Mechanical Lloyd Co. Ltd

Annual Report and Financial Statements

2016

MECHANICAL LLOYD COMPANY LIMITED

Annual Report and Financial Statements for the year ended 31 December 2016

CONTENTS

MISSION STATEMENT

The Corporate Mission of Mechanical Lloyd 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	Charles Bartels Kwesi Zwennes	(Chairman)
	Terence Ronald Darko	(Managing Director)
	Yaw Assah-Sam	
	Andrew Lawson	
	Kofi Asamoah	
	Kwesi Amonoo-Neizer	
	Joseph Hyde Jnr	
	Edward Kojo Annobil	
	Kalysta Darko-O'Kell	
Company Secretary	Caroline Darko	
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 No. 12 Airport City Una Home, 3rd Floor PMB CT42, Cantonments Accra, Ghana	
Registrars	Universal Merchant Bank Limited Registrar's Department 123 Kwame Nkrumah Avenue P. O. Box 401 Accra	
Bankers	Barclays Bank of Ghana Limited Stanbic Bank Ghana Limited Fidelity Bank (Ghana) Limited Universal Merchant Bank Limited Standard Chartered Bank Ghana Limited Zenith Bank (Ghana) Limited Ecobank (Ghana) Limited	

NOTICE OF THE TWENTY-FIFTH ANNUAL GENERAL MEETING OF MECHANICAL LLOYD CO. LTD.

Notice is hereby given that the **Twenty-Fifth** Annual General Meeting of members of Mechanical Lloyd Company Limited has been convened by the Board of Directors of the Company to be held at the **ACCRA INTERNATIONAL CONFERENCE CENTRE,** Accra on **Tuesday, June 20, 2017** at **11.00 o'clock** in the forenoon to transact the following business:

Agenda

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, 2016.

2. To re-elect the following Directors retiring by rotation.
   i. Mr. C.B.K. Zwennes
   ii. Mr. Kofi Asamoah

3. To authorise the Directors to fix the remuneration of the Auditors.

A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. A proxy need not also be a member. A form of proxy is attached and if it is to be valid for the purposes of the meeting, it must be completed and deposited with the **REGISTRARS,** UNIVERSAL MERCHANT BANK LIMITED, 123 Kwame Nkrumah Avenue, Sethi Plaza, P.O. BOX GP 401, ACCRA not less than 48 hours before the time for holding the Meeting.

Dated this 30th day of March, 2017.

BY ORDER OF THE BOARD

CAROLINE DARKO
SECRETARY

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

FINANCIAL HIGHLIGHTS

(All amounts are in Ghana cedis unless otherwise stated)

	2016	2015	% Change
Revenue	**50,964,812**	46,827,055	8.84
(Loss)/ profit before tax	**(2,673,281)**	9,631,976	(127.75)
(Loss)/ profit after tax	**(2,803,118)**	8,785,263	(131.91)
Shareholders' funds	**38,868,208**	42,172,285	(7.83)
Capital expenditure	**1,832,234**	3,729,442	(50.87)
Total assets	**63,458,711**	70,300,839	(9.73)

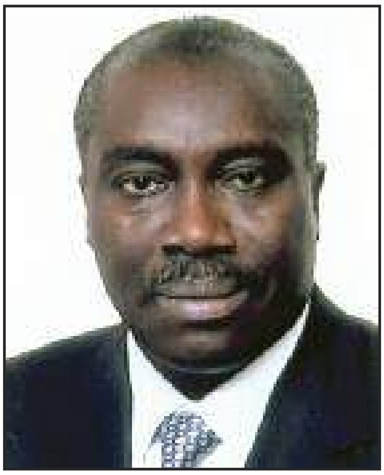
Proposed dividend per share (GH¢)	-	0.02	-
(Loss)/earnings per share (GH¢)	**(0.0560)**	0.1754	(131.93)
Net assets per share(GH¢)	**0.7759**	0.8418	(7.83)

BOARD OF DIRECTORS PROFILE

CHARLES B.K. ZWENNES

Chairman

Mr. Zwennes is a Barrister at Law with over 50 years at the Bar and a Senior Advocate of Ghana (S.A.G.). He joined the Board in 1994 and was appointed Chairman of the Board of Directors in March 2008. He is a Director of J. Stanley Owusu & Co. Ltd., and African Concrete Products Ltd.. Previously held positions include, Chairman of the Board of Directors of the State Transport Corporation, Chairman of the Board of the State Housing Corporation and Chairman of the Board of Achimota School. He has served on several Public Commissions of Enquiry appointed by the Government of Ghana. He holds the State award of an Officer of the Order of the Volta.

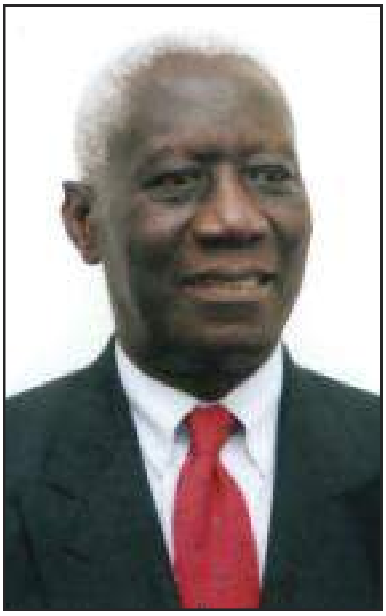


TERENCE RONALD DARKO

Managing Director

Mr. Darko has over 38 years experience in Management. He has been the Managing Director of the Company since 1977.

He the President of the Ghana Employers Association, member of the Governing Council of the Private Enterprise Federation and Chairman of the Board of Ecobank Ghana Limited.



YAW ASSAH-SAM

Non-Executive Director

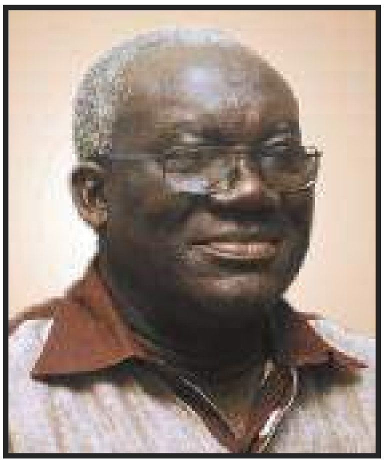
Mr. Assah-Sam was appointed on the Board of Mechanical Lloyd in 2005. He served as the Personnel Manager, General Manager, Resource and Planning and Director, Sales and Service before retiring on January 1, 2012. He worked with the Capital Investment Board and Ghana Food Distribution Corporation before joining Mechanical Lloyd in 1990. He also served on the Council of Ghana Employers' Association, the Boards of the National Accreditation Board and National Board for Professional and Technical Examinations. He holds a Bsc (Administration) Degree from the School of Administration, University of Ghana, Legon, and currently serves on the Boards of Asabre Construction Ltd. and the Quest Sports Management Company Limited.

BOARD OF DIRECTORS PROFILE (CONTINUED)

MR. ANDREW LAWSON

Non-Executive Director

Former Lecturer at the School of Administration University of Ghana, Mr. Lawson worked as the General Works Manager and later as Director of Engineering at Mechanical Lloyd Co. Ltd. between 1978 and 1990. He was the Factory Manager at Meridian Tobacco Co. Ltd. as well as the Manager in charge of the Tobacco Farms. He became the Integration Manager and Non-Executive Director when Meridian and British American Tobacco Ghana merged and is currently the Chairman of the Board of British American Tobacco Ghana. He was a Founding Member of the Executive Council of the Energy Foundation and a former Commissioner of the Public Utilities Regulatory Commission. He retired at the end of the first quarter of 2010 as the Executive Director of the Energy Foundation.



