

Mechanical Lloyd PLC

2019

**Annual Report
& Financial Statements**





MECHANICAL LLOYD PLC

Annual Report and Financial Statements for the year ended 31 December 2019



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MISSION STATEMENT

The Corporate Mission of Mechanical Lloyd PLC is to establish itself as the leader in the Ghanaian Automotive Industry by:

- Providing good quality products and service, competitively priced, and delivered in the most courteous and professional manner.
- Securing for its shareholders the optimum return on their invested capital.
- Maintaining an environment where its human resource is provided with the opportunity to develop to its maximum potential.
- Contributing meaningfully to the welfare of the community in which it operates, and bringing a sense of responsibility to bear on its policies in order to promote what it believes to be in the public interest.



CORPORATE INFORMATION

Directors	Terence Ronald Darko Kalysta Darko O’Kell Andrew Lawson Kofi Asamoah Kwesi Amonoo-Neizer Joseph Hyde Jnr. Edward Kojo Annobil Yaw Assah-Sam	(Chairman) (Managing Director) (Resigned on 18 December, 2019) (Resigned on 6 June, 2019)
Secretary	Joseph Hyde Jnr.	
Solicitor	Gaisie Zwennes Hughes & Co Carlton House Anumansa Street Osu Re P. O. Box 3238 Accra	
Registered office	No. 2 Adjuma Crescent Ring Road West South Industrial Area P O Box 2086 Accra	
Independent auditor	PricewaterhouseCoopers Chartered Accountants PwC Tower A4, Rangoon Lane Cantonments City PMB CT42 Cantonments, Accra	
Registrars	Universal Merchant Bank Limited Registrar’s Department P. O. Box 401 Accra	



NOTICE OF THE TWENTY-EIGHTH ANNUAL GENERAL MEETING OF MECHANICAL LLOYD PLC

Notice is hereby given that the Twenty-Eighth Annual General Meeting of members of Mechanical Lloyd PLC has been convened by the Board of Directors of the Company to be held at the ACCRA INTERNATIONAL CONFERENCE CENTRE, Accra on Thursday, October 15, 2020 at 11.00 o'clock in the forenoon to transact business.

AGENDA

ORDINARY RESOLUTION

1. To receive and consider the Reports of the Directors and the Auditors and the Financial Statements of the Company for the year ended 31 December, 2019.
2. To re-elect the following Directors retiring by rotation.
 - i. Mr. Terence Ronald Darko
 - ii. Mr. Kofi Asamoah
3. To authorise the Directors to fix the remuneration of the Auditors.

SPECIAL BUSINESS

4. To authorise the Company to effect all changes in the Company's Regulations/Constitution to make it compliant with the new Companies Act 2019 (992).
5. To amend the Company's Regulations/Constitution to accommodate the holding of Board Meetings and Annual General Meetings by electronic or virtual means where the Directors deem it necessary to do so.
6. To authorise the Board of Directors to sell, lease, or otherwise dispose off Assets of the Company.
7. To approve the de-listing of the Company from the Ghana Stock Exchange and to authorise the Directors to take all necessary steps to ensure a cost effective and well-managed delisting of the Company.
8. To transact Any Other Business appropriate to be dealt with at an Annual General Meeting.

A member of the Company entitled to vote is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not also be a member. A form of proxy if is to be valid for the purposes of the meeting must be completed and deposited with the REGISTRARS, UNIVERSAL MERCHANT BANK LIMITED, 123 KWAME NKRUMAH AVENUE,



NOTICE OF THE TWENTY-EIGHTH ANNUAL GENERAL MEETING OF MECHANICAL LLOYD PLC (continued)

SETHI PLAZA ADABRAKA, P.O.BOX 401, ACCRA not less than 48 hours before the time for holding the meeting.

Dated at Accra this **9th day of September, 2020.**

Registered Office:

BY ORDER OF THE BOARD

No.2 Adjuma Crescent
Ring Road West
South Industrial Area
P. O. Box 2086, Accra.

Joseph Hyde Jr.
(Company Secretary)



NOTICE OF CIRCULATING RESOLUTIONS AND EXPLANATORY MEMORANDUM

Issued By MECHANICAL LLOYD PLC

In relation to the proposed resolutions to authorize the Board of Directors to lease, sell, or dispose of some assets as well as for the de-listing of the Company from the Ghana Stock Exchange

9th September, 2020

This Notice of Circulating Resolutions has been prepared and is issued by Mechanical Lloyd PLC to allow shareholders to consider and vote on Special Resolutions (6) and (7) to be put to the shareholders.

Explanatory Memorandum on Resolutions (6) and (7)

The Board of Directors earlier informed stakeholders about the implementation of the 'Cluster' strategy by Ford as well as a 'Regional Hub' strategy by BMW. These two strategies have had a very negative impact on Mechanical Lloyd PLC.

Following from the above, stakeholders were also informed at the 2019 AGM that our business model and structures will be reviewed to re-position the Company going forward.

As part of the restructuring of the Company, the Board and Management propose to dispose of some assets which will no longer be required as we carry on with our future business operations.

In addition - and after a careful cost-benefit analysis, the Board and Management also propose the de-listing of the Company from the Ghana Stock Exchange to enable the Board and Management to focus efforts and resources on restructuring the business. This will enable majority shareholders to make arrangements to purchase securities from existing holders who wish to sell.

The board therefore recommends that shareholders vote in favour of special resolutions (6) and (7) as proposed.

Date

This Notice of Circulating Resolutions is dated 9th September, 2020.



MECHANICAL LLOYD PLC. Incorporated in Ghana

Annual Report and Financial Statements for the year ended 31 December 2019

FINANCIAL HIGHLIGHTS

(All amounts are in Ghana cedis unless otherwise stated)

	2019	2018
Revenue	24,851,303	49,536,401
Loss before income tax	(8,179,030)	(3,547,085)
Loss after income tax	(7,780,130)	(2,922,246)
Shareholders' funds	79,583,554	30,402,381
Total assets	<u>130,054,361</u>	<u>64,438,419</u>
Loss per share (Ghana pesewas)	(15.53)	(5.83)
Net assets per share (Ghana pesewas)	<u>158.86</u>	<u>60.69</u>



BOARD MEMBERS



Mr. Terence Ronald Darko
CHAIRMAN



Mrs. Kalysta Y. Darko-O'Kell
MANAGING DIRECTOR



Mr. Joseph Hyde Jr.
EXECUTIVE
DIRECTOR/SECRETARY
TO THE BOARD



Mr. Kwesi Amonoo-Neizer
NON-EXECUTIVE DIRECTOR



Mr. Kofi Asamoah
NON-EXECUTIVE DIRECTOR



Mr. Andrew Lawson
NON-EXECUTIVE DIRECTOR



REPORT OF THE DIRECTORS

The directors submit their annual report together with the audited financial statements of Mechanical Lloyd PLC (the “Company”) for the year ended 31 December 2019.

Statement of directors’ responsibilities

The directors are responsible for the preparation of financial statements for each financial period which gives a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss and cash flows for that period. In preparing these financial statements, the directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards (IFRS), and complied with the requirements of the Companies Act, 2019 (Act 992).

The directors are responsible for ensuring that the Company keeps proper accounting records that disclose 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.

Going concern

The Company incurred a net loss of GH¢7,780,130 during the year ended 31 December 2019 and its current liabilities exceeded its current assets by GH¢6,833,108 as of that date. Ford Motor Company embarked on a ‘Cluster Strategy’ and re-organised its representation in the Sub-Saharan Africa market and as a result, the Company is no longer representing Ford Motor Company as the authorised Ford dealer in Ghana from mid-2019 financial year, with the full impact being felt during the year ended 31 December 2019. Following from the above development, the Company was unable to order whole goods during the year and operated from stock.

The Company is currently implementing a 24-month recovery plan to restructure the Company’s operations and restore the business to profitability. The recovery plan includes among others the refocusing of marketing efforts on BWM and Massey Ferguson brands and the launching of Pre-owned vehicle line of business to assist BMW vehicle owners to trade-in used vehicles for new ones. To align existing operations with its strategy, the Company closed certain branches and commenced the process of disposing off certain assets which are no longer required for its business. It is expected that the sale of the assets will be completed by 31 December 2020. Proceeds from the sale will be used to pay off existing debts as part of the Company’s restructuring plans. The directors have assessed the Company’s ability to continue as a going concern taking into consideration the Company’s recovery plan and have no reason to believe the business will not be a going concern for at least twelve months from the date of this statement.

Nature of business

The Company is engaged in the sale and servicing of BMW vehicles, Massey Ferguson agricultural machinery, and the related spare parts in Ghana. The sale of Ford vehicles was discontinued during the year.

Financial results

The financial results of the Company for the year ended 31 December 2019 are set out below:

	GH¢
Loss before income tax for the year	(8,179,030)
from which is added an income tax credit of	<u>398,900</u>
giving a loss after income tax for the year of	(7,780,130)
to which is added balance brought forward on retained earnings of	<u>8,341,229</u>
leaving a balance carried forward on retained earnings of	<u><u>561,099</u></u>



REPORT OF THE DIRECTORS (continued)

Dividend

The directors do not recommend the payment of a dividend for the year ended 31 December 2019 (2018: Nil).

Directors' and their interests in contracts

The present membership of the Board is set out on page 4 and page 9.

The directors have no material interest in contracts entered into by the Company.

Directors' shareholding

The directors' interests in the ordinary shares of the Company at 31 December 2019 were as follows:

Name	No. of shares
Mr. Terence Ronald K. Darko	15,024,381
Mrs. Kalysta Y Darko O'Kell	2,052,000
Mr. Andrew Lawson	75,000
Mr Kofi Asamoah	10,000
Mr. Joseph Hyde Jnr	8,100

Capacity building of directors

The directors are knowledgeable individuals with extensive experience in the automobile industry as well as their fields of discipline. There were, however, no formal capacity building training programs during the year.

Corporate social responsibility

The Company did not engage in any corporate social responsibility activities during the year.

Auditor's remuneration

The audit fee for the year ended 31 December 2019 is GH¢110,600.

Auditor

The auditor, PricewaterhouseCoopers, has expressed willingness to continue in office in accordance with Section 139(5) of the Companies Act, 2019 (Act 992).

Approval of financial statements

The financial statements were approved by the Board of Directors for issue on 29 July 2020.

By order of the board

Handwritten signature of Terence Ronald Darko in black ink.

TERENCE RONALD DARKO
CHAIRMAN

Handwritten signature of Kalysta Y. Darko-O'Kell in black ink.

