remuneration of the staff employed by the corporation is as detailed below:

	31-Dec-19 D.000	31-Dec-18 D.000
Salaries and wages	20,412	17,906
Allowances	23,391	16,369
Federated Pension Scheme	5,602	4,349
Injury Compensation Fund	80	51
Other Staff Cost	193	-
Staff welfare	159	496
Local training	1,432	2,280
Overseas training	479	1,235
Staff medical cost	6,065	2,536
	57,813	45,222



13 Cash and Bank

		31-Dec-19	31-Dec-18
		D.000	D.000
Cash in Hand		222	35
Cash at Bank		234,996	244,699
Training and Resource fund	13a	4,656	20,907
GNPC/MOPE Investment fund	13a	231,809	299,097
		471,683	564,738

13.a These balances are recognised in a corresponding liability to mirror the reserve cash balance as these funds are not primarily controlled by GNPC. The related cash balances are disclosed in note 17.a.

The upstream funds are classified under two accounts; Training and Resources and Investment Funds.

- Training and Resources are funds received from the International Oil Companies as part of the block license agreements to facilitate the technical capacity building and resources needed across the industry e.g; Ministry of Petroleum and Energy, Ministry of Justice, Gambia Revenue Authority, National Audit Office, Gambia Investment & Export Promotion Agency, Gambia National Petroleum Corporation, Ministry of Finance and Gambia Maritime Administration etc. Below is the summary of T & R inflows and outflows for the year under review;

	31-Dec-19
	D.000
Opening balance	20,907
Inflows	72,858
Expenses	
Training of Industry Players	(28,714)
Court Case with African Petroleum	(28,310)
License Negotiations & Others	(21,494)
International Conferences	(10,591)
Closing balance	4,656

- The Investment funds are received from data marketing companies and International Oil Companies as data sales and block license fees respectively. The expenditures from these funds are primarily on capital expenses and African Petroleum Arbitration. Below is the summary of inflows and expenditures;



14.2 Staff Loans

	31-Dec-19 D.000	31-Dec-18 D.000
Land and Building	8,682	9,352
Vehicle/M cycle	11,295	5,414
Personal	474	426
Miscellaneous	866	1,071
1 x 6 advance	311	242
Staff shortages	21	476
Salary advance	15	14
Emergency loan	1,566	497
	23,230	17,492

14.3 Other Receivables

		31-Dec-19 D.000	31-Dec-18 D.000
President's Office & GOG	14.3a	57,873	57,873
Others	14.3b	2,378	2,378
Sales receipt	14.3c	-	(1,466)
Input VAT		10,207	6,994
Prepayment Car Loan Contri		2,392	-
Training & Resource	14.3d	68,480	12,522
Qatari Joint Venture	14.3e	29,085	29,085
Others		872	1,280
Provision on joint venture		(29,085)	(29,085)
Provision of President's office		(57,873)	(57,873)
		84,329	21,708

14.3a The tabulation below listed the amounts receivable from the Office of President and GOTG. These amounts have been fully provided for as the recovery is remote.

	31-Dec-19 D.000	31-Dec-18 D.000
Paid to M A Karafi and Sons in 2014	24,000	24,000
Cash withdrawal by Office of the President in 2013 and 2014	21,000	21,000
Loan to OP for prison refurbishment in 2012	10,000	10,000
University sponsorship sanctioned by OP	2,900	2,900
	57,900	57,900



Accrued expenses		512	765
Sales receipt	17.e	14,001	-
Training and Resource Fund	17.a	4,656	20,907
GNPC/MOPE Investment fund	17.a	231,809	299,097
		320,220	333,371

17.a These balances are recognised in a corresponding liability to mirror the reserve cash balance as these funds are not primarily control by GNPC. The related cash balances are disclosed in note 13.a, b.

17.b This relates to owed to upstream investment account amounting D48million and deferred income on rental properties etc of D1.7million.

17.c The Corporation provides coupons to customers to facilitate the receipt of fuel. At year end, there remains unretired coupons which should report as liability. However, management at its best judgement and historical understanding of the business estimates coupon in circulation.

17.d The grant is received from the investment fund to settle the capital investment expenditures.

17.e The sales receipt relates to unclassified payments and receipts realised during the bank reconciliations. This will be cleared once the correct classifications are obtained. See period year comparative in Note 14.c.

18 Share capital

	31-Dec-19	31-Dec-18
	D.000	D.000
Issued and fully paid	20,000	20,000

The Corporation was established by the Government of The Gambia under the GNPC Act 2014, a related party that owns 100% of the share capital. Prior to the legislative and Executive validation of GNPC Act 2014, the Corporation operated as a Company limited with shareholding owned 100% by the Government of The Gambia.

19 Statement of movement in reserves

		31-Dec-19	31-Dec-18
		D.000	D.000
Opening Balance		587,908	1,064,035
Profit/(Loss) for the year		11,617	(409,899)
Retained earnings reconciliation	19.a	(19,543)	(66,228)
At the end of the year		579,992	587,908

19.a This relates to estimated coupon in circulation amounting to D19.5million.



Ministry of Health & Social Welfare	733,563.50	Department of Parks & Wildlife	109,750.00
GBoS	580,238.41	GPA Ferries	58,691.61
Ministry of Youth and Sports	563,776.92	DLEAG	40,000.00
Total Amount			940,863,147



- a. This related to petrol and diesel inventories which are lost across all service stations.
- b. This related to obsolete inventories approved by the board to be written off. Additionally, the residue relates to cash balances transferred to CBG from Trust Bank based on request received from office of The President.

Description	Amount (GMD)
Being funds Transferred to CBG from TBL a/c main \$	443
Being funds transferred to CBG from TBL Seismic a/c	245,415
Being funds transferred to CBG	102,842
Being obsolete Inventory (Oil & Lubes, Spare parts)	5,162,615
Total	5,511,315

- c. This relates to provision of NAWEC amounting D349million (100% of non-performing debt) and D12million from Office of the President in 2018 against last year's provision of 50% and 100% from NAWEC and GOTG amounting to D408million and D97million respectively.