MR. KOFI ASAMOAH

Non-Executive Director

Mr. Kofi Asamoah started his working career with the Ghana Ports and Harbours Authority in 1977. In 1988, he was elected the Deputy General Secretary of the Maritime and Dockworkers Union of the TUC. In 1996, he was elected the General Secretary of the Maritime and Dockworkers Union. From 2000 to 2008 he was the Deputy Secretary General (Operations) of the Ghana TUC. In 2008 he was elected as the Secretary General of the TUC. He retired as the Secretary General of the TUC in August, 2016.

Mr. Asamoah served on several boards including, Titular Member - Governing Body of the International Labour Organisation (ILO), Member - National Tripartite Committee, Member - National Health Insurance Authority, Board Member - SSNIT Board of Directors. He was elected to the Mechanical Lloyd Board of Directors in 2011.

MR. KWESI AMONOO-NEIZER

Non-Executive Director

Mr. Kwesi Amonoo-Neizer joined the Mechanical Lloyd Board of Directors in 2013. He studied for his degree in Electrical Engineering at KNUST, Kumasi. He obtained an MSc. in Power Engineering from Strathclyde University (Glasgow) and an MBA from the Cranfield School of management (UK). His early working career was with Power Grid Plc (UK) and the Volta River Authority (VRA).

In 1993 he joined Databank Financial Services as a Senior Analyst. He pioneered and spearheaded the establishment of Databank Asset Management during the 13 years he was with Databank. He was instrumental in setting up EPACK which he grew to become one of the largest African Funds. Mr. Amonoo-Neizer had risen to the position of Executive Director when he left Databank in 2008 to set up OAK Partners Ltd., where he is in charge of investments. He also manages investments in three other funds. Kwesi is the Managing Director of Mega African Capital.

He is currently the Chairman of the Board of Omega Capital Ltd., a Board member of the Edendale Properties Ltd., Mega African Capital, Haradali Capital Ltd. (Tanzania) and Zigma Investment Club.

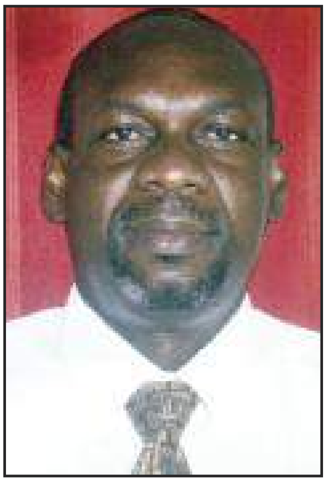
BOARD OF DIRECTORS PROFILE (CONTINUED)

MR. JOSEPH HYDE JNR.

Executive Director

Mr Joseph Hyde Jnr. trained with KPMG Deutsche Treuhand Gesellschaft in Dusseldorf, Germany and Flemings PLC UK before joining Mechanical Lloyd in March 1998 as a Senior Accounts Manager. He was subsequently promoted to Chief Accountant and General Manager Aftersales. He is currently the Director, Aftersales with responsibility for the five aftersales Branch operations of the Company.

He is a Fellow of the Association of Chartered Accountants and a member of the ICAG. Mr Hyde serves on the Board of St. Martin De Porres School, Accra.



MR. EDWARD K. ANNOBIL

Executive Director

Mr. Edward Kojo Annobil has about 15 years management experience and a total of 20 years work experience. He has worked with Mechanical Lloyd for over 15 years and has held several positions of increasing responsibilities from Sales Representative to Customer Service Manager then to General Manager for Sales and Marketing. He is currently the Director of Sales and Marketing.

He has a wealth of experience and knowledge in the automobile industry and is currently Vice President of Ghana Automobile Dealers Association. He is also a full member of the Chartered Institute of Marketing, Ghana (CIMG).

Kojo has an Engineering Degree from the Kwame Nkrumah University of Science and Technology and a Chartered Post Graduate Diploma in Marketing.

MRS. KALYSTA Y. DARKO-O'KELL

Executive Director

Mrs. Kalysta Darko-O'Kell is currently the Director, Finance & Administration. She is a Fellow of the Association of Chartered Certified Accountants, UK (ACCA). She also holds a BA Economics and Law degree from the University of Durham, UK.

Mrs. Darko-O'Kell worked with Hanson, UK (Heidelberg Cement Group), Bristol, Merrill Lynch, London and PricewaterhouseCoopers (Ghana) before joining Mechanical Lloyd.

MS. CAROLINE DARKO

Secretary to the Board

Ms. Darko, a lawyer by training, joined the Company in 1987 as a Management Trainee in the then Commercial Department. She was appointed Company Secretary in 1997.

REPORT OF THE DIRECTORS

The directors submit their report for Mechanical Lloyd Company Limited ('the Company') for the year ended 31 December 2016.

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 then 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, 1963 (Act 179).

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

We have no plans or intentions, for example to dispose of the business or cease operations that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Nature of business

The Company is engaged in the distribution and marketing of motor vehicles and farm machinery and in the repair, servicing and maintenance of same.

Financial results

The financial results of the Company are set out below:	**GH¢**
Loss before tax for the year ended 31 December 2016	**(2,673,281)**
from which is deducted income tax expense of	**(129,837)**
giving a loss after tax for the period of	**(2,803,118)**
to which is added balance brought forward on income surplus account of	**17,539,177**
from which is deducted 2015 final dividend paid of	**(500,959)**
leaving a balance carried forward on income surplus account of	**14,235,100**

Dividend

The Company paid a final dividend of GH¢0.01 per share amounting to GH¢500,959 for the year ended 31 December 2015.

REPORT OF THE DIRECTORS (CONTINUED)

Directors and their interests
The present membership of the Board is set out on page 4. All directors served throughout the year.

Mr. Charles Bartels Kwesi Zwennes and Mr. Kofi Asamoah retire by rotation and being eligible offer themselves for re-election as directors.

The directors' interests in the ordinary shares of the Company at 31 December 2016 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. Charles B.K. Zwennes (jointly with Mrs Jacqueline Zwennes)	53,557
Mr. Yaw Assah-Sam	21,500
Mr Kofi Asamoah	10,000
Mr. Joseph Hyde Jnr	8,100
Mr. Edward Kojo Annobil	6,400

Directors' interests in contracts

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

Auditor

The auditor, PricewaterhouseCoopers, has expressed willingness to continue in office in accordance with Section 134(5) of the Companies Act, 1963 (Act 179).

By order of the board

C.B.K. ZWENNES
CHAIRMAN

KALYSTA Y. DARKO-O'KELL
DIRECTOR, FINANCE AND ADMINISTRATION

21 April, 2017

CHAIRMAN' S REVIEW OF 2016

2016 represented a challenging year for business, industry and individuals. The economy continued to face challenges; weak GDP growth estimated at 3.6%, a slower than expected decline in inflation, deterioration of the fiscal deficit to an estimated 9 percent of GDP, instead of declining to 5¼ percent of GDP as envisaged under the IMF-supported programme. Unanticipated technical problems in the Jubilee oil field resulting in a reduction in oil production coupled with weaker than expected oil prices, forced a mid-year revision of the budget to reflect the consequent shortfall in domestic revenue, continued weak commodity prices and capital flows and fiscal slippage. As a result, the government debt to GDP ratio increased further to approximately 74 percent of GDP at the end of 2016.