KALYSTA Y. DARKO-O'KELL
MANAGING DIRECTOR

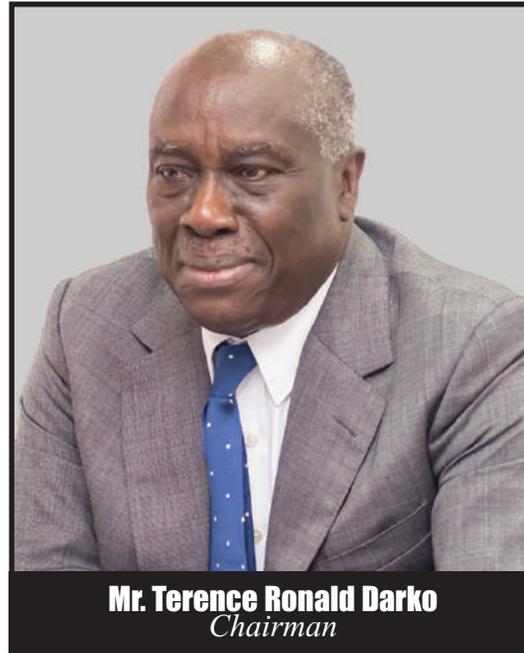
29 July 2020



2019 CHAIRMAN'S REVIEW

ECONOMIC DEVELOPMENTS

The government of Ghana successfully concluded the three (3) year IMF fiscal stabilization and Extended Credit Facility program in April 2019 and continued with its fiscal consolidation efforts even though there were still challenges in meeting revenue targets. Fiscal performance for the first half of 2019 showed an overall budget deficit of 3.3% of GDP higher than the target of 2.9% primarily due to revenue shortfalls of 1.6% of GDP - higher than expenditure cuts of 1%. By the third quarter of 2019 gross domestic product (GDP) growth was estimated at 6.7%, compared with 5.4% in the same period in 2018.



Mr. Terence Ronald Darko
Chairman

However, the Ghana cedi came under considerable pressure and depreciated by 12.9% by the end of the year. The pace of fiscal consolidation and the overall fiscal deficit at the year-end was approx. 4.5% of GDP. The stock of public debt increased from GHS 172.9 in 2018 to GHS 218 bn in 2019 (an increase of over 26%, and as a percent of GDP, total public debt rose from 57.9% to 63%).

FORD AND BMW DEALERSHIP UPDATE

As communicated last year, Ford Motor Company (Ford) and BMW-ZA (BMW) embarked on a "Cluster/Regional Hub Strategy" for the Sub-Saharan African market. Subsequently our dealership agreement with Ford Motor Company ended in June 2019 with no further Ford orders being placed in 2019 as we wound down the vehicles and spare parts in stock. Similarly, no BMW orders were scheduled to be placed in 2019 until we were approached by BMW mid-year 2019 to consider renewing our importer contract with the Brand. We accepted and subsequently placed new vehicle orders for production in late 2019 which arrived in the first half of 2020.

As a result of the above, our 2019 operations were extremely limited, and the impact was felt in low sales and revenue generation with high operational costs as the Company began to work towards a restructuring strategy.

Revenue for the year under review was GHS 24,851,303 (2018: GHS 49,536,401). Our operating expenses as a proportion of revenue was 48.24% as against 24.15% for 2018. After adjusting for Other Income of GHS 2,032,197 (2018: GHS 1,156,880), and additional depreciation arising from revaluation, we ended the year with an Operating Loss of GHS 5,831,789 which after adding Finance Income and deducting Finance Costs, resulted in a Loss Before Income Tax of GHS 8,179,030 and after adjusting for an Income Tax Credit of GHS 398,900 we ended the year with a Loss of GHS 7,780,130 (2018: GHS 2,922,246).



2019 CHAIRMAN'S REVIEW (continued)

MASSEY FERGUSON

An additional eighty (80) tractors for the More Food Programme MFP, (an agreement between the governments of Ghana and Brazil - through the utilization of a Brazilian government grant for supply and support of Massey Ferguson tractors) were delivered to farmers during the year, to bring the total MFP units to two hundred and thirty (230). We also continued to provide nation-wide aftersales service for the MF program.

DIVIDEND

The Board of Directors do not propose dividend for the year ended 31 December 2019.

2020 OUTLOOK

As we are all aware, the novel Covid-19 pandemic has disrupted the entire global business and other economic operations, and Ghana has not been spared. Governments all over the world have rolled out schemes and programs in an attempt to mitigate the negative social-economic impact of the pandemic. No doubt 2020 will be a tough year.

Subsequent to the completion of the 2019 audit and the issue of the audit report on the 2019 financial statements by the auditors, we received a written notification from BMW-ZA of their intention to terminate the Company's importer agreement with effect from 1st January, 2021 following the appointment of a Western Hub Dealer. This follows the implementation of BMW's Regional Hub Strategy for Sub-Saharan African markets and impacts representation of the BMW Brand in Ghana and other markets in the region. Mechanical Lloyd has expressed its disappointment to BMW-ZA after 40 years of representation and substantial investment in the Brand. As a consequence, Mechanical Lloyd has taken steps to wind down the BMW business by 2020 year end. The Board and Management will continue the process of restructuring our business to focus on growing Massey Ferguson and the development of other business interests. This will carry on well beyond 2020.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I wish to thank our Shareholders and Customers for their continued support. I also wish to express my gratitude to Management and staff of the Company for their hard work and dedication during another challenging year.

Thank you for your attention.

A handwritten signature in black ink, appearing to read 'T. Darko'.

TERENCE RONALD DARKO
CHAIRMAN

4th September, 2020



CORPORATE GOVERNANCE REPORT

Introduction

Mechanical Lloyd PLC ('the Company') recognises the importance of good corporate governance as a means of sustained long-term viability of the business and therefore always seeks to align the attainment of the business objectives with good corporate behaviour.

In line with our corporate vision, values and business principles, the Company's vision is to be first or among the first in its field. Planning takes place and resources are allocated towards the achievement of accountability and reporting standards. The business adopts standard accounting practices and ensures sound internal control to facilitate transparency in the disclosure of information and to give assurance to the reliability of the financial statements.

Board of directors

The responsibility of good corporate governance is placed in the hands of the Board of Directors and the Management Team. The Board comprises six directors and include four non-executive directors. The directors are knowledgeable individuals with experience in the auto industry as well as in their fields of discipline.

The Audit Committee

The Audit Committee comprise three non-executive directors and the board chairman, all of whom have a strong background in business and finance. The committee is charged to meet on a quarterly basis to review both the operational and financial performance of the Company. It reviews the Company's risk management practices, compliance with policies, applicable laws and regulations, and assesses the adequacy of systems of internal control in the Company.

Systems of internal control

The Company is continuously assessing its comprehensive risk and enhancing its system of internal control. This is aimed at both improving the mechanism for identifying and monitoring risk as well as strengthening the systems of internal control.

The Company has systems for identifying, managing and monitoring risks. The systems of internal control are implemented and monitored by appropriately trained personnel, suitably segregated as to authority, duties and reporting lines.

Code of business ethics

The Company continues to reinforce communication on a regular basis together with the development and application of complementary procedures so as to eliminate the potential for corrupt and illegal practices on the part of employees and contractors.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MECHANICAL LLOYD PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Mechanical Lloyd PLC (the "Company") as at 31 December 2019, and of its financial performance and its 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).

What we have audited

We have audited the financial statements of Mechanical Lloyd PLC for the year ended 31 December 2019.

The financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) issued by the International Ethics Standards Board for Accountants and the independence requirements of section 143 of the Companies Act, 2019 (Act 992) that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainty Relating to Going Concern

We draw attention to Note 2.1(iii) of the financial statements, which indicates that the Company incurred a net loss of GH¢7,780,130 during the year ended 31 December 2019 and, as of that date, the Company's current liabilities exceeded its current assets by GH¢6,833,108. These events, along with other matters as set forth in Note 2.1 (iii), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MECHANICAL LLOYD PLC (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the Company's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Allowance for impairment on trade receivables - GH¢2,506,570</p> <p>Gross trade receivables at 31 December 2019 amounts to GH¢5,721,591 against which allowance for impairment of GH¢2,506,570 was recognised.</p> <p>Allowance for impairment on trade receivables is a key area of focus due to the judgement management exercises in determining the appropriate amount of allowance for impairment.</p> <p>The Company assessed allowance for impairment on trade receivables using lifetime expected credit loss allowance.</p> <p>Management exercised the following judgements in determining the allowance for impairment at the reporting date:</p> <ul style="list-style-type: none"> • grouping trade receivables on the basis of similar risk profile and the days past due; • determining historical loss rates based on the payment profile of credit sales over 24 months; and • adjusting historical loss rates to reflect current and forward looking information incorporating economic variables likely to impact customers' ability to honour their debt obligations. <p>Notes 2.10 and 3.2 set out the accounting policies and the judgement management exercised in the determination of allowance for impairment respectively, while note 30.2 sets out an analysis of credit quality of trade receivables at the reporting date. Note 8 shows gross trade receivables and the related allowance for impairment.</p>	<p>Our audit procedures included evaluating the design of selected controls, and testing the operating effectiveness of the controls over the extension of credit facilities to customers.</p> <p>We examined the ageing analysis of trade receivables to assess the appropriateness of classification of trade receivable balances in different aged brackets with similar risk characteristics.</p> <p>We assessed the appropriateness and reasonableness of management's judgements over the classification of outstanding trade receivable balances using similar credit risk characteristics in the determination of historical loss rates experienced within a defined period.</p> <p>We examined the payment history of selected customers and evaluated the reasonableness of the aged profile for each customer classification.</p> <p>We assessed the reasonableness of adjustment made to historical loss rates to incorporate forward looking information.</p> <p>We re-performed the calculation of allowance for impairment on trade receivables and assessed the adequacy of amount recognised as allowance for impairment.</p> <p>We checked the appropriateness of relevant disclosures for compliance with International Financial Reporting Standards.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MECHANICAL LLOYD PLC (continued)

Other information

The directors are responsible for the other information. The other information comprises the Corporate Information, Financial Highlights, Report of the Directors, Corporate Governance Report and Shareholders' Information but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Chairman's review, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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.

When we read the Chairman's Review, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MECHANICAL LLOYD PLC (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MECHANICAL LLOYD PLC (continued)

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 Company's statement of financial position and Company's statement of comprehensive income are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is George Kwesi Arhin (ICAG/P/1187).

PricewaterhouseCoopers

PricewaterhouseCoopers (ICAG/F/2020/028)

Chartered Accountants

Accra, Ghana.