This paints a bleak picture and leaves the new government with the daunting task of implementing policies that will ensure the restoration of macroeconomic stability, high and sustainable growth and job creation. The new government is confident that the prudent and innovative policies outlined in the 2017 budget will restore fiscal discipline and debt sustainability to support growth and private sector development.

For 2016, we achieved a turnover of GH₵ 50.96 million which was an increase of 8.84% above the figure of GH₵ 46.83 million for 2015. Operating expenses as a proportion of revenue was 21.52% as against 25.28% for 2015. After adjusting for Other Income of GH₵ 1,279,092 (2015: GH₵ 10,197,935), we ended the year with an operating loss of GH₵ 2,295,895 which after adding Finance Income and deducting Finance Costs, resulted in a Loss Before Income Tax of GH₵ 2,673,281 and after adjusting for an Income Tax Expense of GH₵ 129,837 we ended the year with a Loss of GH₵ 2,803,118.

SALE OF WHOLEGOODS

With the growth of the grey import market and the introduction of lower priced competitive vehicles to Ford and in our attempt to increase volumes, we had to massively reduce our margins on the Ford range of products. We did not achieve the increase in volumes even with the reduced margins. The result is we ended the year with a loss.

FORD

Ford whole goods sales in 2016 achieved 71% of the sales recorded for 2015 and only 49% of its sales target for 2016.

BMW

BMW achieved 77% of its target during the year but achieved 146% of the sales recorded for 2015. However BMWs market share in the luxury vehicle segment increased by 9% from 2015 to 2016 and we are very positive about growing the BMW business in Ghana. We look forward to introducing and launching new BMW models such as the new BMW 5 Series and BMW X3.

MF

MF achieved 138% of the sales recorded for 2015. For 2017, we are expecting income flow to be realized in association with The More Food Programme. The More Food Programme is an agreement

CHAIRMAN' S REVIEW OF 2016 (continued)

between Ghana through MoFA (Ministry of Food and Agriculture) and Brazil which enabled MoFA to purchase Agricultural tractors through the utilization of a grant from the Brazilian government. In line with the agreement, 150 units Massey Ferguson (MF) tractors have been purchased from AGCO by MoFA. As the franchise holder for MF in Ghana, we will be responsible for all aftersales services for these tractors.

AFTERSALES

This year, our Aftersales achieved 73% of targeted turnover and 118% of the overall recorded revenue for 2015. Aftersales performed above their 2015 results but performed below target for 2016 due to continuing efforts by our technical team to resolve all the cases of the flooded vehicles.

During the year, MF certified trainers conducted extensive technical training to our MF technicians in preparation for the execution of the More Food Programme. Ford and BWW certified trainers also continued to conduct practical and theory-based technical training to our technicians both online and at the Company's Regional Training Centre during the course of the year.

DIVIDEND

The Board of Directors do not propose a dividend for the year ended 31 December 2016.

2017 OUTLOOK

We will continue to make strategic decisions in terms of overseas liabilities and internal procedures to mitigate our exposure to foreign exchange risk evident in the exchange gain realized for 2016.

We plan to launch aggressive marketing campaigns to promote our brands and increase brand visibility to consumers. We will also continue to strengthen our relationships with our overseas partners and collaborate with them to implement marketing activities in Ghana.

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.

C.B.K ZWENNES
CHAIRMAN

CORPORATE GOVERNANCE REPORT

Introduction

Mechanical Lloyd Company Limited (‘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 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 nine directors and include five 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 four non-executive directors, 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 enhancing its comprehensive risk and control review. This is aimed at both improving the mechanism for identifying and monitoring risk as well as appraising 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 COMPANY LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Mechanical Lloyd Company Limited as at 31 December 2016, 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, 1963 (Act 179).

What we have audited

We have audited the financial statements of Mechanical Lloyd Company Limited (the "Company") for the year ended 31 December 2016.

The financial statements on pages 19 to 52 comprise:

- statement of financial position as at 31 December 2016;
- statement of comprehensive income for the year then ended;
- statement of changes in equity for the year then ended;
- 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MECHANICAL LLOYD COMPANY LIMITED (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Allowance for impairment of trade receivables Allowance for impairment of trade receivables is a key area of focus due to the significant judgement that management exercises in providing for impairment of trade receivables once indicators of impairment are present at the reporting date. As described in accounting policies (note 2.11) and disclosed in trade and other receivables (note 15) of the financial statements, the Company fully provided for impaired trade receivables of GH¢1,207,816 at the reporting date. The indicators the Company considers and critical judgements management exercises in providing for impaired trade receivables are disclosed in note 3.2 of the financial statements.	Our audit procedures included evaluating the design of selected controls, and testing the effectiveness of selected controls for the extension of credit facilities to customers and the monitoring of long outstanding trade receivables. We tested the procedures for identifying customers in default of the agreed credit terms. We tested the allowance made for impaired trade receivables by independently assessing customer's account history, and testing post year end receipts from customers. We assessed the reasonableness of amount recognised as allowance for impairment at year end by comparing our independent assessment with that of management.

Other information

The directors are responsible for the other information. The other information comprises the Financial Highlights, Report of Directors, Corporate Governance Report, Shareholders Information and Five Year Financial Summary 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 are 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 and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MECHANICAL LLOYD COMPANY LIMITED (CONTINUED)

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, 1963 (Act 179), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MECHANICAL LLOYD COMPANY LIMITED (CONTINUED)

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

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Companies Act, 1963 (Act 179) 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 balance sheet (statement of financial position) and Company's profit and loss account (part of the 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 Oseini Amui (ICAG/P/1139).

PricewaterhouseCoopers

PricewaterhouseCoopers (ICAG/F/2017/028)
Chartered Accountants
Accra, Ghana.
28 April, 2017

pwc

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are in Ghana cedis)

		Year ended 31 December	
	Note	**2016**	2015
Revenue	4	**50,964,812**	46,827,055
Cost of sales	5	**(43,574,702)**	(35,545,785)
Gross profit		**7,390,110**	11,281,270
Operating costs	6	**(10,965,097)**	(11,835,834)
Other income	7	**1,279,092**	10,197,935
Operating (loss)/profit		**(2,295,895)**	9,643,371
Finance income	8	**501,242**	876,408
Finance costs	8	**(878,628)**	(887,803)
(Loss)/profit before income tax		**(2,673,281)**	9,631,976
Income tax expense	10	**(129,837)**	(846,713)
(Loss)/profit after income tax		**(2,803,118)**	8,785,263
Other comprehensive income		-	-
Total comprehensive income for the year		**(2,803,118)**	8,785,263
Earnings per share			
Basic and diluted (loss)/earnings per share	30	**(0.0560)**	0.1754

The notes on pages 23 to 52 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

(All amounts are in Ghana cedis)

	Note	At 31 December 2016	2015
ASSETS			
Non-current assets			
Property, plant and equipment	11	**34,301,790**	34,420,131
Other prepayments	12	**2,056,425**	1,656,925
Intangible assets	13	**234,339**	349,760
		36,592,554	36,426,816
Current assets			
Inventories	14	**17,263,649**	22,265,945
Trade and other receivables	15	**6,234,093**	7,093,402
Cash and cash equivalents	16	**3,368,415**	4,514,676
		26,866,157	33,874,023
Total assets		**63,458,711**	70,300,839
EQUITY AND LIABILITIES			
Equity			
Stated capital	17	**2,771,486**	2,771,486
Capital surplus account	18	**21,861,622**	21,861,622
Income surplus account	19	**14,235,100**	17,539,177
Total equity		**38,868,208**	42,172,285
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	20	**2,237,124**	2,108,774
Current liabilities			
Trade and other payables	21	**18,999,645**	23,331,160
Current income tax liability	22	**2,053,094**	2,477,780
Borrowings	23	**1,300,640**	210,840
		22,353,379	26,019,780
Total liabilities		**24,590,503**	28,128,554
Total equity and liabilities		**63,458,711**	70,300,839

The notes on pages 23 to 52 are an integral part of these financial statements.

The financial statements on pages 19 to 52 were approved for issue by the Board of Directors on 21 April, 2017 and signed on its behalf by:

C.B.K. ZWENNES
CHAIRMAN

KALYSTA Y. DARKO-O'KELL
DIRECTOR, FINANCE AND ADMINISTRATION

STATEMENT OF CHANGES IN EQUITY

(All amounts are in Ghana Cedis)

	Stated capital	Capital surplus account	Income surplus account	Total
Year ended 31 December 2016				
At 1 January 2016	2,771,486	21,861,622	17,539,177	**42,172,285**
Loss for the year	-	-	(2,803,118)	**(2,803,118)**
Total comprehensive income for the year	-	-	(2,803,118)	**(2,803,118)**
Transaction with owners:				
Final dividend declared for 2015	-	-	(500,959)	**(500,959)**
At 31 December 2016	**2,771,486**	**21,861,622**	**14,235,100**	**38,868,208**
Year ended 31 December 2015				
At 1 January 2015	2,771,486	21,861,622	9,755,833	34,388,941
Profit for the year	-	-	8,785,263	8,785,263
Total comprehensive income for the year	-	-	8,785,263	8,785,263
Transaction with owners:				
Interim dividend declared for 2015	-	-	(1,001,919)	(1,001,919)
At 31 December 2015	2,771,486	21,861,622	17,539,177	42,172,285

The notes on pages 23 to 52 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(All amounts are in Ghana cedis)

	Note	Year ended 31 December 2016	2015
Cash flows from operating activities			
Cash generated from/(used in) operations	26	**667,781**	(14,682,877)
Interest received	8	**501,242**	876,408
Interest paid	8	**(878,628)**	(13,040)
Income tax paid	22	**(426,173)**	(307,508)
Net cash used in operating activities		**(135,778)**	(14,127,017)
Cash flow from investing activities			
Deposit for leasehold land	12	**(399,500)**	(1,206,525)
Purchase property, plant and equipment	11	**(1,432,734)**	(2,522,917)
Proceeds from disposal of property, plant and equipment	11	**232,910**	-
Proceeds from disposal investment property	24	-	21,265,941
Net cash (used in)/generated from investing activities		**(1,599,324)**	17,536,499
Cash flow from financing activities			
Repayment of loans	23	-	(5,171,985)
Dividend paid	25	**(500,959)**	(1,001,919)
Net cash used in financing activities		**(500,959)**	(6,173,904)
Net decrease in cash and cash equivalents		**(2,236,061)**	(2,764,422)
Cash and cash equivalent at start of year	16	**4,303,836**	7,068,258
Cash and cash equivalents at end of year	16	**2,067,775**	4,303,836

The notes on pages 23 to 52 are an integral part of these financial statements.

NOTES

1. General information

Mechanical Lloyd Company Limited (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) Compliance with IFRS

The financial statements of Mechanical Lloyd Company Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

(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) New and amended standards adopted by the Company

A number of new and amended standards have become effective on or after 1 January 2016. The Company has assessed the effects of the new and amended standards and has determined that the new and amended standards do not have any material impact on the Company's financial statements or are not relevant to the Company.

(iv) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9, 'Financial instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. While the Company has yet to undertake a detailed assessment of the classification and

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(iv) New standards, amendments and interpretations not yet adopted (continued)

IFRS 9, 'Financial instruments (continued)

measurement of financial assets, there are no debt instruments currently classified as available-for-sale (AFS) and hence there will be no impact on the financial statements. There are also no equity instruments or debt instruments held by the Company as financial assets.

Accordingly, the Company does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed. The new standard also introduces expanded disclosure requirements and changes in presentation.

The standard must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Company does not intend to adopt IFRS 9 before its mandatory date.

IFRS 15, 'Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. At this stage, the Company is yet to estimate the impact of the new rules on the Company's financial statements. The standard is mandatory for financial years commencing on or after 1 January 2018. Expected date of adoption by the Company: 1 January 2018.

IFRS 16, 'Leases

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Company's operating leases. The Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Company's profit and classification of cash flows.

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(iv) New standards, amendments and interpretations not yet adopted (continued)

IFRS 16, Leases (continued)

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Company does not intend to adopt the standard before its effective date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below.

Revenue is recognised as follows:

(i) Sales of vehicles and parts are recognised in the period in which the Company has delivered products to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been accepted by the customer.

No element of financing is deemed present as the sales are made within credit terms, which is consistent with the market practice. The Company does not operate any loyalty programmes.

(ii) Service revenues are recognised in the period in which the services are rendered.

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

2.3 Foreign currency translation

(a) 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.

(b) 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

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

2.3 Foreign currency translation (continued)

(b) Transactions and balances (continued)

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 'operating costs'.

2.4 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 every five years 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.

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

Leasehold land	2%
Buildings	2½% – 4%
Plant and machinery	10%
Furniture and equipment	10%
Computers	33⅓%
Motor vehicles	15% – 20%

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

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 the income surplus account.

2.5 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.

2.6 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 groups of assets (cashgenerating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.7 Non-current assets held for sale

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

2.8 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

2.9 Inventories

Inventories 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.

2.10 Financial assets

Classification
All financial assets of the Company are classified as loans and receivables, based on the purpose for which the financial assets were acquired. The directors determine the classification of the financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Recognition and measurement
Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

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

Impairment of financial assets
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

Impairment of financial assets (continued)

impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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.

2.11 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed 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 provision for impairment. A provision for impairment is made on a case by case basis and when there is evidence that the amount due will not be fully recovered at the original cost.

2.12 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.

2.13 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.

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

2.14 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.

2.15 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.

2.16 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.

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

2.17 Income tax (continued)

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 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 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.

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.

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

2.19 Employee benefits

The Company operates defined contribution retirement benefit schemes for its employees.

Retirement benefit obligations

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 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.

NOTES (CONTINUED)

3. Critical estimates, judgements and errors (continued)

3.1 Critical accounting estimates and assumptions (continued)

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. Property, plant and equipment were last fair valued in 2012. 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 8.5% and forced sale value at 70%. Management is of the opinion that the carrying amount of property, plant and equipment is not impaired and not materially different from its fair value at the reporting date.

3.2 Critical judgements in applying the entity's accounting policies

Trade receivables

Management exercises judgements in determining recoverable amount of impaired receivables when there is objective evidence to suggest that trade accounts receivable balance is impaired. The impairment assessment is carried out on cases by case basis with focus customers who had defaulted on their payment terms. Management determines whether there are observable data indicating that a trade receivable balance is impaired. This evidence may include observable data indicating that there has been an adverse change in the payment status of customers and a review of accounts history of customers. Management uses estimates based on historical loss experience for credit customers. Estimates are reviewed at least once a year to reduce any differences between loss estimates and actual loss experience.