29 July, 2020



**STATEMENT OF FINANCIAL POSITION**

(All amounts are in Ghana cedis)

		<u>At 31 December</u>	
	Note	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	4	99,373,015	32,860,469
Intangible assets	5	241,229	267,389
Other prepayments	6	2,163,215	2,163,215
Other receivables	8	114,745	302,584
		<u>101,892,204</u>	<u>35,593,657</u>
Current assets			
Inventories	7	15,322,465	19,049,808
Trade and other receivables	8	5,269,640	6,620,226
Cash and bank balances	9	1,597,453	3,174,728
		<u>22,189,558</u>	<u>28,844,762</u>
Non-current assets held for sale	10	5,972,599	-
		<u>28,162,157</u>	<u>28,844,762</u>
Total assets		<u>130,054,361</u>	<u>64,438,419</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	11	21,448,141	2,859,940
Current liabilities			
Trade and other payables	12	16,192,768	18,001,952
Current tax liabilities	13	1,732,467	1,865,331
Borrowings	14	11,097,431	11,308,815
		<u>29,022,666</u>	<u>31,176,098</u>
Total liabilities		<u>50,470,807</u>	<u>34,036,038</u>
Net assets		<u>79,583,554</u>	<u>30,402,381</u>
EQUITY			
Stated capital	15	2,771,486	2,771,486
Capital surplus account	16	76,250,969	19,289,666
Retained earnings		561,099	8,341,229
Total equity		<u>79,583,554</u>	<u>30,402,381</u>

The notes on pages 24 to 57 are an integral part of these financial statements.

The financial statements on pages 20 to 57 were approved for issue by the Board of Directors on 29th July 2020 and signed on its behalf by:

Terance Ronald Darko
(Chairman)

Kalysta Y. Darko-O'Kell
(Managing Director)

**STATEMENT OF COMPREHENSIVE INCOME**

(All amounts are in Ghana cedis)

	Note	2019	2018
Revenue	17	24,851,303	49,536,401
Cost of sales	18	<u>(20,727,893)</u>	<u>(40,349,302)</u>
Gross profit		4,123,410	9,187,099
Administrative costs	19	<u>(11,987,396)</u>	<u>(11,962,844)</u>
Other income	20	<u>2,032,197</u>	<u>1,156,880</u>
Operating loss		<u>(5,831,789)</u>	<u>(1,618,865)</u>
Finance income	21	35,204	130,090
Finance costs	21	<u>(2,382,445)</u>	<u>(2,058,310)</u>
Loss before income tax		(8,179,030)	(3,547,085)
Income tax credit	23	<u>398,900</u>	<u>624,839</u>
Loss after income tax		<u>(7,780,130)</u>	<u>(2,922,246)</u>
Items that will not be reclassified to profit or loss:			
Gain on revaluation of buildings		75,948,404	-
Deferred income tax charge on revaluation gain		<u>(18,987,101)</u>	-
Other comprehensive income, net of tax		<u>56,961,303</u>	-
Total comprehensive income for the year		<u>49,181,173</u>	<u>(2,922,246)</u>
Loss per share			
Basic and diluted loss per share (Ghana pesewas)	24	<u>(15.53)</u>	<u>(5.83)</u>

The notes on pages 24 to 57 are an integral part of these financial statements.



STATEMENT OF CHANGES IN EQUITY

(All amounts are in Ghana cedis)

	Stated capital	Capital surplus account	Retained earnings	Total
<u>Year ended 31 December 2019</u>				
Balance at 1 January 2019	<u>2,771,486</u>	<u>19,289,666</u>	<u>8,341,229</u>	<u>30,402,381</u>
Loss for the year	-	-	(7,780,130)	(7,780,130)
Other comprehensive income	<u>-</u>	<u>56,961,303</u>	<u>-</u>	<u>56,961,303</u>
Total comprehensive income for the year	<u>-</u>	<u>56,961,303</u>	<u>(7,780,130)</u>	<u>49,181,173</u>
Balance at 31 December 2019	<u>2,771,486</u>	<u>76,250,969</u>	<u>561,099</u>	<u>79,583,554</u>
 Year ended 31 December 2018				
Balance at 1 January 2018	2,771,486	19,289,666	11,263,475	33,324,627
Loss for the year	-	-	(2,922,246)	(2,922,246)
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>(2,922,246)</u>	<u>(2,922,246)</u>
Balance at 31 December 2018	<u>2,771,486</u>	<u>19,289,666</u>	<u>8,341,229</u>	<u>30,402,381</u>

The notes on pages 24 to 57 are an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**

(All amounts are in Ghana cedis)

	Note	2019	2018
Cash flows from operating activities			
Cash generated from/ (used) in operations	25	562,429	(5,082,000)
Interest received	21	35,204	130,090
Interest paid	21	(2,382,445)	(2,058,310)
Income tax paid	13	(132,864)	<u>(78,029)</u>
Net cash used in operating activities		<u>(1,917,676)</u>	<u>(7,088,249)</u>
Cash flows from investing activities			
Incidental costs for purchase of leasehold land	6	-	(106,790)
Purchase of property, plant and equipment	4	(4,258)	(737,694)
Purchase of intangible assets	5	-	(155,770)
Proceeds from disposal of property, plant and equipment	4	556,043	<u>-</u>
Net cash generated from /(used in) investing activities		<u>551,785</u>	<u>(1,000,254)</u>
Cash flows from financing activities			
Loan drawdowns	14	-	12,937,280
Repayment of bank loan	14	<u>-</u>	<u>(5,161,761)</u>
Net cash generated from financing activities		<u>-</u>	<u>7,775,519</u>
Net decrease in cash and cash equivalents		(1,365,891)	(312,984)
Cash and cash equivalents at start of year		<u>(358,568)</u>	<u>(45,584)</u>
Cash and cash equivalents at end of year	27	<u>(1,724,459)</u>	<u>(358,568)</u>

The notes on pages 24 to 57 are an integral part of these financial statements.



NOTES

1. General information

Mechanical Lloyd PLC (the “Company”) is a public limited liability company, listed on the Ghana Stock Exchange and incorporated and domiciled in Ghana. The address of its registered office is No. 2 Adjuma Crescent, Ring Road West, South Industrial Area, and P. O. Box 2086, Accra.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

(i) *Statement of compliance with IFRS*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2019 (Act 992). The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

The directors do not have the power to amend the financial statements after issue.

(ii) *Historical cost convention*

The financial statements have been prepared under the historical cost convention except for certain classes of property, plant and equipment which are measured at fair value.

(iii) *Going concern*

The Company incurred a net loss of GH¢7,780,130 during the year ended 31 December 2019 and its current liabilities exceeded its current assets by GH¢6,833,108 as of that date. Ford Motor Company embarked on a ‘Cluster Strategy’ and re-organised its representation in the Sub-Saharan Africa market and as a result, the Company is no longer representing Ford Motor Company as the authorised Ford dealer in Ghana from mid-2019 financial year, with the full impact being felt during the year under review. The Company is currently implementing a 24-month recovery plan to restructure the Company’s operations and restore the business to profitability. The recovery plan includes among others the refocusing of marketing efforts on BMW and Massey Ferguson brands and the launching of Pre-owned/Used vehicle line of business to assist BMW vehicle owners to trade-in used vehicles for new ones. To align existing operations with its strategy, the Company closed its branches in Kumasi and Takoradi, and commenced the process of disposing off certain assets which are no longer required for its business. It is expected that the sale of the assets will be completed by 31 December 2020. Proceeds from the sale will be used to pay off existing debts as part of the Company’s restructuring plans.

The above matters indicate the existence of a material uncertainty which may cast significant doubt about the entity’s ability to continue as a going concern and therefore it may be unable to realise its assets and discharge liabilities in the normal course of business. The financial statements have been prepared on the going concern basis based on the Company’s recovery plan to return to profitability.



NOTES (continued)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(iv) New and amended standards adopted by the Company

The Company has applied the following standards for the first time for the reporting period commencing on 1 January 2019.

IFRS 16 “Leases”

The Company adopted IFRS 16 during the year and changed its accounting policy for leases where the Company is a lessee. IFRS 16 removes the distinction between operating and finance leases as was the case up to 31 December 2018 and requires recognition of an asset (right of use the leased item) a financial liability to pay rentals for virtually all lease contracts.

In adopting the standard, the Company exempted certain lease contracts in accordance with the optional exemption which exists for short term and low-value leases. The adoption of the standard did not have any significant impact on the Company's financial statements.

IFRIC 23, “Uncertainty over income tax treatments”

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities when there is uncertainty over a tax treatment. The adoption of IFRIC 23 did not result in any material impact on the financial statements.

Annual improvements to IFRS standards 2015 - 2017 cycle

The following improvements were finalised in December 2017 and effective for accounting period beginning on or after 1 January 2019. These did not have any material impact on the results or financial position of the Company and its subsidiary for the year ended 31 December 2019.

- IFRS 3 Business Combinations - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.
- IFRS 11 Joint Arrangements - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.
- IAS 12 Disclosure of Interests in Other Entities - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- IAS 23 Borrowing Costs - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The directors have assessed the effects of other new and amended standards and interpretations that are effective for reporting period commencing 1 January 2019, and have determined that the new and amended standards and interpretations do not have any material impact on the Company's financial statements or are not relevant to the Company.



NOTES (continued)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(iv) New standards, amendments and interpretations not yet adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Company. Those that are likely to have an impact on the Company's financial statements when the standards become effective are set out below:

Definition of Material – Amendments to IAS 1 and IAS 8

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020.

These standards are mandatory for financial years commencing on or after 1 January 2020.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.



NOTES (continued)

2. Summary of significant accounting policies (continued)

2.2 Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Ghana cedi which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where the items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'administrative costs'.

2.3 Property, plant and equipment

Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed at reasonable intervals to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment loss. Historical cost includes the expenditure that is directly attributable to the acquisition of the items.

Cost of an item of property, plant and equipment includes its purchase price and any direct attributable costs. Cost includes the cost of replacing part of an existing property, plant and equipment at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day- to-day servicing of an item of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as capital surplus account in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the capital surplus account directly in equity. All other decreases are charged to profit or loss.



NOTES (continued)

2. Summary of significant accounting policies (continued)

2.3 Property, plant and equipment (continued)

Land is not depreciated (unless it is leasehold). Depreciation on other assets is calculated using the straight line method as follows:

Leasehold land	Over the lease period
Buildings	2½ – 4%
Plant and machinery	10%
Furniture and equipment	10 - 33⅓%
Computers	33⅓%
Motor vehicles	15% – 20%

Depreciation commences when the assets are ready for their intended use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income in profit or loss.

When revalued assets are sold, the amounts included in the capital surplus account are transferred to retained earnings.