NOTES (CONTINUED)

(All amounts are in Ghana cedis unless otherwise stated)

4. Revenue

	2016	2015
Motor vehicles and farm machinery sales	**39,323,040**	37,120,547
Spare parts sales and workshop earnings	**11,641,772**	9,706,508
	50,964,812	46,827,055

5. Cost of sales

Vehicles and farm machinery	**29,880,266**	23,859,307
Spare parts	**9,014,903**	7,528,254
Staff costs (Note 9)	**2,766,737**	2,391,944
Other direct expenses	**1,033,130**	994,202
Overheads	**879,666**	772,078
	43,574,702	35,545,785

6. Operating costs

Operating costs include:		
Staff costs (excluding executive director's emoluments)	**3,322,553**	2,913,744
Executive director's emoluments (Note 27)	**1,108,630**	906,045
Non-executive director's emoluments (Note 27)	**114,300**	123,100
Depreciation (Note 11)	**1,402,232**	1,127,780
Amortisation of intangible asset (Note 13)	**115,421**	172,270
Auditor's remuneration	**150,244**	133,965
Net exchange losses	**-**	769,590
Provision for doubtful debts (Note 15)	**-**	741,731
Donations	**20,376**	100

7. Other income

Miscellaneous income	**240,714**	121,674
Income from clinic services	**286,615**	321,772
Commission and fees earned on special projects	**125,506**	1,436,710
Net exchange gains	**529,214**	-
Gain on disposal of investment properties (Note 24)	**-**	8,305,941
Rental income	**12,976**	11,838
Profit on disposal of property, plant and equipment (Note 11)	**84,067**	-
	1,279,092	10,197,935

NOTES (CONTINUED)

(All amounts are in Ghana cedis unless otherwise stated)

8. Finance income and costs

	2016	2015
Finance income:		
Interest on treasury bills	**254,492**	657,376
Interest income on credit sales	**246,750**	219,032
	501,242	876,408
Finance costs:		
Interest on loans	**98,536**	13,040
Exchange Losses on loans	**-**	874,763
Interest charges on outstanding payables	**780,092**	-
	878,628	887,803

9. Staff costs

	2016	2015
Wages and salaries (including executive directors' salaries)	**6,523,171**	5,632,660
Pension contributions	**674,749**	579,073
	7,197,920	6,211,733

The number of persons employed by the Company at the year-end was 178 (2015: 171).

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

	2016	2015
Cost of sales	**2,766,737**	2,391,944
Operating costs	**4,431,183**	3,819,789
	7,197,920	6,211,733

10. Income tax expense

	2016	2015
Current income tax charge (Note 22)	**1,487**	3,103,917
Deferred income tax charge/(credit)(Note 20)	**128,350**	(2,257,204)
	129,837	846,713

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

	2016	2015
(Loss)/profit before income tax	**(2,673,281)**	9,631,976
Tax charged at corporate tax rate of 25% (2015:25%)	**(668,320)**	2,407,994
Expenses not deductible for tax purposes	**376,525**	27,739
Income taxed at different rate	**(2,206)**	(832,606)
Utilisation of previous unrecognised realised exchange losses	**-**	(953,256)
Adjustment in respect of prior years	**423,838**	196,842
	129,837	846,713

NOTES (CONTINUED)

(All amounts are in Ghana cedis unless otherwise stated)

11. Property, plant and equipment

	Buildings	**Plant, machinery, equipment, furniture and vehicles**	**Capital work-in-progress**	**Total**
Cost/valuation				
At 1 January 2016	33,475,709	5,736,223	-	**39,211,932**
Additions	147,803	1,284,931	-	**1,432,734**
Disposals	-	(207,490)	-	**(207,490)**
At 31 December 2016	**33,623,512**	**6,813,664**	**-**	**40,437,176**
Accumulated depreciation				
At 1 January 2016	2,442,592	2,349,209	-	**4,791,801**
Charge for year	874,601	527,631	-	**1,402,232**
Released on disposal	-	(58,647)	-	**(58,647)**
At 31 December 2016	**3,317,193**	**2,818,193**	**-**	**6,135,386**
Net book amount				
At 31 December 2016	**30,306,319**	**3,995,471**	**-**	**34,301,790**
Cost/valuation				
At 1 January 2015	27,027,038	4,617,135	5,094,937	36,739,110
Additions	131,285	1,393,414	998,218	2,522,917
Transfer from other prepayments	-	-	224,231	224,231
Transfers	6,317,386	-	(6,317,386)	-
Disposals	-	(274,326)	-	(274,326)
At 31 December 2015	33,475,709	5,736,223	-	39,211,932
Accumulated depreciation				
At 1 January 2015	1,683,182	2,100,423	-	3,783,605
Charge for year	759,410	368,370	-	1,127,780
Released on disposal	-	(119,584)	-	(119,584)
At 31 December 2015	2,442,592	2,349,209	-	4,791,801
Net book amount				
At 31 December 2015	31,033,117	3,387,014	-	34,420,131

The buildings were revalued on 30 November 2012 by independent professional valuers. Valuation is on the basis of open market value. If buildings were stated on historical cost basis, the amounts would be as follows:

	2016	2015
Cost	**3,618,200**	3,618,200
Accumulated depreciation	**(1,597,078)**	(1,534,569)
Net book amount	**2,021,122**	2,083,631

NOTES (CONTINUED)

(All amounts are in Ghana cedis unless otherwise stated)

11. Property, plant and equipment (continued)

	2016	2015
Profit on disposal of property, plant and equipment		
Cost	**207,490**	274,326
Accumulated depreciation	**(58,647)**	(119,584)
Net book amount	**148,843**	154,742
Write off	**-**	(154,742)
Disposal proceeds	**(232,910)**	-
Profit on disposal	**(84,067)**	-

Capital work-in-progress as at 31 December 2015 comprised new branch workshop and showroom under construction in Takoradi. The project was completed in during the year.

The Company capitalised borrowing costs amounting to GH¢216,201 on qualifying assets in 2015. Borrowing costs were capitalised at 3 months LIBOR plus 6.25% per annum.

Fair values of buildings

The buildings were revalued on 30 November 2012 by independent professional valuers to determine the fair value at 31 December 2012. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income for the year ended 31 December 2012. The net revaluation surplus is currently shown in capital surplus account in equity (Note 19). The directors are of the view that the fair value of buildings at 31 December 2016 is not materially different different levels have been 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:

	2016	2015
Fair value measurement using other observable input (Level 2)	**30,306,319**	31,033,117

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.

NOTES (CONTINUED)

(All amounts are in Ghana cedis unless otherwise stated)

12. 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.

	2016	2015
At 1 January	**1,656,925**	674,631
Additions	**399,500**	1,206,525
Transfers to property, plant and equipment	-	(224,231)
At 31 December	**2,056,425**	1,656,925

13. Intangible assets

The intangible assets represents capitalised computer software.

Cost		
At 1 January and 31 December	**792,189**	792,189
Amortisation		
At 1 January	**442,429**	270,159
Charge for the year	**115,421**	172,270
At 31 December	**557,850**	442,429
Net book amount 31 December	**234,339**	349,760

14. Inventories

Trade inventories	**15,489,301**	17,905,734
Goods in transit	**1,346,419**	3,684,134
Work-in-progress	**316,928**	565,835
Non-trade inventories	**111,001**	110,242
	17,263,649	22,265,945

The cost of inventories recognised as an expense and included in cost of sales amount to GH₵38,895,170 (2015: GH₵31,387,561). No amount was charged to profit or loss for damaged and obsolete inventories during the year (2015: Nil).

NOTES (CONTINUED)

(All amounts are in Ghana cedis unless otherwise stated)

15. Trade and other receivables

	2016	2015
Trade receivables	**6,535,174**	6,036,853
Less provision for impairment of trade receivables	**(1,207,816)**	(1,207,816)
Trade receivables - net	**5,327,358**	4,829,037
Staff receivables	**679,385**	523,446
Other receivables	**112,037**	1,616,326
Prepayments	**115,313**	124,593
	6,234,093	7,093,402

The maximum amount of staff indebtedness during the year did not exceed GH¢680,000 (2015: GH¢523,446).

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

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

	2016	2015
At 1 January	**1,207,816**	466,085
Increase during the year	**-**	741,731
At 31 December	**1,207,816**	1,207,816

16. Cash and cash equivalents

	2016	2015
Cash in hand	**49,014**	15,250
Cash at bank	**3,319,401**	3,093,075
Treasury bills (maturing within the 91 days purchase)	**-**	1,406,351
	3,368,415	4,514,676

Cash and cash equivalents include the following for the purposes of statement of cash flows:

	2016	2015
Cash and cash equivalents	**3,368,415**	4,514,676
Bank overdrafts	**(1,300,640)**	(210,840)
	2,067,775	4,303,836

NOTES (CONTINUED)

(All amounts are in Ghana cedis unless otherwise stated)

17. Stated capital

The authorised ordinary shares of the Company is 100,000,000 ordinary shares of no par value out of which 50,095,925 (2015: 50,095,925) have been issued as follows:

	No. of shares	Proceeds
Issued for cash consideration	**11,426,643**	**47,792**
Rights issue	**34,011,865**	**2,708,790**
Transfer from income surplus	**4,657,417**	**14,904**
	50,095,925	**2,771,486**

There was no change in stated capital during the year (2015: Nil).

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

18. Capital surplus account

	2016	2015
At 1 January and 31 December	**21,861,622**	21,861,622

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. The latest valuation was performed on 30 November 2012. Capital surplus is not available for distribution.

19. Income surplus account

The income surplus account represents earnings retained by the Company. Movements in the income surplus account are shown in the statement of changes in equity on page 21 of these financial statements.

NOTES (CONTINUED)

(All amounts are in Ghana cedis unless otherwise stated)

20. Deferred income tax

	At 1 January	Charged/ (credited) to profit or loss	At 31 December
Year ended 31 December 2016			
Property, plant and equipment			
- on historical cost basis	(381,003)	498,205	**117,202**
- on revaluation surpluses	3,857,933	-	**3,857,933**
Intangible assets	66,936	(18,603)	**48,333**
Carry forward tax losses	-	(1,282,615)	**(1,282,615)**
Provision for doubtful debts	(301,954)	-	**(301,954)**
Other provisions	(722,050)	520,275	**(201,775)**
Unrealised exchange losses	(411,088)	411,088	**-**
	2,108,774	128,350	**2,237,124**
Comprising:			
Deferred income tax asset	(1,816,095)	(1,301,218)	**(3,117,313)**
Deferred income tax liability	3,924,869	1,429,568	**5,354,437**
	2,108,774	128,350	**2,237,124**
Year ended 31 December 2015			
Property, plant and equipment			
- on historical cost basis	(293,643)	(87,360)	(381,003)
- on revaluation surpluses	3,857,933	-	3,857,933
Intangible assets	53,784	13,152	66,936
Investment properties	1,944,000	(1,944,000)	-
Provision for doubtful debts	(116,521)	(185,433)	(301,954)
Other provisions	-	(722,050)	(722,050)
Unrealised exchange losses	(1,079,575)	668,487	(411,088)
	4,365,978	(2,257,204)	2,108,774
Comprising:			
Deferred income tax asset	(1,489,739)	(326,356)	(1,816,095)
Deferred income tax liability	5,855,717	(1,930,848)	3,924,869
	4,365,978	(2,257,204)	2,108,774

21. Trade and other payables

	2016	2015
Trade payables	**17,584,996**	19,724,663
Accrued charges	**234,667**	425,606
Sundry payables	**246,876**	292,691
Provisions	**933,106**	2,888,200
	18,999,645	23,331,160

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

NOTES (CONTINUED)

(All amounts are in Ghana cedis unless otherwise stated)

22. Current income tax

	At 1 January	Charge for the year	Payments during the year	At 31 December
Year ended 31 December 2016				
Corporate income tax:				
Up to 2015	(428,348)	-	(61,568)	**(489,916)**
2016	-	1,487	(266,085)	**(264,598)**
	(428,348)	1,487	(327,653)	**(754,514)**
Capital gains tax:				
Up to 2015	2,906,128	-	-	**2,906,128**
2016	-	-	(98,520)	**(98,520)**
	2,477,780	1,487	(426,173)	**2,053,094**
Year ended 31 December 2015				
Corporate income tax:				
Up to 2014	(318,629)	196,842	-	(121,787)
2015	-	947	(307,508)	(306,561)
	(318,629)	197,789	(307,508)	(428,348)
Capital gains tax:				
2015	-	2,906,128	-	2,906,128
	(318,629)	3,103,917	(307,508)	2,477,780

23. Borrowings

	2016	2015
Current		
Bank overdrafts	**1,300,640**	210,840

Bank overdraft

The Company's overdraft facilities not exceeding GH¢4 million (2015: GH¢2.5 million) are secured by a debenture over the floating assets of the Company, a legal mortgage over specified properties and lien over trading stocks.

Letters of credits

At the balance sheet date, the Company had approved letter of credit facilities not exceeding GH₵23,055,000 (2015: GH₵21,446,250). The facilities are secured by a legal mortgage over specified properties of the Company.

NOTES (CONTINUED)

(All amounts are in Ghana cedis unless otherwise stated)

23. Borrowings (continued)

Bank loans

Stanbic medium term loan 1 (MTL1) facility of US$2 million

The Company's term loan facility of US$2.0 million secured in 2012 from Stanbic Bank Ghana Limited to finance the construction of a branch office. The facility is to be repaid in thirty-six (36) equal instalments after two years principal moratorium period. The facility attracts interest at 3 months LIBOR plus 6.25% per annum. The facility is secured by a floating charge over the Company's inventories and a first legal mortgage over the branch office under construction with funds from the facility. The facility was repaid in 2015.

The movement in loan account during the year is as follows:

	At 1 January	Drawdown	Exchange rate adjustment	Repayment	At 31 December
Year ended 31 December 2015					
Stanbic medium term loan 1	4,297,222	-	874,763	(5,171,985)	-
Current portion of loans	(1,841,667)				-
Non-current portion of loans	2,455,555				-

24. Non-current asset held for sale

	2016	2015
Investment properties	-	-

The Company initiated the process for selling investment properties in November 2013. The Company concluded the sale and transfer of ownership of the investment properties to in 2015. The gain on disposal is as follows:

	2016	2015
Proceeds	-	21,265,941
Carrying value of investment properties	-	(12,960,000)
Gains on disposal	-	(8,305,941)

25. Dividend

	2016	2015
At 1 January		-
Interim dividend declared for 2015	-	1,001,919
Final Dividend declared for 2015	**500,959**	-
Payment	**(500,959)**	(1,001,919)
At 31 December	-	-

At the annual general meeting of 16 June 2016 a final dividend of GH¢0.01 per share amounting to GH¢500,959 was declared for the year ended 31 December 2015. In 2015, the Company paid an interim dividend of GH¢0.02 per share amounting to GH¢1,001,919.