2.4 Intangible assets

Computer software

Computer software are capitalised on the basis of the costs incurred to acquire and put to use specific software. These costs are amortised on the basis of expected useful lives. Software has a maximum expected useful life of 3 years. Software are carried at cost less any amortisation and impairment losses, if any.

2.5 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.6 Leases

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.



NOTES (continued)

2. Summary of significant accounting policies (continued)

2.6 Leases (continued)

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2.7 Inventories

Vehicles, spare parts and other inventory are stated at the lower of cost and net realisable value. Cost is determined using weighted average method. Cost of spare parts, trade and non-trading inventories comprises invoice value, freight, insurance, customs duty and all other costs incurred in bringing the inventories to their present location, less provision for impairment, if any. The cost of work in progress comprises cost of spares, direct labour and other direct costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Borrowing costs are not included in the cost of inventories.

2.8 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.



NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Non-current assets held for sale (continued)

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

2.9 Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Company classifies its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal (for non-interest bearing financial assets) or solely payment of principal and interest (for interest bearing financial assets).

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

The Company did not have any financial assets subsequently measured at fair value at the reporting date.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.



NOTES (continued)

2. Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

Measurement

At initial recognition, the Company measures its financial assets at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurements depends on the Company's business model in managing the asset and the cash flow characteristics of the asset.

Currently, the Company's financial assets are classified in the measurement category of financial assets at amortised cost.

Financial assets at amortised cost

Financial assets at amortised cost are those assets which are held only for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any impairment losses charged to profit or loss. Trade and other receivables, and cash and bank balances are classified as financial assets at amortised cost.

Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.10 Trade receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less allowance for impairment. The Company holds the trade receivables with the objective to collect contractual cash flows and therefore measures them subsequently at amortised cost. The impairment allowance is determined using the expected credit loss model by considering cash short falls in various default scenarios.



NOTES (continued)

2. Summary of significant accounting policies (continued)

2.10 Trade receivables (continued)

Receivables for which an impairment provision have been recognised are written off against the provision when there is no expectation of recovering additional cash. Subsequent recoveries of amounts previously written off are credited against impairment charge for the year in profit or loss.

2.11 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.12 Stated capital and dividend

Ordinary shares are classified as 'stated capital' in equity. Dividends on ordinary shares are charged to equity in the period in which they are declared.

2.13 Financial liabilities

Financial liabilities comprise trade and other payables (excluding provisions), and borrowings. All financial liabilities are subsequently measured at amortised cost using the effective interest method.

2.14 Offsetting financial instruments

Offsetting of financial assets and liabilities is applied 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. The net amount is reported in the statement of financial position.

2.15 Borrowings

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

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 of 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.



NOTES (continued)

2. Summary of significant accounting policies (continued)

2.16 Trade payables

Trade payables 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. If not, they are presented as non-current liabilities.

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

2.17 Income tax

The income tax expense or credit for the period comprises current and deferred income tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the income tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of goodwill or if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle on a net basis.

2.18 Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.



NOTES (continued)

2. Summary of significant accounting policies (continued)

2.18 Provisions (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Employee benefits

Short-term employment of benefits

Short-term employee benefits, such as salaries and other benefits, are accounted for on an accrual basis over the period which employees have provided services in the year. Bonuses are recognised to the extent that the Company has a present obligation to its employees that can be measured reliably.

Retirement benefit obligations

The Company operates defined contribution retirement benefit schemes for its employees. The Company and all its employees contribute to a defined contribution plan.

A defined contribution plan is a pension scheme under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company's contributions to the defined contribution schemes are recognised as an employee benefit expense when they fall due. The Company has no further payment obligations once the contributions have been paid.

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

2.20 Revenue from contracts with customers

Sale of vehicles and parts

The Company retails vehicles and parts. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customer. Delivery occurs when the goods have been made available at the specified location, the risks of obsolescence and loss have been transferred to the customer, and there are no unfulfilled obligations that could affect the customer's acceptance of the products.

Payment of the transaction price is due immediately when the customer purchases and takes delivery of the goods. It is the Company's policy to sell its products to the end customer with no right of return.



NOTES (continued)

2. Summary of significant accounting policies (continued)

2.20 Revenue from contracts with customers (continued)

Sale of vehicles and parts (continued)

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision.

Servicing

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts (sold under the extended service plan (ESP) for Ford and BMW servicing inclusive (BSI) for BMW, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Service contracts include multiple deliverables, such as the sale of parts and the related installation of parts under servicing. However, the servicing is simple and could be performed by another party. It is therefore accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Prices are directly observable. If servicing contracts include the installation of parts, revenue for the parts is recognised at a point in time when the part is delivered, the legal title has passed and the customer has accepted the part.

For fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Customers are invoiced on a regular basis and consideration is payable when invoiced.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Financing components

No significant element of financing is deemed present as all sales are made within credit terms, which is consistent with the market practice. The Company does not operate any loyalty programmes. The Company does not expect to have any contracts where the period between the transfer of the products to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.



NOTES (continued)

2. Summary of significant accounting policies (continued)

2.21 Borrowing costs

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 profit or loss in the period in which they are incurred.

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Managing Director. The Managing Director, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker.

3. Critical estimates, judgements and errors

3.1 Critical accounting estimates and assumptions

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong.

The following critical accounting estimates were made in the preparation of Company's financial statements.

Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters are different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Fair value of property, plant and equipment

Management has adopted a five year cycle to assess fair values of property, plant and equipment. The fair value was determined by using the higher of replacement cost and income valuation techniques. The calculation of fair value using income valuation technique is subject to the following key assumptions: Discount rate of 16.87% and forced sale value at 70%.



NOTES (continued)

3. Critical estimates, judgements and errors (continued)

3.2 Critical judgements in applying the entity's accounting policies

Expected credit loss provision

The Company applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

To measure expected credit losses, trade receivables have been grouped based on similar credit risk characteristics and the days past due. The expected loss rates are based on payment profile of sales over 24 months and the corresponding historical credit losses experienced within the period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic indicators affecting the ability of customers to settle outstanding receivables. The Company considered rate of depreciation of the Ghana cedi against the major foreign currencies, mainly the Euro, and accordingly adjust the historical loss rates based on the expected changes in the rate of depreciation.

Note 30.2 sets out how the loss allowance as at 31 December 2019 was determined.

Non-current assets held for sale

Non-current asset held for sale is in respect of the Company's branch building in Takoradi in the course of disposal. The disposal process commenced in December 2019 and the transaction met the recognition and measurement criteria under IFRS 5. The property has been presented as non-current asset held for sale at the reporting date because the directors are of the opinion that the sale will be concluded before the end of the 2020 financial year.



NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

4. Property, plant and equipment

Year ended 31 December 2019

	Buildings	Plant and machinery	Furniture and equipment	Computers	Motor vehicles	Total
Cost/valuation						
At 1 January 2019	33,760,464	563,120	3,111,913	1,189,138	3,266,093	41,890,728
Additions	-	-	2,497	1,761	-	4,258
Released on revaluation	(4,887,088)	-	-	-	-	(4,887,088)
Revaluation surplus	75,948,404	-	-	-	-	75,948,404
Disposals	-	-	-	-	(739,844)	(739,844)
Asset classified as held for sale	(6,514,780)	-	-	-	-	(6,514,780)
At 31 December 2019	<u>98,307,000</u>	<u>563,120</u>	<u>3,114,410</u>	<u>1,190,899</u>	<u>2,526,249</u>	<u>105,701,678</u>
Accumulated depreciation						
At 1 January 2019	4,974,585	283,097	1,666,469	899,600	1,206,508	9,030,259
Released on revaluation	(4,887,088)	-	-	-	-	(4,887,088)
Charge for year	2,319,699	56,311	152,742	97,394	450,602	3,076,748
Released on disposals	-	-	-	-	(349,075)	(349,075)
Released on transfer to held for sale	(542,181)	-	-	-	-	(542,181)
At 31 December 2019	<u>1,865,015</u>	<u>339,408</u>	<u>1,819,211</u>	<u>996,994</u>	<u>1,308,035</u>	<u>6,328,663</u>
Net book amount						
At 31 December 2019	<u>96,441,985</u>	<u>223,712</u>	<u>1,295,199</u>	<u>193,905</u>	<u>1,218,214</u>	<u>99,373,015</u>
Year ended 31 December 2018						
Cost/valuation						
At 1 January 2018	33,623,512	563,120	3,087,644	1,120,381	2,758,377	41,153,034
Additions	<u>136,952</u>	-	<u>24,269</u>	<u>68,757</u>	<u>507,716</u>	<u>737,694</u>
At 31 December 2018	<u>33,760,464</u>	<u>563,120</u>	<u>3,111,913</u>	<u>1,189,138</u>	<u>3,266,093</u>	<u>41,890,728</u>
Accumulated depreciation						
At 1 January 2018	4,158,343	261,509	1,507,430	772,498	875,645	7,575,425
Charge for year	<u>816,242</u>	<u>21,588</u>	<u>159,039</u>	<u>127,102</u>	<u>330,863</u>	<u>1,454,834</u>
At 31 December 2018	<u>4,974,585</u>	<u>283,097</u>	<u>1,666,469</u>	<u>899,600</u>	<u>1,206,508</u>	<u>9,030,259</u>
Net book amount						
At 31 December 2018	<u>28,785,879</u>	<u>280,023</u>	<u>1,445,444</u>	<u>289,538</u>	<u>2,059,585</u>	<u>32,860,469</u>

Liens and encumbrances on items of property, plant and equipment have been disclosed in Note 14.

**NOTES (continued)**

(All amounts are in Ghana cedis unless otherwise stated)

4. Property, plant and equipment (continued)

The buildings were revalued during the year by independent professional valuers. Valuation was on the basis of open market value. If revalued buildings were stated on historical cost basis, the carrying amounts would have been as follows:

	2019	2018
Carrying amount	7,380,900	7,586,722
Transferred to non-current asset held for sale	<u>(5,972,599)</u>	-
	<u>1,408,301</u>	<u>7,586,722</u>
Profit on disposal of property, plant and equipment		
Cost	739,844	-
Accumulated depreciation	<u>(349,075)</u>	-
Net book amount	390,769	-
Disposal proceeds	<u>(556,043)</u>	-
Gains on disposal	<u>(165,274)</u>	-
Net book amount transferred non-current asset held for sale		
Cost (Note 5)	6,514,780	-
Accumulated depreciation (note 5)	<u>(542,181)</u>	-
Net book amount transferred to non-current asset held for sale	<u>5,972,599</u>	-

Fair values of buildings

The buildings were revalued by independent professional valuers. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income for the year ended 31 December 2019. Valuation is on the basis of open market value. The net revaluation surplus is currently shown in capital surplus account in equity (Refer to note 16). The fair value hierarchy is defined as follows:

- Quoted prices (unadjusted) in active markets for identifiable assets or liabilities (Level 1).
- 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) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value hierarchy for buildings carried at fair value is shown below:

	2019	2018
Fair value measurement using other observable input (Level 2)	<u>96,441,985</u>	<u>28,785,789</u>

**NOTES (continued)**

(All amounts are in Ghana cedis unless otherwise stated)

4. Property, plant and equipment (continued)**Valuation techniques used to derive level 2 fair values**

Level 2 fair values of buildings have been derived using the income approach. Rental values of similar properties within the locality of the Company's buildings were used and adjusted per square meter. The most significant input into this valuation approach is rental values per square meter.