NOTES (CONTINUED)

(All amounts are in Ghana cedis unless otherwise stated)

26. Cash generated from/(used in) operations

	2016	2015
(Loss)/profit before income tax	**(2,673,281)**	9,631,976
Depreciation charge	**1,402,232**	1,127,780
Amortisation of intangible assets	**115,421**	172,270
Profit on disposal of property, plant and equipment	**(84,067)**	-
Gains on disposal of investment properties	**-**	(8,305,941)
Property and equipment written off	**-**	154,742
Finance income	**(501,242)**	(876,408)
Finance costs	**878,628**	887,803
Decrease in inventories	**5,002,296**	336,373
Increase in trade and other receivables	**859,309**	(3,543,873)
Decrease in trade and other payables	**(4,331,515)**	(14,267,599)
Cash generated from/(used in) operations	**667,781**	(14,682,877)

27. Related party transactions

The managing director owns 29.99% (2015: 29.99%) of the Company's issued shares as of the reporting date.

27.1 Key management compensation

Key management includes directors (executive and non-executive) and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2016	2015
Salaries	**1,109,777**	1,108,897
Defined contributions scheme	**87,638**	65,080
	1,197,415	1,173,977
Directors' remuneration		
Fees for services as a director	**114,300**	123,100
Other emoluments (included in key management compensation above)	**1,108,630**	906,045
	1,222,930	1,029,145

27.2 Car loans to key management

At 1 January	**338,721**	10,550
Loans advanced during the year	**372,117**	510,655
Interest charged	**89,525**	52,945
Loan repayments received	**(308,710)**	(235,429)
	491,653	338,721

Car loans are recovered through the monthly payroll in accordance with the payment plan. No provisions were required in 2016 (2015: Nil) for car loans made to key management personnel.

NOTES (CONTINUED)

(All amounts are in Ghana cedis unless otherwise stated)

28. Segmental reporting

Management has determined the operating segments based on the reports reviewed by the Executive Committee 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 Fergusson, and servicing of vehicles.

Year ended 31 December 2016

	BMW	Ford	Massey Fergusson	Servicing	Total
Revenue	13,724,305	22,486,351	3,112,384	11,641,772	**50,964,812**
Cost of sales	(10,466,440)	(17,352,999)	(2,060,827)	(13,694,436)	**(43,574,702)**
Gross profit	3,257,865	5,133,352	1,051,557	(2,052,664)	**7,390,110**
Operating costs					**(10,965,097)**
Other income					**1,279,092**
Operating loss					**(2,295,895)**
Finance income					**501,242**
Finance costs					**(878,628)**
Loss before income tax					**(2,673,281)**
Income tax expense					**(129,837)**
Loss for the year					**(2,803,118)**

Year ended 31 December 2015

	BMW	Ford	Massey Fergusson	Servicing	Total
Revenue	9,474,894	26,256,941	1,388,712	9,706,508	46,827,055
Cost of sales	(7,475,834)	(15,561,688)	(822,230)	(11,686,033)	(35,545,785)
Gross profit	1,999,060	10,695,253	566,482	(1,979,525)	11,281,270
Operating costs					(11,835,834)
Other income					10,197,935
Operating profit					9,643,371
Finance income					876,408
Finance costs					(887,803)
Profit before income tax					9,631,976
Income tax expense					(846,713)
Profit for the year					8,785,263

NOTES (CONTINUED)

(All amounts are in Ghana cedis unless otherwise stated)

28. Segmental reporting (continued)

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.

29. Financial risk management

The Company's operations expose it to a variety of financial risks that include credit risk, liquidity risk, 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 and credit risk.

Risk management is carried out by the management of the Company under policies approved by the board of directors. Management identifies, evaluates and hedges financial risks.

29.1 Market risk management

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's policy to manage foreign exchange risk is to hold foreign currency bank accounts which act as a natural hedge for purchases of motor vehicles and farm machinery. Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies.

At 31 December 2016, 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¢56,255 higher/lower (2015: Post tax profit would have been GH¢46,352 lower/higher), mainly as a result of Euro denominated trade payables and bank balances.

At 31 December 2016, 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¢722 higher/lower (2015: post tax profit would have been GH¢21,867 lower/higher), mainly as a result of US dollar denominated trade payables and bank balances.

At 31 December 2016, if the currency had weakened/strengthened by 1% against the pound with

NOTES (CONTINUED)

(All amounts are in Ghana cedis unless otherwise stated)

29. Financial risk management (continued)

29.1 Market risk management (continued)

Foreign exchange risk (continued)

all other variables held constant, post-tax loss for the year would have been GH¢1,058 higher/lower (2015: post tax profit would have been GH¢823 lower/higher), mainly as a result of pound denominated trade payables and bank balances.

The Company hedges the currency risk using the practice stated above in order to mitigate currency risk as a result of changes in foreign exchange rates.

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 2016					
Financial assets					
Trade and other receivables	-	-	-	6,009,427	**6,009,427**
Cash and cash equivalents	1,783,096	141,261	806,690	637,368	**3,368,415**
Total financial assets	**1,783,096**	**141,261**	**806,690**	**6,646,795**	**9,377,842**
Financial liabilities					
Trade and other payables	1,683,049	20,355	8,303,606	7,970,014	**17,977,024**
Bank overdrafts	-	-	-	1,300,640	**1,300,640**
Total financial liabilities	**1,683,049**	**20,355**	**8,303,606**	**9,270,654**	**19,277,664**
Year ended 31 December 2015					
Financial assets					
Trade and other receivables	-	-	-	6,624,258	6,624,258
Cash and cash equivalents	1,969,590	109,808	397,658	2,037,620	4,514,676
Total financial assets	1,969,590	109,808	397,658	8,661,878	11,138,934
Financial liabilities					
Trade and other payables	4,835,689	-	6,382,621	8,938,690	20,157,000
Bank overdrafts	-	-	-	210,840	210,840
Total financial liabilities	4,835,689	-	6,382,621	9,149,530	20,367,840

Interest rate risk

The Company's exposure to the risk for changes in market interest rates relates primarily to the Company's long-term 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.

NOTES (CONTINUED)

(All amounts are in Ghana cedis unless otherwise stated)

29. Financial risk management (continued)

29.1 Market risk management (continued)

Interest rate risk (continued)

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 market interest.

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¢985 (2015: GH¢2,162) per annum.

Price risk

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

29.2 Credit risk management

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 all 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 made to government agencies and institutional customers.

The Company does not hold any collateral as security. The amount that best represents the Company's maximum exposure to credit risk at 31 December 2016 and 2015 is the carrying value of the trade receivables, staff receivables and cash and cash equivalents in the statement of financial position.

Analysis of trade receivables by credit quality is as follows:

Gross value of trade receivables comprise:

	2016	2015
Neither past due nor impaired	**2,337,584**	2,555,781
Past due but not impaired	**2,989,774**	2,273,256
Impaired	**1,207,816**	1,207,816
	6,535,174	6,036,853

NOTES (CONTINUED)

(All amounts are in Ghana cedis unless otherwise stated)

29. Financial risk management (continued)

29.2 Credit risk management (continued)

As of 31 December 2016, trade receivables past due but not impaired were in arrears up to 6 months.

At 31 December 2016, trade receivables of GH¢1,207,816 (2015: GH¢1,207,816) were impaired and fully provided for.

The Company extends credit to customers up to one year.

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

(iii) Other receivables
Sundry receivables are neither past due nor impaired.

(iv) Cash and cash equivalents
The Company manages credit risk relating to cash and cash equivalents by having banking relationships with only financial institutions licensed by the Bank of Ghana.

29.3 Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company maintains a strong 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 a local bank 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 23.