5. Intangible assets

The intangible assets represent capitalised computer software.

	2019	2018
Cost		
At 1 January	959,834	804,064
Additions	<u>-</u>	<u>155,770</u>
At 31 December	<u>959,834</u>	<u>959,834</u>
Amortisation		
At 1 January	692,445	637,468
Charge for the year	<u>26,160</u>	<u>54,977</u>
At 31 December	<u>718,605</u>	<u>692,445</u>
Net book amount 31 December	<u>241,229</u>	<u>267,389</u>

6. Other prepayments

Other prepayments represent part payment for lands in the course of acquisition for which the Company is yet to secure all the legal registration requirements. The carrying amounts of lands for which the Company has secured all the legal registration requirements are transferred to property, plant and equipment.

	2019	2018
At 1 January	2,163,215	2,056,425
Additions	<u>-</u>	<u>106,790</u>
At 31 December	<u>2,163,215</u>	<u>2,163,215</u>

7. Inventories

Vehicles	5,973,872	11,149,453
Spare parts	7,231,934	7,084,364
Goods in transit	1,978,007	606,668
Work-in-progress	59,534	68,346
Non-trade inventories	<u>79,118</u>	<u>140,977</u>
	<u>15,322,465</u>	<u>19,049,808</u>

The cost of inventories recognised as an expense and included in cost of sales amount to GH¢17,917,427 (2018: GH¢36,430,540). No amount was charged to profit or loss for damaged and obsolete inventories during the year (2018: Nil).

**NOTES (continued)**

(All amounts are in Ghana cedis unless otherwise stated)

8. Trade and other receivables

	2019	2018
Trade receivables - gross	5,721,591	6,920,401
Less allowance for impairment of trade receivables	(2,506,570)	(1,878,439)
Trade receivables - net	3,215,021	5,041,962
Staff receivables	316,133	620,408
Other receivables	1,849,522	1,145,239
Prepayments	<u>3,709</u>	<u>115,201</u>
	<u>5,384,385</u>	<u>6,922,810</u>
Current		
Trade receivables	3,215,021	5,041,962
Staff receivables	201,388	317,824
Other receivables	1,849,522	1,145,239
Prepayments	<u>3,709</u>	<u>115,201</u>
	5,269,640	6,620,226
Non-current		
Staff receivables	<u>114,745</u>	<u>302,584</u>
	<u>5,384,385</u>	<u>6,922,810</u>

Other receivables include receivables from franchisors for warranty services receivable.

The maximum amount of staff indebtedness during the year did not exceed GH¢1,206,866 (2018: GH¢1,206,866).

The fair values of trade receivables, other receivables (excluding recoverable VAT and prepayments) and staff receivables approximates their carrying values.

Movements on the allowance for impairment of trade receivables are as follows:

	2019	2018
At 1 January	1,878,439	1,299,827
Increase during the year	<u>628,131</u>	<u>578,612</u>
At 31 December	<u>2,506,570</u>	<u>1,878,439</u>

9. Cash and bank balances

Cash on hand	35,430	14,712
Cash at bank	<u>1,562,023</u>	<u>3,160,016</u>
	<u>1,597,453</u>	<u>3,174,728</u>

10. Non-current assets held for sale

Non-current asset held for sale (Note 4)	<u>5,972,599</u>	<u>-</u>
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In December 2019, the directors of the Company commenced the sale of a building, which was previously used for the Company's operations in Takoradi.



NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

10. Non-current assets held for sale (continued)

The property has been presented as non-current asset held for sale following the commencement of the sale process in December 2019. The disposal process was not completed as of 31 December 2019. The directors of the Company consider the fair value less costs to sell to be higher than the carrying amount.

11. Deferred tax

	At 1 January	Charged/ (credited) to profit or loss	Charged to other comprehensive income	At 31 December
Year ended 31 December 2019				
Property, plant and equipment				
- on historical cost basis	177,475	1,068,436	-	1,245,911
- on revaluation surpluses	6,429,889	-	18,987,101	25,416,990
Intangible assets	31,049	29,258	-	60,307
Carry forward tax losses	(2,420,293)	(1,580,620)	-	(4,000,913)
Provision for doubtful debts	(469,610)	(157,033)	-	(626,643)
Other provisions	(12,110)	(19,220)	-	(31,330)
Finance cost	(876,460)	260,279	-	(616,181)
	<u>2,859,940</u>	<u>(398,900)</u>	<u>18,987,101</u>	<u>21,448,441</u>

The deferred tax comprises:

Deferred tax assets	(3,778,473)	(1,496,594)	-	(5,275,067)
Deferred tax liabilities	<u>6,638,413</u>	<u>1,097,694</u>	<u>18,987,101</u>	<u>26,723,208</u>
	<u>2,859,940</u>	<u>(398,900)</u>	<u>18,987,101</u>	<u>21,448,441</u>

Year ended 31 December 2018

Property, plant and equipment				
- on historical cost basis	196,561	(19,086)	-	177,475
- on revaluation surpluses	6,429,889	-	-	6,429,889
Intangible assets	39,671	(8,622)	-	31,049
Carry forward tax losses	(2,263,419)	(156,874)	-	(2,420,293)
Provision for doubtful debts	(324,957)	(144,653)	-	(469,610)
Other provisions	(46,989)	34,879	-	(12,110)
Finance cost	(407,479)	(468,981)	-	(876,460)
	<u>3,623,277</u>	<u>(763,337)</u>	<u>-</u>	<u>2,859,940</u>
Comprising:				
Deferred tax assets	(3,042,844)	(735,629)	-	(3,778,473)
Deferred tax liabilities	<u>6,666,121</u>	<u>(27,708)</u>	<u>-</u>	<u>6,638,413</u>
	<u>3,623,277</u>	<u>(763,337)</u>	<u>-</u>	<u>2,859,940</u>

**NOTES (continued)**

(All amounts are in Ghana cedis unless otherwise stated)

12. Trade and other payables

	2019	2018
Trade payables	14,940,624	16,902,020
Accrued charges and provisions	1,030,502	744,600
Sundry payables	<u>221,642</u>	<u>355,332</u>
	<u>16,192,768</u>	<u>18,001,952</u>

The fair values of trade payables, accrued expenses and sundry payables (excluding advance receipts and indirect taxes) approximate to their carrying values.

13. Current income tax

	At 1 January	Charge for the year	Payments during the year	At 31 December
Year ended 31 December 2019				
Corporate income tax:				
Up to 2018	(942,277)	-	(132,864)	(1,075,141)
2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	(942,277)	-	(132,864)	(1,075,141)
Capital gains tax:				
Up to 2018	<u>2,807,608</u>	<u>-</u>	<u>-</u>	<u>2,807,608</u>
	<u>1,865,331</u>	<u>-</u>	<u>(132,864)</u>	<u>1,732,467</u>
Year ended 31 December 2018				
Corporate income tax:				
Up to 2017	(1,002,746)	138,498	-	(864,248)
2018	<u>-</u>	<u>-</u>	<u>(78,029)</u>	<u>(78,029)</u>
	(1,002,746)	138,498	(78,029)	(942,277)
Capital gains tax:				
Up to 2017	<u>2,807,608</u>	<u>-</u>	<u>-</u>	<u>2,807,608</u>
	<u>1,804,862</u>	<u>138,498</u>	<u>(78,029)</u>	<u>1,865,331</u>

All tax liabilities are subject to the agreement of the Ghana Revenue Authority.

The Ghana Revenue Authority conducted a tax audit for the 2015 and 2016 years of assessment. As a result, a tax liability was recognised in respect of other income taxes and charged to the statement of comprehensive income. In 2018, the Ghana Revenue Authority permitted the Company to offset the tax liability arising from the tax audit against the Company's tax credits. The tax liability was charged to corporate income tax.

**NOTES (continued)**

(All amounts are in Ghana cedis unless otherwise stated)

14. Borrowings

	2019	2018
Bank loan	7,775,519	7,775,519
Bank overdrafts	<u>3,321,912</u>	<u>3,533,296</u>
	<u>11,097,431</u>	<u>11,308,815</u>

(a) Bank loan

In 2018, the Company secured a GH¢12.9 million short term facility from Stanbic Bank Ghana Limited payable over a nine-month period. The facility attracts an interest rate of 20.11% per annum and is secured by:

- First rank legal mortgage over the Company's Accra workshop, showroom, offices and Head Office; and
- First rank legal mortgage over the Company's Takoradi property.

During the year, the Company entered into an agreement with the bank to suspend repayment of outstanding principal amounts of the loan facility. The Company however continues to service interest payments on the facility.

The movement in loans during the year are as follows:

	2019	2018
At 1 January	7,775,519	-
Drawdown	-	12,937,280
Principal repayments	-	(5,161,761)
Interest charged	1,480,983	515,872
Interest paid	<u>(1,480,983)</u>	<u>(515,872)</u>
At 31 December	<u>7,775,519</u>	<u>7,775,519</u>

(b) Bank overdrafts

The Company's overdraft facilities not exceeding GH¢4 million (2018: GH¢4 million) are secured by a debenture over the floating assets of the Company, registered and stamped to cover GH¢8 million.

All borrowings are due within one year.

15. Stated capital

Stated capital represents share capital of the Company. The authorised ordinary shares of the Company is 100,000,000 ordinary shares of no par value out of which 50,095,925 (2018: 50,095,925) have been issued as follows:

	No. of shares	Amount
Issued for cash consideration	11,426,643	47,792
Rights issue	34,011,865	2,708,790
Transfer from retained earnings	<u>4,657,417</u>	<u>14,904</u>
	<u>50,095,925</u>	<u>2,771,486</u>

**NOTES (continued)**

(All amounts are in Ghana cedis unless otherwise stated)

15. Stated capital (continued)

There was no change in stated capital during the year (2018: Nil).

There is no unpaid liability on any share and there are no calls or instalments unpaid. There are no treasury shares.

16. Capital surplus account

The capital surplus account is the unrealised appreciation from the revaluation of the Company's land and buildings. The revaluation surplus arose from an independent professional valuation of the Company's land and buildings over the years, with the most recent valuation of buildings performed by an independent valuer during the year. Capital surplus is not available for distribution. The movement in capital surplus account during the year is set out in the statement of changes in equity on page 12 of these financial statements.

17. Revenue

	2019	2018
Sale of goods – motor vehicles and farm equipment	17,318,223	38,424,388
– spare parts	<u>6,128,761</u>	<u>9,234,548</u>
Total revenue from sale of goods	23,446,984	47,658,936
Revenue from services	<u>1,404,319</u>	<u>1,877,465</u>
	<u><u>24,851,303</u></u>	<u><u>49,536,401</u></u>

18. Cost of sales

Vehicles and farm machinery	12,366,810	28,721,560
Spare parts	5,550,617	7,708,980
Staff costs (Note 22)	2,168,529	2,549,761
Other direct expenses	401,031	657,280
Overheads	<u>240,906</u>	<u>711,721</u>
	<u><u>20,727,893</u></u>	<u><u>40,349,302</u></u>

19. Administrative costs

Staff costs (excluding directors' emoluments) – Note 22	2,713,361	3,359,659
Executive directors' emoluments	846,414	1,061,929
Non-executive directors' emoluments	156,000	153,300
Depreciation (Note 4)	3,076,748	1,454,834
Amortisation of intangible assets (Note 5)	26,160	54,977
Bank charges	1,070,504	749,742
Repairs and maintenance	506,505	64,735
Security	452,610	463,854
Electricity and power	458,498	595,125
Information and communication	251,571	247,342
Insurance	244,009	326,876
Legal fees	193,745	222,689
Rent and rates	209,680	165,461
Travel	162,581	269,354
Cleaning and consumables	135,229	137,755
Printing and stationery	117,199	156,297

**NOTES (continued)**

(All amounts are in Ghana cedis unless otherwise stated)

19. Administrative costs (continued)

	2019	2018
Auditor's remuneration	110,600	164,880
Water	103,474	82,772
Other consultant fees	16,300	92,496
Allowance for doubtful debt	628,126	567,812
Donations	-	32,067
Advertising	81,734	115,946
Other sales and marketing costs	53,171	83,429
Entertainment	75,314	127,305
Other expenses	342,082	175,503
Net exchange (gains)/losses	-	992,486
	<u>11,987,396</u>	<u>11,962,844</u>

20. Other income

Net exchange gains	1,059,260	-
Miscellaneous income	353,920	231,708
Income from clinic services	41,584	137,348
Commission and fees earned on special projects	369,060	774,054
Rental income	43,099	13,770
Gains on disposal of property, plant and equipment (Note 4)	165,274	-
	<u>2,032,197</u>	<u>1,156,880</u>

21. Finance income and costs

Finance income:		
Interest income on credit sales	<u>35,204</u>	<u>130,090</u>
Finance costs:		
Interest on loan (Note 14)	1,480,983	515,872
Interest on bank overdraft	689,031	530,912
Interest charges on accounts payable	<u>212,431</u>	<u>1,011,526</u>
	<u>2,382,445</u>	<u>2,058,310</u>

22. Staff costs

Wages and salaries (including executive directors' salaries)	5,022,940	6,140,816
Pension contributions	<u>705,364</u>	<u>830,533</u>
	<u>5,728,304</u>	<u>6,971,349</u>

The number of persons employed by the Company at the year-end was 131 (2018: 149).

Remuneration of staff and technicians who work in workshop are charged to cost of sales.

**NOTES (continued)**

(All amounts are in Ghana cedis unless otherwise stated)

22. Staff costs (continued)

Staff costs are charged to cost of sales and administrative costs as shown below:

	2019	2018
Cost of sales	2,168,529	2,549,761
Administrative costs	<u>3,559,775</u>	<u>4,421,588</u>
	<u>5,728,304</u>	<u>6,971,349</u>

23. Income tax credit

Current income tax charge (Note 13)	-	138,498
Deferred income tax credit (Note 11)	<u>(398,900)</u>	<u>(763,337)</u>
	<u>(398,900)</u>	<u>(624,839)</u>

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the statutory income tax rate applicable to profits as follows:

Loss before income tax	<u>(8,179,030)</u>	<u>(3,547,085)</u>
Tax charged at corporate tax rate of 25% (2018:25%)	<u>(2,044,758)</u>	(886,771)
Expenses not deductible for tax purposes	96,349	261,932
Unrecognised deferred tax liabilities	<u>1,549,509</u>	-
	<u>(398,900)</u>	<u>(624,839)</u>

24. Loss per share

Loss for the year	<u>(7,780,130)</u>	<u>(2,922,246)</u>
Number of ordinary shares (Number)	<u>50,095,925</u>	<u>50,095,925</u>
Basic and diluted loss per share (Ghana pesewas)	<u>(15.53)</u>	<u>(5.83)</u>

There were no potentially dilutive shares outstanding at 31 December 2019 or 2018. Diluted earnings per share are the same as basic earnings per share.

25. Cash generated from/(used in) operations

Loss before income tax	<u>(8,179,030)</u>	(3,547,085)
Depreciation charge (Note 4)	3,076,748	1,454,834
Amortisation of intangible assets (Note 5)	26,160	54,977
Gains on disposal of property, plant and equipment (Note 4)	<u>(165,274)</u>	-
Finance income (Note 21)	<u>(35,204)</u>	(130,090)
Finance costs (Note 21)	2,382,445	2,058,310
Decrease in inventories	3,727,343	3,295,870
Decrease/(increase) in trade and other receivables	1,538,425	(762,450)

**NOTES (continued)**

(All amounts are in Ghana cedis unless otherwise stated)

25. Cash generated from/(used in) operations (continued)

	2019	2018
Decrease in trade and other payables	<u>(1,809,184)</u>	<u>(7,506,366)</u>
Cash generated from/(used in) operations	<u>562,429</u>	<u>(5,082,000)</u>

26. Dividend

No dividends were declared for the years ended 31 December 2019 (2018: Nil).

27. Cash and cash equivalents

Cash and cash equivalents comprise the following:

Cash and bank balances (Note 9)	1,597,453	3,174,728
Bank overdrafts (Note 14)	<u>(3,321,912)</u>	<u>(3,533,296)</u>
	<u>(1,724,459)</u>	<u>(358,568)</u>

28. Related party transactions

The Board Chairman owns 29.99% (2018: 29.99%) of the Company's issued shares as of the reporting date.

Key management compensation

Key management personnel include executive directors and senior management of the Company. The compensation paid or payable to key management for employee services is shown below:

Key management

Salaries	1,029,763	1,616,530
Defined contributions scheme	<u>65,743</u>	<u>75,743</u>
	<u>1,095,506</u>	<u>1,692,273</u>

Directors remuneration

Fees for services as non-executive directors	156,000	153,300
Other emoluments (included in key management compensation above)	846,414	1,061,929
	<u>1,002,414</u>	<u>1,215,229</u>

Car loans to key management

At 1 January	612,846	1,006,815
Loans advanced during the year	-	182,596
Interest charged	27,312	52,259
Repayments received	<u>(324,025)</u>	<u>(628,824)</u>
At 31 December	<u>316,133</u>	<u>612,846</u>

**NOTES (continued)**

(All amounts are in Ghana cedis unless otherwise stated)

28. Related party transactions (continued)**Directors remuneration (continued)**

Car loans are recovered through monthly payroll in accordance with the payment plan. No provision was required in 2019 (2018: Nil) for car loans given to key management personnel.

29. Segmental reporting

Management has determined the operating segments based on the reports reviewed by the Managing Director that are used to make strategic decisions. Management has determined the operating segments based on the franchise held at each reporting date. The Company's primary reporting segments are based on products under the franchise, namely BMW, Ford, Massey Ferguson, and servicing of vehicles. During the year, the Ford Franchise was discontinued.

Year ended 31 December 2019

	BMW	Ford	Massey Ferguson	Servicing	Total
Revenue	9,695,428	6,614,491	1,008,304	7,533,080	24,851,303
Cost of sales	<u>(7,606,400)</u>	<u>(5,946,774)</u>	<u>(719,698)</u>	<u>(6,455,021)</u>	<u>(20,727,893)</u>
Gross profit	<u>2,089,028</u>	<u>667,717</u>	<u>288,606</u>	<u>1,078,059</u>	4,123,410
Administrative costs					(11,987,396)
Other income					<u>2,032,197</u>
Operating loss					(5,831,789)
Finance income					35,204
Finance costs					<u>(2,382,445)</u>
Loss before income tax					(8,179,030)
Income tax credit					<u>398,900</u>
Loss for the year					<u>(7,780,130)</u>

Year ended 31 December 2018

Revenue	14,137,970	19,690,877	4,595,541	11,112,013	49,536,401
Cost of sales	<u>(10,299,690)</u>	<u>(15,301,110)</u>	<u>(3,120,760)</u>	<u>(11,627,742)</u>	<u>(40,349,302)</u>
Gross profit	<u>3,838,280</u>	<u>4,389,767</u>	<u>1,474,781</u>	<u>(515,729)</u>	9,187,099
Administrative costs					(11,962,844)
Other income					<u>1,156,880</u>
Operating loss					(1,618,865)
Finance income					130,090



NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

29. Segmental reporting (continued)

Year ended 31 December 2018

	BMW	Ford	Massey Ferguson	Servicing	Total
Finance costs					(2,058,310)
Loss before income tax					(3,547,085)
Income tax credit					<u>624,839</u>
Loss for the year					<u>(2,922,246)</u>

The Chief operating decision maker in assessing the performance of the reportable segments does not allocate assets and liabilities to these segments but rather manages the financial position in totality. There is no revenue from a single customer which exceeds 10% of total revenue.

30. Financial risk management

The Company's operations expose it to a variety of financial risks that include credit risk, liquidity risk and market risk (mainly the effects of changes in foreign currency exchange rates and interest rates). 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. The primary risks faced by the Company are exchange rate risk, credit risk and liquidity risk.

Risk management is carried out by the management of the Company under policies approved by the board of directors. Management identifies, evaluates and designs policies to manage the Company's exposures to financial risks.

30.1 Market risk

Market risk is the risk that movements in market rates, foreign exchange rates, interest rates, and equity and commodity prices will reduce the Company's income or the value of its portfolios. The management of market risk is undertaken using policies approved by the board of directors.