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

NOTES (CONTINUED)

(All amounts are in Ghana cedis unless otherwise stated)

29. Financial risk management (continued)

29.3 Liquidity risk management (continued)

	Less than 12 months	More than 12 months	Total
At 31 December 2016			
Bank overdrafts	1,632,303	-	**1,632,303**
Trade and other payables	17,977,024	-	**17,977,024**
Total financial liabilities	**19,609,327**	**-**	**19,609,327**
At 31 December 2015			
Bank overdrafts	264,667	-	264,667
Trade and other payables	20,157,000	-	20,157,000
Total financial liabilities	20,421,667	-	20,421,667

29.4 Management of capital

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.

29.5 Fair value 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 2016 and 31 December 2015 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 and current liabilities (excluding cash and borrowings) are generally short term in nature and accordingly their fair values approximate to their book values.

Borrowings

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

NOTES (CONTINUED)

(All amounts are in Ghana cedis unless otherwise stated)

29. Financial risk management (continued)

29.5 Fair value of financial assets and liabilities (continued)

At 31 December 2016	Loans and receivables	Other liabilities amortised cost	Total	Fair value
Financial assets				
Trade and other receivables	6,009,427	-	**6,009,427**	**6,009,427**
Cash and cash equivalents	3,368,415	-	**3,368,415**	**3,368,415**
Financial liabilities				
Trade and other payables		17,977,024	**17,977,024**	**17,977,024**
Bank overdrafts	-	1,300,640	**1,300,640**	**1,300,640**
At 31 December 2015				
Trade and other receivables	6,624,258	-	6,624,258	6,624,258
Cash and cash equivalents	4,514,676	-	4,514,676	4,514,676
Financial liabilities				
Trade and other payables	-	20,157,000	20,157,000	20,157,000
Bank overdrafts	-	210,840	210,840	210,840

30. Earnings per share

	2016	2015
(Loss)/ profit for the year	**(2,803,118)**	8,785,263
Number of ordinary shares (Number)	**50,095,925**	50,095,925
Basic and diluted (loss)/earnings per share (GH¢)	**(0.0560)**	0.1754

There were no potentially dilutive shares outstanding at 31 December 2016 or 2015. Diluted earnings per share are the same as basic earnings per share.

31. Commitments

Capital commitments

Capital commitments at the reporting date is as follows:

	2016	2015
Property, plant and equipment contracted	**-**	1,532,000

NOTES (CONTINUED)

(All amounts are in Ghana cedis unless otherwise stated)

31. Commitments (continued)

Operating lease commitments

The Company leases various outlets under non-cancellable operating lease. The lease terms are between 5 and 10 years, and the majority of the lease agreements are renewable at the end of the lease period at market rates.

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

	2016	2015
Not later than 1 year	**101,280**	133,284
Later than 1 year and not later than 5 years	**405,120**	367,680
Later than 5 years	**-**	91,920

32. Contingent liabilities

(i) Guarantees

The Company's bankers have provided guarantees not exceeding GH¢1,260,000 (2015: GH¢229,860). The Company is liable to the banks in the event of default.

(ii) Claims

The Company is defending legal actions brought by various persons for claims of GH¢2,727,083 (2015: GH¢305,410). Management has assessed the likelihood of these legal proceedings resulting in financial commitments and payments by the Company Limited 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.

33. Subsequent events

There were no significant events after the reporting date that needs to be adjusted or disclosed.

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 2016 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
Ms. D. M. Darko	2,052,000	4.10
Ms. G. A. Darko	2,052,000	4.10
Mrs. K. Y. Darko – O'Kell	2,052,000	4.10
Mr. T. R. Darko (Jnr)	2,052,000	4.10
SCBN/ Mega African Capital	1,862,700	3.72
Mr. C. N. Darko	1,198,752	2.39
Mr. S. A. Darko	1,198,745	2.39
Ms. R. J. Darko	961,305	1.92
Ms. C. B. Darko	845,967	1.69
Mr. P. K. Abosi-Appeadu	635,300	1.27
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. Lucy S. Darko	508,465	1.01
Ms. Esther S. Darko	504,561	1.01
Reported totals	39,977,576	79.81
Not reported	10,118,349	20.19
	50,095,925	100.00

2. Number of shareholders

The number and distribution of ordinary shareholders with equal voting rights as at 31 December 2016 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	121	46,464,580	92.75
	4,066	50,095,925	100.00

SHAREHOLDERS INFORMATION (continued)

3. Five year financial summary
(All amounts are thousands of Ghana cedis unless stated otherwise)

	2016	2015	2014	2013	2012
Statement of comprehensive income					
Revenue	**50,965**	46,827	30,641	38,410	46,951
(Loss)/profit before income tax	**(2,673)**	9,632	(4,076)	(1,461)	7,778
(Loss)/profit after income tax	**(2,803)**	8,785	(3,506)	(1,027)	6,215
Other comprehensive income:					
- Revaluation surplus, net of tax	**-**	-	-	-	16,880
Total comprehensive income	**(2,803)**	8,785	(3,506)	(1,027)	23,095
No. of shares in thousands	**50,095**	50,095	50,095	50,095	50,095
Earnings per share:					
Basic and diluted (loss)/earnings per share (GH¢)	**(0.0560)**	0.1754	(0.0700)	(0.0205)	0.1241
Statement of financial position					
Assets					
Non-current assets					
Property, plant and equipment	**34,302**	34,420	32,955	32,338	31,748
Investment properties	**-**	-	-	-	12,960
Other prepayments	**2,057**	1,657	675	675	675
Intangible assets	**234**	350	522	632	-
Total non-current assets	**36,593**	36,427	34,152	33,645	45,383
Current assets	**26,866**	33,874	33,539	31,782	36,295
Non-current asset held for sale	**-**	-	12,960	12,960	-
Total assets	**63,459**	70,301	80,651	78,387	81,678
Equity					
Stated capital	**2,771**	2,771	2,771	2,771	2,771
Capital surplus account	**21,862**	21,862	21,862	21,862	21,862
Income surplus account	**14,235**	17,539	9,756	13,763	15,541
Total equity	**38,868**	42,172	34,389	38,396	40,174
Non-current liabilities	**2,237**	2,109	6,822	7,592	6,661
Current liabilities	**22,354**	26,020	39,440	32,399	34,843
Total equity and liabilities	**63,459**	70,301	80,651	78,387	81,678
Dividend paid per share (GH¢)	**0.0100**	0.0200	0.0100	0.0150	0.0080
Net assets per share (GH¢)	**0.7759**	0.8418	0.6865	0.7664	0.8019

PROXY FORM

Annual General Meeting to be Held at 11.00 am. on Tuesday 20 June, 2017 at Accra **International Conference Centre,** Accra.

I / We...

....

of ....
being a member(s) of Mechanical Lloyd 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 Tuesday 20 June, 2017.

Dated this .... Day of 2017

....
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,
123 Kwame Nkrumah Avenue, Sethi Plaza
P.O. Box GP 401, Accra, Ghana

For Company's Use	No. of Shares	
Resolution	**For**	**Against**
1. To recieve the Reports of the Directors, Auditors and Financial Statements.		
2. To re-elect Mr. C.B.K Zwennes as Director		
3. To re-elect Mr. Kofi Asamoah as Director.		
4. To authorise the Directors to fix the remuneration of the Auditors.		

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 COMPANY LIMITED

Admission Form

Annual General Meeting to be held at **Accra International Conference Centre,** Accra on **Tuesday 20 June, 2017** 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.

Second Fold Here

First Fold Here

Please Affix
Stamp

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

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