Foreign exchange risk

The Company seeks to reduce its foreign currency exposure through a policy of matching, as far as possible, assets and liabilities denominated in foreign currencies. The Company imports vehicles, spare parts and equipment from overseas and therefore is exposed to foreign exchange risk arising from mainly Euro and US dollar (USD) denominated liabilities. Management manages its foreign exchange risk by holding foreign currency bank accounts which act as a natural hedge for purchases of motor vehicles and farm machinery equipment. Currency exposure arising from liabilities denominated in foreign currencies is also managed by processing payments of foreign currency denominated payables as early as possible.

**NOTES (continued)**

(All amounts are in Ghana cedis unless otherwise stated)

30. Financial risk management (continued)**30.1 Market risk (continued)**

At 31 December 2019, if the currency had weakened/strengthened by 1% against the Euro with all other variables held constant, post-tax loss for the year would have been GH¢40,617 (2018: GH¢82,252) higher/lower, mainly as a result of Euro denominated trade payables and bank balances.

At 31 December 2019, if the currency had weakened/strengthened by 1% against the US dollar with all other variables held constant, post-tax loss for the year would have been GH¢17,553 (2018: GH¢51,060) higher/lower mainly as a result of US dollar denominated trade payables and bank balances.

At 31 December 2019, if the currency had weakened/strengthened by 1% against the British pound with all other variables held constant, post-tax loss for the year would have been GH¢235 (2018: GH¢658) higher/lower mainly as a result of pound denominated trade payables and bank balances.

The table below shows financial assets and liabilities categorised by currency at their carrying amount.

	USD (US\$)	GBP (£)	EURO (€)	GHS (GH¢)	Total
Year ended 31 December 2019					
Financial assets					
Trade and other receivables	-	-	-	5,325,217	5,325,217
Cash and bank balances	<u>721,407</u>	<u>31,312</u>	<u>592,733</u>	<u>252,001</u>	<u>1,597,453</u>
Total financial assets	<u>721,407</u>	<u>31,312</u>	<u>592,733</u>	<u>5,577,218</u>	<u>6,922,670</u>
Financial liabilities					
Trade and other payables	1,625,629	-	4,822,800	9,571,410	16,019,839
Borrowings	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,097,431</u>	<u>11,097,431</u>
Total financial liabilities	<u>1,625,629</u>	<u>-</u>	<u>4,822,800</u>	<u>20,668,841</u>	<u>27,117,270</u>
Year ended 31 December 2018					
Financial assets					
Trade and other receivables	-	-	-	6,742,329	6,742,329
Cash and bank balances	<u>1,663,351</u>	<u>346,059</u>	<u>753,168</u>	<u>412,150</u>	<u>3,174,728</u>
Total financial assets	<u>1,663,351</u>	<u>346,059</u>	<u>753,168</u>	<u>7,154,479</u>	<u>9,917,057</u>
Financial liabilities					
Trade and other payables	832,204	94,292	8,335,214	8,341,742	17,603,452
Borrowings	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,308,815</u>	<u>11,308,815</u>
Total financial liabilities	<u>832,204</u>	<u>94,292</u>	<u>8,335,214</u>	<u>19,650,557</u>	<u>28,912,267</u>



NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

30. Financial risk management (continued)

30.1 Market risk (continued)

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with a floating interest rate. To manage this risk, the Company's policy is to contract for best interest rate in borrowing from banks. The Company regularly monitors financing options available to ensure optimum and attractive interest rates are obtained.

The sensitivity analysis for interest rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates at the reporting date.

The Company used sensitivity analysis technique to measure the estimated impact in the profit or loss from an instantaneous increase or decrease of 1% (100 basis points) in interest rates.

The Company calculates the impact on profit or loss of a defined interest rate shift. Based on the simulation performed, the impact on post-tax profit of a 1% shift would be a maximum increase or decrease in finance cost of GH¢23,824 (2018: GH¢20,583) per annum.

Price risk

The Company does not hold any financial assets or liabilities subject to price risk.

30.2 Credit risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Company has dedicated policies and procedures to control and monitor such risks. Although the Company is potentially exposed to credit loss in the event of non-performance by counterparties, such credit risk is controlled through credit control policy whereby credit sales are only granted to government agencies and institutional customers. The Company extends credit to customers up to one year.

Financial instruments that potentially subject the Company to credit risk are primarily bank balances and trade and other receivables. Trade and other receivables are mainly derived from sales to customers. The Company does not have any significant concentrations of credit risk. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The expected credit losses also incorporate forward looking information.

Trade receivables consist of invoiced amounts from normal trading activities. Strict credit control is exercised through monitoring of cash received from customers and, when necessary, provision is made for specific doubtful accounts. As at 31 December 2019, management was unaware of any significant unprovided credit risk (2018: Nil).

The Company manages credit risk relating to bank balances by diversification of bank deposits with different financial institutions licensed by the Bank of Ghana.

**NOTES (continued)**

(All amounts are in Ghana cedis unless otherwise stated)

30. Financial risk management (continued)**30.2 Credit risk (continued)**

The table below shows the maximum exposure to credit risk by class of financial instruments

	2019	2018
Trade and other receivables	7,831,787	8,620,768
Bank balances	<u>1,562,023</u>	<u>3,160,016</u>
	<u>9,393,810</u>	<u>11,780,784</u>

Analysis of credit quality is as follows:

(i) Trade receivables

Gross value of trade receivables comprise:

At 31 December 2019	0 - 30 days	31 – 60 days	61 – 180 days	181-360 days	Over 360	Total
Gross receivables						
Government agencies	34,511	510,769	1,011,340	243,590	225,342	2,025,552
Corporate entities	402,622	86,390	61,640	366,328	1,676,900	2,593,880
Individuals	<u>140,009</u>	<u>24,020</u>	<u>14,998</u>	<u>102,629</u>	<u>820,503</u>	<u>1,102,159</u>
	<u>577,142</u>	<u>621,179</u>	<u>1,087,978</u>	<u>712,547</u>	<u>2,722,745</u>	<u>5,721,591</u>
Loss rate						
Government agencies	0.961%	1.75%	5.43%	17.45%	37.5%	
Corporate entities	1.85%	5.36%	11.22%	40.75%	72.23%	
Individuals	4.63%	10.23%	25.39%	100%	100%	
Loss allowance						
Government agencies	332	8,938	54,916	42,506	84,503	191,195
Corporate entities	7,449	4,627	6,916	149,279	1,211,225	1,379,496
Individuals	<u>6,482</u>	<u>2,457</u>	<u>3,808</u>	<u>102,629</u>	<u>820,503</u>	<u>935,879</u>
	<u>14,263</u>	<u>16,022</u>	<u>65,640</u>	<u>294,414</u>	<u>2,116,231</u>	<u>2,506,570</u>
Trade receivables - net	<u>562,879</u>	<u>605,157</u>	<u>1,022,338</u>	<u>418,133</u>	<u>606,514</u>	<u>3,215,021</u>

At 31 December 2018

Gross receivables

Government agencies	1,111,125	723,123	22,077	1,257,233	-	3,113,558
Corporate entities	-	62,051	227,061	2,691,504	-	2,980,616
Individuals	<u>-</u>	<u>22,763</u>	<u>14,923</u>	<u>488,288</u>	<u>300,253</u>	<u>826,227</u>
	<u>1,111,125</u>	<u>807,937</u>	<u>264,061</u>	<u>4,437,025</u>	<u>300,253</u>	<u>6,920,401</u>

**NOTES (continued)**

(All amounts are in Ghana cedis unless otherwise stated)

30. Financial risk management (continued)**30.2 Credit risk (continued)****(i) Trade receivables (continued)**

At 31 December 2018	0 - 30 days	31 – 60 days	61 – 180 days	181-360 days	Over 360	Total
<i>Loss rate</i>						
Government agencies	-	-	-	0.66%	-	-
Corporate entities	-	5%	10%	40%	-	-
Individuals	-	6%	15%	95%	100%	-
<i>Loss allowance</i>						
Government agencies	-	-	-	8,298	-	8,298
Corporate entities	-	3,103	22,706	1,076,601	-	1,102,410
Individuals	-	<u>1,366</u>	<u>2,238</u>	<u>463,874</u>	<u>300,253</u>	<u>767,831</u>
	-	<u>4,469</u>	<u>24,944</u>	<u>1,548,773</u>	<u>300,253</u>	<u>1,878,439</u>
Trade receivables - net	<u>1,111,125</u>	<u>803,468</u>	<u>239,117</u>	<u>2,888,252</u>	<u>-</u>	<u>5,041,962</u>

Staff receivables

Staff receivables are recovered through the monthly payroll in accordance with the payment plan. Staff receivables are neither past due nor impaired.

Other receivables

Sundry receivables are neither past due nor impaired.

Bank balances

The Company manages credit risk relating to bank balances by having banking relationships with only financial institutions licensed by the Bank of Ghana.

30.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company maintains liquidity position and manages the liquidity profile of its assets, liabilities and commitments so that cash flows are appropriately balanced and all funding obligations are met when due.

The Company has an overdraft facility with banks which provides the Company with an option to maintaining liquidity and continuity in funding.

The Company has incurred debts but also hold liquid assets to meet immediate cash requirements. The Company evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Company implements strategies to manage its liquidity risk.

Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available through an adequate amount of committed credit facilities.

Details of bank overdrafts and loan facilities taken on by the Company are shown in Notes 14.

**NOTES (continued)**

(All amounts are in Ghana cedis unless otherwise stated)

30. Financial risk management (continued)**30.3 Liquidity risk (continued)**

The table below analyses the Company's financial liabilities into relevant maturity Company based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed below are the contractual undiscounted cash flows.

	Less than one year	
	Contractual cash flows	Carrying amount
At 31 December 2019		
Trade and other payables	16,019,839	16,019,839
Borrowings	<u>13,502,443</u>	<u>11,097,431</u>
Total financial liabilities	<u>29,522,282</u>	<u>27,117,270</u>
At 31 December 2018		
Trade and other payables	17,603,452	17,603,452
Borrowings	<u>12,670,844</u>	<u>11,308,815</u>
Total financial liabilities	<u>30,274,296</u>	<u>28,912,267</u>

31. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may limit the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

There is no externally imposed capital requirement.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt. The gearing ratios at 31 December 2019 and 2018 were as follows:

	2019	2018
Borrowings (Note 14)	11,097,431	11,308,815
Less: Cash and bank balances (Note 9)	<u>(1,597,453)</u>	<u>(3,174,728)</u>
Net debt	9,499,978	8,134,087
Total equity	<u>79,583,554</u>	<u>30,402,381</u>
Total capital	<u>89,083,532</u>	<u>38,536,468</u>
Gearing ratio	<u>10.66%</u>	<u>21.11%</u>

**NOTES (continued)**

(All amounts are in Ghana cedis unless otherwise stated)

32. Fair values of financial assets and liabilities

The fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments utilised by the Company during the years ended 31 December 2019 and 31 December 2018 with information regarding the methods and assumptions used to calculate fair values are summarised as follows:

Current assets and liabilities

Financial instruments included within current assets (excluding staff loans) and current liabilities (excluding cash and borrowings) are generally short term in nature and accordingly their fair values approximate to their book values.

Borrowings

At the reporting date, borrowings comprise mainly bank overdraft with floating interest rates and bank loans at fixed interest rates with expiring dates not exceeding one year. The carrying values approximate fair values due to short term nature and financial liabilities having floating rates.

The table below sets out the Company's classification of each class of financial assets and liabilities, and their fair values:

At 31 December 2019	Financial assets at amortised cost	Financial liabilities amortised cost	Carrying amount	Fair value
Financial assets				
Trade and other receivables	5,325,217	-	5,325,217	5,325,217
Cash and bank balances	<u>1,597,453</u>	-	<u>1,597,453</u>	<u>1,597,453</u>
Financial liabilities				
Trade and other payables	-	16,019,839	16,019,839	16,019,839
Borrowings	-	<u>11,097,431</u>	<u>11,097,431</u>	<u>11,097,431</u>
At 31 December 2018				
Financial assets				
Trade and other receivables	6,742,239	-	6,742,239	6,742,239
Cash and bank balances	<u>3,174,728</u>	-	<u>3,174,728</u>	<u>3,174,728</u>
Financial liabilities				
Trade and other payables	-	17,603,452	17,603,452	17,603,452
Borrowings	-	<u>11,308,815</u>	<u>11,308,815</u>	<u>11,308,815</u>

**NOTES (continued)**

(All amounts are in Ghana cedis unless otherwise stated)

33. Commitments*Capital commitments*

There were no capital commitments at the reporting date (2018: Nil).

Operating lease commitments

The Company previously leases outlets under non-cancellable operating lease.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2019	2018
Not later than 1 year	-	132,480
Later than 1 year and not later than 5 years	<u>-</u>	<u>-</u>

34. Contingent liabilities*Claims*

The Company is defending legal actions brought by various persons for claims of GH¢3,943,337 (2018: GH¢1,718,409). Management has assessed the likelihood of these legal proceedings resulting in financial commitments and payments by the Company and concluded that this is not probable. No provision has been made in the financial statements following professional advice and management's assessment of these proceedings.

35. Events after reporting period

The World Health Organisation characterised the spread of Covid-19 as a pandemic on 11 March 2020. As at the date of this report, several cases have been confirmed in Ghana by the Ghana Health Service. The disease has caused a significant reduction in social interaction and measures taken to contain the virus have affected economic activities.

The directors envision that the increasing spread will likely have an impact on the economy and as a result the Company. The directors are, however, not able to produce a reliable estimate of this impact at this point.

**SHAREHOLDERS' INFORMATION****1. Details of 20 largest shareholders**

The twenty largest shareholders in the Company and the respective number of shares held at 31 December 2019 are as follows:

Names	Number of shares	% Shareholding
Mr. Terence R.K. Darko	15,024,381	29.99
Mega African Capital Ltd	3,774,500	7.53
Mr. Michael O. Darko	2,441,600	4.87
Mr. T.R Darko	2,062,000	4.12
D.M Darko	2,052,000	4.10
Mr. G. A. Darko	2,052,000	4.10
Mrs. K. Y. Darko – O’Kell	2,052,000	4.10
SCBN/ Mega African Capital	1,862,700	3.72
Mr. C. N. Darko	1,198,752	2.39
Ms. S. A. Darko	1,198,745	2.39
Ms. R. J. Darko	961,305	1.92
Ms. Caroline B. Darko	845,967	1.69
Mr. P. K. Abosi-Appeadu	635,300	1.27
Mr. M.O. Ansah	606,040	1.21
Ms. E. A. Darko	600,000	1.20
Coco - Mutual Fund Trust	581,700	1.16
Mr. Daniel Ofori	554,300	1.11
Alpine Properties Limited	550,700	1.10
Zigma Investment Club	526,600	1.05
Ms. L.S Darko	<u>508,465</u>	<u>1.01</u>
Reported totals	40,089,055	80.03
Not reported	<u>10,006,870</u>	<u>19.97</u>
	<u>50,095,925</u>	<u>100.00</u>

2. Number of shareholders

The number and distribution of ordinary shareholders with equal voting rights as at 31 December 2019 was as shown below:

	No. of holders	Total holding	% Holdings
1 - 1,000	3,147	1,289,371	2.57
1,001 - 5,000	695	1,528,202	3.05
5,001 - 10,000	103	813,772	1.63
10,001 and above	<u>121</u>	<u>46,464,580</u>	<u>92.75</u>
	<u>4,066</u>	<u>50,095,925</u>	<u>100.00</u>



SHAREHOLDERS' INFORMATION (continued)

3. Five year financial summary

(All amounts are thousands of Ghana cedis unless stated otherwise)

	2019	2018	2017	2016	2015
Statement of comprehensive income					
Revenue	24,851	49,536	34,553	50,965	46,827
(Loss)/profit before income tax	(8,179)	(3,457)	(4,119)	(2,673)	9,632
(Loss)/profit after income tax	(7,780)	(2,922)	(2,972)	(2,803)	8,785
Other comprehensive income	56,961	-	(2,572)	-	-
Total comprehensive income	<u>49,181</u>	<u>(2,922)</u>	<u>(5,544)</u>	<u>(2,803)</u>	<u>8,785</u>
No. of shares in thousands	<u>50,096</u>	<u>50,096</u>	<u>50,096</u>	<u>50,096</u>	<u>50,096</u>
Earnings per share:					
Basic and diluted (loss)/earnings per share (Ghana pesewas)	<u>(15.53)</u>	<u>(5.83)</u>	<u>(5.93)</u>	<u>(5.60)</u>	<u>17.54</u>
Statement of financial position					
Assets					
Non-current assets					
Property, plant and equipment	99,373	32,860	33,578	34,302	34,420
Intangible assets	241	267	167	234	350
Other prepayments	2,163	2,163	2,056	2,057	1,657
Other receivables	<u>115</u>	<u>303</u>	<u>877</u>	<u>388</u>	<u>-</u>
Total non-current assets	<u>101,892</u>	<u>35,593</u>	<u>36,678</u>	<u>36,981</u>	<u>36,427</u>
Current assets					
Non-current asset held for sale	<u>5,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>130,054</u>	<u>64,438</u>	<u>66,657</u>	<u>63,459</u>	<u>70,301</u>
Liabilities					
Non-current liabilities					
Current liabilities	<u>21,448</u>	<u>2,860</u>	<u>3,623</u>	<u>2,237</u>	<u>2,109</u>
Total liabilities	<u>29,023</u>	<u>31,176</u>	<u>29,709</u>	<u>22,354</u>	<u>26,020</u>
Total liabilities	<u>50,471</u>	<u>34,036</u>	<u>33,332</u>	<u>24,591</u>	<u>28,129</u>
Net assets	<u>79,583</u>	<u>30,402</u>	<u>33,325</u>	<u>38,868</u>	<u>42,172</u>
Equity					
Stated capital	2,771	2,771	2,771	2,771	2,771
Capital surplus account	76,251	19,290	19,290	21,862	21,862
Retained earnings	<u>561</u>	<u>8,341</u>	<u>11,264</u>	<u>14,235</u>	<u>17,539</u>
Total equity	<u>79,583</u>	<u>30,402</u>	<u>33,325</u>	<u>38,868</u>	<u>42,172</u>
Dividend paid per share (Ghana pesewas)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.00</u>	<u>2.00</u>
Net assets per share (Ghana pesewas)	<u>158.86</u>	<u>60.69</u>	<u>66.52</u>	<u>77.59</u>	<u>84.18</u>



PROXY FORM

Annual General Meeting to be Held at 11.00 am.
On Thursday, October 15, 2020 at **Accra International Conference Centre, Accra.**

I / We.....

of
being a member(s) of Mechanical Lloyd PLC and entitled to attend and vote at Annual / Extra-Ordinary General Meetings of the Company hereby appoint:

of.....
as my proxy to attend and vote for me and on my behalf at the Annual General Meeting of the Company to be held on

Dated this Day of 2020

Shareholder's Signature

This Proxy form should not be completed and sent to the Registrar's if the member will be attending the meeting.

Note:
Please sign the above Proxy Form and post it so as to reach the address shown below not later than 48 hrs. before the meeting.

Registrar's Dept.
Universal Merchant Bank Limited,
44 Kwame Nkrumah Avenue,
P.O. Box GP 401, Accra, Ghana

For Company's Use	No. of Shares	
Resolution	For Against	
1. To receive the Accounts		
2. To re-elect i. Mr. Terence Ronald Darko as Chairman. ii. Mr. Kofi Asamoah as Non-Director.		
3. To authorise the Directors to fix the remuneration of the Auditors.		
4. To authorise the Company to effect all changes in the Company's Regulations/ Constitution to make it compliant with the new Companies Act 2019 (992).		
5. To amend the Company's Regulations/ Constitution to accommodate the holding of Board Meetings and Annual General Meetings by electronic or virtual means where the Directors deem it necessary to do so.		
6. To authorise the Board of Directors to sell, lease, or otherwise dispose off Assets of the Company.		
7. To approve the de-listing of the Company from the Ghana Stock Exchange and to authorise the Directors to take all necessary steps to ensure a cost effective and well-managed delisting of the Company.		
8. To transact AOB appropriate to be dealt with at an Annual General Meeting.		

Please indicate with an "X" in the space above how you wish your votes to be cast on each of the above resolutions.



MECHANICAL LLOYD PLC

Admission Form

Annual General Meeting to be held at **Accra International Conference Centre, Accra** on **Thursday 15 October, 2020** at 11.00 o'clock in the forenoon.

Full name and address of shareholder

Number of shares held

IMPORTANT: This Admission Form must be produced by the Shareholder or his proxy in order to obtain entrance to the Annual General Meeting.



MECHANICAL LLOYD PLC. Incorporated in Ghana

Annual Report and Financial Statements for the year ended 31 December 2019

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First Fold Here

Please Affix
Stamp

**Universal Merchant Bank Limited,
Registrar's Dept.
44 Kwame Nkrumah Avenue,
P.O. Box 401, Accra**



Mechanical Lloyd PLC